

# Associated Students, Inc. of California State University San Marcos

Financial Statements and Supplemental Information

Years Ended June 30, 2021 and 2020



**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2021 and 2020

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**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplemental Information for Inclusion in the California State University:	
Schedule of Net Position	15
Schedule of Revenues, Expenses, and Changes in Net Position	16
Other Information	17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Associated Students, Inc. of California State San Marcos (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our June 30, 2021 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our June 30, 2020 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students, Inc. of California State University San Marcos as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis-of-Matter

#### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021, Associated Students, Inc. of California State University San Marcos, adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 15-22 is presented for purposes of additional analysis and is not a required part of the 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of Associated Students, Inc. of California State University San Marcos, June 30, 2021 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 Associated Students, Inc. of California State University San Marcos internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Associated Students, Inc. of California State University San Marcos internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 28, 2021

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS****Statements of Financial Position**

June 30, 2021 and 2020

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 288,475	\$ 101,862
Restricted cash	262,156	237,465
Due from related parties	<u>2,217,287</u>	<u>2,003,273</u>
Total Current Assets	2,767,918	2,342,600
Property and Equipment, net of accumulated depreciation	<u>36,088</u>	<u>32,744</u>
Total Assets	<u>\$ 2,804,006</u>	<u>\$ 2,375,344</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 14,380	\$ 9,607
Due to related parties	433,916	361,196
Deferred revenue	-	42,549
Obligations under capital lease, current portion	<u>-</u>	<u>3,909</u>
Total Current Liabilities	448,296	417,261
Net Assets Without Donor Restrictions	<u>2,355,710</u>	<u>1,958,083</u>
Total Liabilities and Net Assets	<u>\$ 2,804,006</u>	<u>\$ 2,375,344</u>

See accompanying notes to financial statements.

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS****Statements of Activities**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue and Support Without Donor Restriction:		
Other program revenue	\$ 2,249,398	\$ 2,199,712
Interest income	36,665	33,943
Grants	47,652	330,000
Other income	<u>123,659</u>	<u>302,497</u>
Total Revenue and Support Without Donor Restriction:	2,457,374	2,866,152
Expenses:		
Program Services:		
ASI Cougar Pantry	487,581	133,294
Board of Directors	368,089	350,107
Marketing and Design	226,361	204,968
Student Programs and Activities	567,590	562,475
Supporting Services:		
Management and general	<u>410,126</u>	<u>432,800</u>
Total Expenses	<u>2,059,747</u>	<u>1,683,644</u>
Change in Net Assets	397,627	1,182,508
Net Assets Without Donor Restrictions, beginning	<u>1,958,083</u>	<u>775,575</u>
Net Assets Without Donor Restrictions, ending	<u>\$ 2,355,710</u>	<u>\$ 1,958,083</u>

See accompanying notes to financial statements.

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**

**Statement of Functional Expenses**

Year Ended June 30, 2021

	Program Services				Total Programs	Supporting Services	Total
	ASI Cougar Pantry	Board of Directors	Marketing and Design	Student Programs and Activities		Management and General	
Accounting and legal	\$ -	\$ 413	\$ -	\$ -	\$ 413	\$ 143,428	\$ 143,841
Contract services admin fee	-	-	-	-	-	63,851	63,851
Depreciation	-	-	-	-	-	17,129	17,129
Financial aid student scholarships	-	20,143	-	-	20,143	-	20,143
Food pantry renovation	317,801	-	-	-	317,801	-	317,801
Insurance	-	-	-	-	-	6,081	6,081
Interest	-	-	-	-	-	143	143
Office and other supplies	944	-	-	1,237	2,181	2,923	5,104
Other	-	-	-	-	-	3,189	3,189
Other rental and lease equipment	-	-	-	16,016	16,016	-	16,016
Payroll	105,222	167,872	180,015	295,376	748,485	72,835	821,320
Professional development	-	-	-	-	-	3,868	3,868
Programming and student activities	40,577	156,624	23,309	231,924	452,434	80,000	532,434
Rent	23,037	23,037	23,037	23,037	92,148	1,881	94,029
Telephone	-	-	-	-	-	8,798	8,798
Transportation and conference	-	-	-	-	-	6,000	6,000
<b>Total expenses</b>	<b>\$ 487,581</b>	<b>\$ 368,089</b>	<b>\$ 226,361</b>	<b>\$ 567,590</b>	<b>\$ 1,649,621</b>	<b>\$ 410,126</b>	<b>\$ 2,059,747</b>

See accompanying notes to financial statements.

