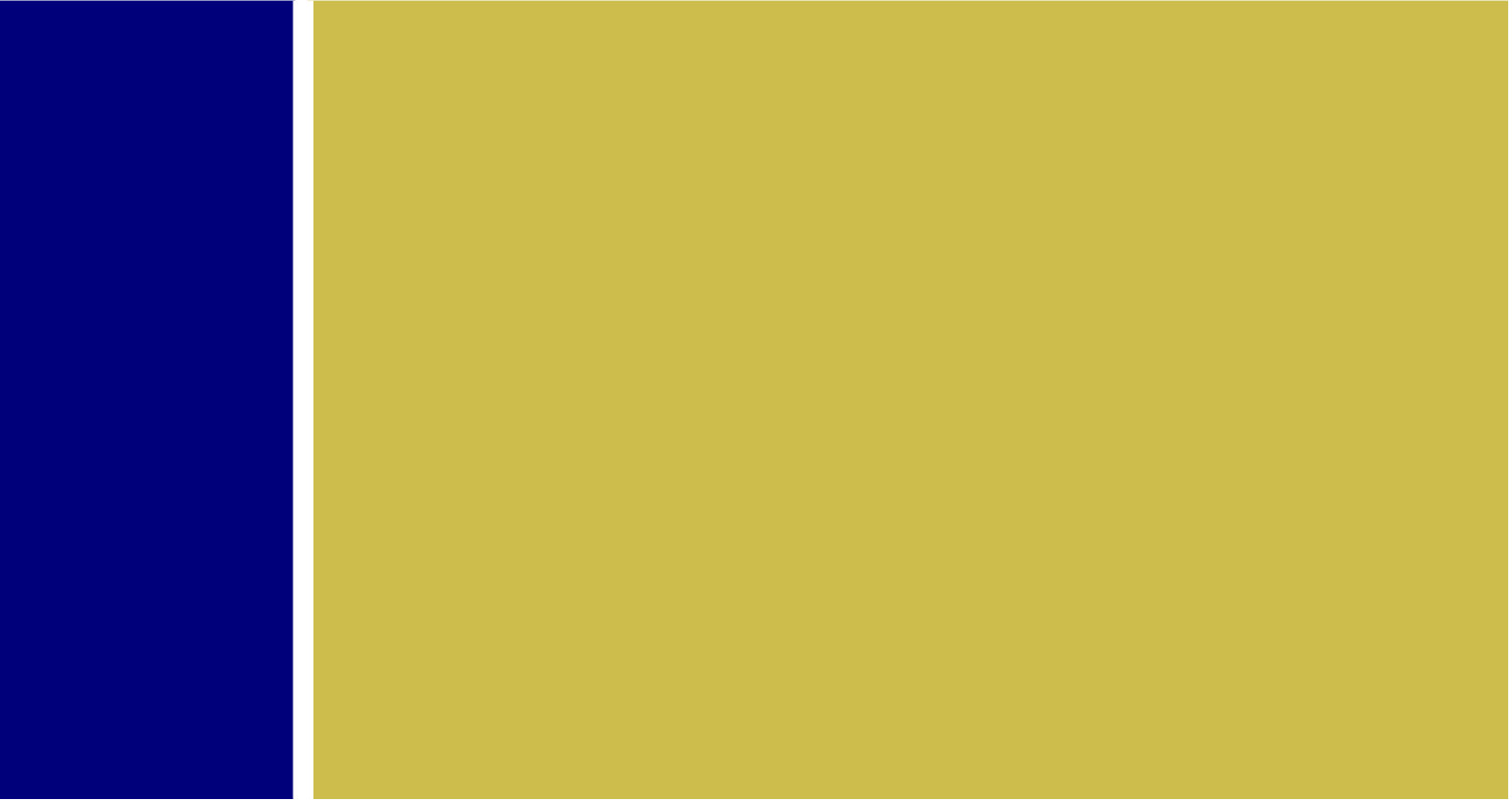




Associated Students, Inc.
of California State University
San Marcos

Financial Statements and Supplemental Information

Years Ended June 30, 2016 and 2015



ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS
Financial Statements and Supplemental Information
Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

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, 2016 and 2015, 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.

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AKT LLP

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 13-21 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.

AKT LLP

San Diego, California
September 21, 2016

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

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 83,452	\$ 66,851
Restricted cash	153,231	108,392
Due from related parties	692,891	685,519
Other receivable	<u>-</u>	<u>16,954</u>
Total Current Assets	929,574	877,716
Property and Equipment, net of accumulated depreciation	49,258	40,421
Deposits	<u>3,000</u>	<u>3,000</u>
Total Assets	<u>\$ 981,832</u>	<u>\$ 921,137</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Fund held for others	\$ 153,231	\$ 108,392
Accounts payable	164,672	98,916
Obligations under capital lease, current portion	4,021	2,619
Deferred revenue	<u>112,014</u>	<u>79,623</u>
Total Current Liabilities	433,938	289,550
Obligations under capital lease, net of current portion	<u>18,996</u>	<u>-</u>
Total Liabilities	452,934	289,550
Net Assets, unrestricted	<u>528,898</u>	<u>631,587</u>
Total Liabilities and Net Assets	<u>\$ 981,832</u>	<u>\$ 921,137</u>

See accompanying notes to financial statements.

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

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue and Support:		
Student tuition fees	\$ 1,316,332	\$ 1,246,861
Less scholarship allowance	<u>-</u>	<u>(12,812)</u>
Total student tuition and fees	1,316,332	1,234,049
Interest income	7,906	5,025
Other income	<u>122,131</u>	<u>110,670</u>
Total Unrestricted Revenue and Support	1,446,369	1,349,744
Expenses:		
Program services - committee programs	825,108	681,231
Management and general	<u>723,950</u>	<u>678,437</u>
Total Expenses	<u>1,549,058</u>	<u>1,359,668</u>
Change in Net Assets	(102,689)	(9,924)
Net Assets, beginning	<u>631,587</u>	<u>641,511</u>
Net Assets, ending	<u>\$ 528,898</u>	<u>\$ 631,587</u>

See accompanying notes to financial statements.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS**Statement of Functional Expenses**

Year Ended June 30, 2016

	Program Services	Management and General	Total Expenses
Accounting and legal	\$ -	\$ 151,538	\$ 151,538
Bank fees	122	2,116	2,238
Benefits	-	57,001	57,001
Contract Services	-	2,500	2,500
Contract Services admin fee, UARSC	-	56,461	56,461
Depreciation	-	17,585	17,585
Insurance	-	9,650	9,650
Interest	-	801	801
Membership and dues	-	500	500
Office and other supplies	64	14,