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**

**Statement of Functional Expenses**

Year Ended June 30, 2020

	Program Services				Total Programs	Supporting Services	Total
	ASI Cougar Pantry	Board of Directors	Marketing and Design	Student Programs and Activities		Management and General	
Accounting and legal	\$ -	\$ 2,283	\$ -	\$ 358	\$ 2,641	\$ 149,843	\$ 152,484
Contract services admin fee	-	-	-	-	-	66,050	66,050
Depreciation	-	-	-	-	-	8,386	8,386
Insurance	-	-	-	-	-	7,319	7,319
Interest	-	-	-	-	-	666	666
Office and other supplies	-	24	-	-	24	7,485	7,509
Other	460	-	14,708	1,403	16,571	5,877	22,448
Other rental and lease equipment	-	-	966	12,151	13,117	-	13,117
Payroll	81,669	187,311	129,409	289,510	687,899	160,815	848,714
Professional development	-	-	-	-	-	9,766	9,766
Programming and student activities	28,757	117,672	38,029	237,197	421,655	3,344	424,999
Rent	21,856	21,856	21,856	21,856	87,424	1,784	89,208
Telephone	-	-	-	-	-	6,879	6,879
Transportation and conference	552	20,961	-	-	21,513	4,586	26,099
<b>Total expenses</b>	<b>\$ 133,294</b>	<b>\$ 350,107</b>	<b>\$ 204,968</b>	<b>\$ 562,475</b>	<b>\$ 1,250,844</b>	<b>\$ 432,800</b>	<b>\$ 1,683,644</b>

See accompanying notes to financial statements.



**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS****Statements of Cash Flows**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 397,627	\$ 1,182,508
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,129	8,386
Changes in operating assets and liabilities:		
Due from related parties	(214,014)	(1,281,185)
Deposits	-	3,000
Accounts payable	4,773	1,385
Due to related parties	72,720	(8,984)
Deferred revenue	(42,549)	(15,468)
	<u>235,686</u>	<u>(110,358)</u>
Net Cash Provided (Used) by Operating Activities		
	235,686	(110,358)
Cash Flows Used by Investing Activities:		
Purchase of property and equipment	(20,473)	(30,575)
Cash Flows Used by Financing Activities:		
Payments on capital lease obligation	(3,909)	(5,508)
	<u>(3,909)</u>	<u>(5,508)</u>
Net Increase (Decrease) in Cash and Restricted Cash	211,304	(146,441)
Cash and Restricted Cash, beginning	<u>339,327</u>	<u>485,768</u>
Cash and Restricted Cash, ending	<u>\$ 550,631</u>	<u>\$ 339,327</u>
Cash and Restricted Cash Consist of the Following:		
Cash	\$ 288,475	\$ 101,862
Restricted Cash	<u>262,156</u>	<u>237,465</u>
Total Cash and Restricted Cash	<u>\$ 550,631</u>	<u>\$ 339,327</u>
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	<u>\$ 143</u>	<u>\$ 666</u>

See accompanying notes to financial statements.

# ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies

#### Nature of Activities

The Associated Students, Inc. of California State University San Marcos (Organization) is a non-profit California corporation organized in 1994 as an auxiliary organization to California State University San Marcos (University) operated in accordance with the General Nonprofit Corporation Law of the State of California. The Organization administers various student programs and activities. Student fees and other revenues are collected for the support of student-related programs and for the acquisition of assets that benefit the student body.

The Organization's financial statements are included as a component unit of the University's annual general-purpose financial statements. This is required by government accounting standards that apply to the University.

#### New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective July 1, 2020. The new guidance was applied retrospectively to all contracts that were not completed as of the adoption date.

Management has analyzed the provisions of the FASB's ASC Topic 606, and has concluded that no changes are necessary to conform with the new standard.

#### Related Parties

The Organization is related to other auxiliaries of the University, including California State University San Marcos Corporation (SM Corp), and California State University San Marcos Foundation (Foundation). These auxiliaries and the University periodically provide various services to one another.

#### Basis of Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any donor restrictions that were temporary or perpetual in nature for the years ended June 30, 2021 and 2020.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies, continued

#### Income Taxes

The Organization is a qualified non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Organization has no uncertain tax positions as of June 30, 2021 and 2020 and therefore no amounts have been accrued.

#### Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 5 years.

#### Restricted Cash

The Organization holds funds for on-campus student organizations to fund activities. These funds can be drawn upon at any time by the on-campus student organizations and are recognized as a liability to the University under due to related parties.

#### Revenue Recognition

The Organization's main source of revenue is from payments from the University for the administrative oversight of the Student Body Organization, which is shown as other program revenue on the statements of activities. These payments support the Organization's operations and are recognized as revenue ratably over the course of the term. The Organization recognizes revenue from contracts with customers in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Discounts provided to customers are recognized as a reduction in fees as the goods or services are transferred or discounts are granted. The Organization recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically the point in time in which the customer partakes of the service, or the goods are transferred.

*Grants and Contributions* – Revenues from grants and contracts are recognized to the extent of eligible costs incurred up to an amount not to exceed the *total* grant or contract authorized. Deferred revenue results from grant awards and contracts received (or in accounts receivable) that are applicable to the subsequent period. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends 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 as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

#### Fair Value Measurements

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2021 and 2020, due to the relative short maturities of these instruments.

# ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

### Note 1 – Organization and Summary of Significant Accounting Policies, continued

#### Future Accounting Standards

FASB has issued a substantial ASU, which will become effective in a future year.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

#### Subsequent Events

The Organization has evaluated subsequent events through September 28, 2021, which is the date the financial statements were available to be issued.

### Note 2 – Concentrations of Credit Risk

The Organization maintains an account at a financial institution with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization’s account at this institution may, at times, exceed FDIC-insured limits of up to \$250,000. The Organization has not experienced any such losses in these accounts.

### Note 3 – Financial Assets and Liquidity Resources

#### Board Designations

Net assets without donor restrictions are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ -	\$ -
Board designated:		
Reserved for wellness and recreation building	982,942	-
Reserved for working capital and current operations	602,341	602,341
Reserved for planned future growth	301,388	301,388
Reserved for student emergency fund	252,350	350,000
Reserved for cougar pantry remodel construction contingency	83,000	100,000
Reserved for capital equipment replacement and acquisition	74,724	78,354
Reserved for Calfresh outreach	47,652	-
Reserved for refrigerated lockers installation	9,528	10,000
Reserved for San Diego bank grants	1,225	-
Reserved for giving day funds	560	-
Reserved for SB84 cougar pantry remodel	-	330,000
Reserved for technology fund	-	100,000
Reserved for cougar care network support	-	80,000
Reserved for student transportation support	-	6,000
	<u>\$ 2,355,710</u>	<u>\$ 1,958,083</u>

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS****Notes to Financial Statements**Years Ended June 30, 2021 and 2020

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**Note 3 – Financial Assets and Liquidity Resources, continued**Liquidity

The following represents the Organization's liquidity at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 288,475	\$ 101,862
Restricted cash	262,156	237,465
Due from related parties	<u>2,217,287</u>	<u>2,003,273</u>
Total financial assets	<u>2,767,918</u>	<u>2,342,600</u>
Less amounts not available for general use within one year:		
Restricted funds held on behalf of others	(262,156)	(237,465)
Board designated	<u>(1,359,614)</u>	<u>(379,742)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,146,148</u>	<u>\$ 1,725,393</u>

The Organization is substantially supported by student fees collected by the University and these fees are subsequently transferred to the Organization as program fee revenue for the administrative oversight of the Student Body Organization. The fees carry no donor restrictions. The Organization structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. Excess cash is invested in the California State University's investment pool and is recognized as due from related parties in the financial statements. Amounts are available to be drawn down from the University at any time in order to meet the needs of the Organization. The Organization holds funds on behalf of various on-campus student organizations and may be drawn at any time by the student organizations. These funds are also recognized as a liability due to the University under due to related parties.

**Note 4 – Property and Equipment**

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 74,724	\$ 78,354
Less accumulated depreciation	<u>(38,636)</u>	<u>(45,610)</u>
	<u>\$ 36,088</u>	<u>\$ 32,744</u>

The total cost basis of equipment under capital leases as of June 30, 2021 and 2020 was \$0 and \$24,103, respectively. Accumulated depreciation associated with these assets as of June 30, 2021 and 2020 was \$0 and \$18,967, respectively.

# ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 5 – Revenue Recognition

#### Contract Balances

Accounts receivable and contract liabilities balances from contracts with customers are as follows:

	<u>Accounts Receivable, net</u>		<u>Contract Liabilities, Deferred Revenue</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 2,003,273	\$ 722,088	\$ 42,549	\$ 58,017
End of year	\$ 2,217,287	\$ 2,003,273	\$ -	\$ 42,549

#### Significant Judgments

The Organization analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Organization has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct revenue stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. The Organization does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Significant judgment is also required to assess collectability. The Organization assesses collectability each reporting period to monitor that the collectability threshold is met and does not recognize revenue if collection is not probable. Impairment losses are recognized when there are significant changes in a customer's assessed collectability.

### Note 6 – Operating Leases

The Organization entered into a sublease with SM Corp as of January 2014 to lease spaces in the University Student Union, which expired June 30, 2017 and was subsequently renewed with the University for 10 years. As consideration for the leased space, the Organization operates student programs with the space leased in the University Student Union. This relationship is recognized as in-kind revenue and expense shown within other income, program services and management and general expenses on the statements of activities. Total in-kind rent revenue and expense for the years ended June 30, 2021 and 2020 was \$94,028 and \$89,210, respectively.

### Note 7 – Transactions with Related Parties

The Organization receives services from and provides services to the University and related parties including Foundation and SM Corp. The Organization has a payroll and employment services agreement with SM Corp under which all of the Organization's personnel became employees of SM Corp. The Organization pays SM Corp the costs and fees of providing payroll and benefits along with an administrative fee.

The original term of the agreement was one year, but it renews automatically unless either party gives three months' written notice.

The Organization holds assets for various student organizations as well. The activity for these student organizations is recorded with the University. Therefore, the Organization only records cash and a liability due to the University.

Excess money of the Organization is held by the University in a pooled investment account. The amount held on behalf of the Organization and its proportional share of investment income is included in due from related parties.

**ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**

**Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 7 – Transactions with Related Parties, continued**

Related party transactions are as follows:

<u>Related Party</u>	<u>Description</u>	<u>Reported in</u>	<u>2021</u>	<u>2020</u>
Expenses to:				
University	Accounting, personnel services, and reimbursed costs	Programs / Student activities	\$ 827,131	\$ 634,158
SM Corp	Payroll processing, administrative expenses and other expenses	Payroll Expenses	885,235	1,053,939
Foundation	Student program costs	Various expenses	6,000	10,429
			<u>\$ 1,718,366</u>	<u>\$ 1,698,526</u>
Revenues from:				
University	Services, space, and programs	Other income and expenses	\$ 47,652	\$ 345,508
University	Proportionate share of investment return	Investment income	36,665	33,943
University	Management fee from campus	Other program revenue	2,249,398	2,199,712
Foundation	Various student organizations	Other income	21,905	81,491
SM Corp	Student program costs	Student program costs	2,500	5,525
			<u>\$ 2,358,120</u>	<u>\$ 2,666,179</u>
Due from:				
University	Pooled investment account	Due from affiliates	\$ 2,216,287	\$ 1,822,773
University	Cost reimbursements	Due from related parties	-	180,500
SM Corp	Cost reimbursements	Due from related parties	1,000	-
			<u>\$ 2,217,287</u>	<u>\$ 2,003,273</u>
Due to:				
University	Reimbursed services	Accounts payable	\$ 262,809	\$ 235,799
SM Corp	Payroll processing and administration fees	Accounts payable	171,107	125,397
			<u>\$ 433,916</u>	<u>\$ 361,196</u>

**Note 8 – Functional Allocation of Expenses**

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 basis that is consistently applied. The expenses that are allocated include rent, which is allocated on a square-footage basis, as well as payroll, which are allocated on the basis of estimates of time and effort.

## **ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**

### **Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

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#### **Note 9 – Contingencies**

From time to time, the Organization is subject to litigation as a result of its ongoing activities. Management believes that the outcomes of such litigation will not have a material adverse effect on the Organization's financial position, results of operations or liquidity.

#### Coronavirus

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders, including California, where the organization is located.

Management has initiated several changes to the operations of the programs, events and administrative functions in order to protect the health of staff and students and to mitigate the financial effects of the virus and its resultant economic slowdown. The Organization will continue to evaluate, and if appropriate, adopt other measures in the future required for the ongoing safety of students and staff.



**SUPPLEMENTAL INFORMATION**

**Associated Students, Inc. of California State University San Marcos**  
**Schedule of Net Position**  
**June 30, 2021**  
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 288,475
Short-term investments	-
Accounts receivable, net	2,217,287
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	-
Total current assets	<u>2,505,762</u>
Noncurrent assets:	
Restricted cash and cash equivalents	262,156
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	36,088
Other assets	-
Total noncurrent assets	<u>298,244</u>
Total assets	<u>2,804,006</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	448,296
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenue	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>448,296</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims Liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>448,296</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	36,088
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-
Unrestricted	2,319,622
Total net position	<u>\$ 2,355,710</u>

**Associated Students, Inc. of California State University San Marcos**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2021  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ -
Scholarship allowances	-
Grants and contracts, noncapital:	
Federal	-
State	47,652
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances	-
Other operating revenues	2,373,057
Total operating revenues	<u>2,420,709</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	1,649,621
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	392,997
Depreciation and amortization	17,129
Total operating expenses	<u>2,059,747</u>
Operating income (loss)	<u>360,962</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	36,665
Endowment income (loss), net	-
Interest expenses	-
Other nonoperating revenues (expenses) - excl. interagency transfers	-
Net nonoperating revenues (expenses)	<u>36,665</u>
Income (loss) before other revenues (expenses)	<u>397,627</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>397,627</u>
Net position:	
Net position at beginning of year, as previously reported	1,958,083
Restatements	-
Net position at beginning of year, as restated	<u>1,958,083</u>
Net position at end of year	<u>\$ 2,355,710</u>

**Associated Students, Inc. of California State University San Marcos**  
Other Information  
June 30, 2021  
(for inclusion in the California State University)

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	-
All other restricted cash and cash equivalents	\$ 262,156
Noncurrent restricted cash and cash equivalents	262,156
Current cash and cash equivalents	288,475
Total	\$ 550,631

**2.1 Composition of investments:**

	Current	Noncurrent	Total
Money Market funds	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	-	-
Exchange traded funds (ETFs)	-	-	-
Equity securities	-	-	-
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment	-	-	-
Other external investment pools			
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments	-	-	-
Total investments	-	-	-
Less endowment investments	-	-	-
Total investments, net of endowments	\$ -	\$ -	\$ -

**Associated Students, Inc. of California State University San Marcos**

Other Information

June 30, 2021

(for inclusion in the California State University)

**2.2 Fair value hierarchy in investments:**

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	-	-	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments	-	-	-	-	-
<b>Total investments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Investments held by the University under contractual 2.3 agreements:**

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):	\$ -	\$ -	\$ -

**Associated Students, Inc. of California State University San Marcos**  
**Other Information**  
**June 30, 2021**  
(for inclusion in the California State University)

**3.1 Composition of capital assets:**

	Balance June 30, 2020	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2020 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2021
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total non-depreciable/non-amortizable capital assets</b>	-	-	-	-	-	-	-	-	-
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	78,354	-	-	-	78,354	20,473	(24,103)	-	74,724
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	78,354	-	-	-	78,354	20,473	(24,103)	-	74,724
<b>Total capital assets</b>	78,354	-	-	-	78,354	20,473	(24,103)	-	74,724
<b>Less accumulated depreciation/amortization:</b>									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	(45,610)	-	-	-	(45,610)	(17,129)	24,103	-	(38,636)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	(45,610)	-	-	-	(45,610)	(17,129)	24,103	-	(38,636)
<b>Total capital assets, net</b>	\$ 32,744	\$ -	\$ -	\$ -	\$ 32,744	\$ 3,344	\$ -	\$ -	\$ 36,088

**3.2 Detail of depreciation and amortization expense:**

Depreciation and amortization expense related to capital assets	\$ 17,129
Amortization expense related to other assets	-
<b>Total depreciation and amortization</b>	<b>\$ 17,129</b>







**Associated Students, Inc. of California State University San Marcos**

Other Information

June 30, 2021

(for inclusion in the California State University)

**10 Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)	-
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan origination fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-
Total deferred outflows - others	-
<b>Total deferred outflows of resources</b>	<b>\$ -</b>

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements	-
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan origination fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-
Total deferred inflows - others	-
<b>Total deferred inflows of resources</b>	<b>\$ -</b>

**11 Other nonoperating revenues (expenses)**

Other nonoperating revenues	-
Other nonoperating expenses	-
<b>Total other nonoperating revenues (expenses)</b>	<b>\$ -</b>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Audit Committee  
Associated Students, Inc. of California State University San Marcos

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Associated Students, Inc. of California State University San Marcos (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Associated Students, Inc. of California State University San Marcos 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 Associated Students, Inc. of California State University San Marcos internal control. Accordingly, we do not express an opinion on the effectiveness of the Associated Students, Inc. of California State University San Marcos internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Associated Students, Inc. of California State University San Marcos 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*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*, CONTINUED**

**Purpose of this Report**

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

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 28, 2021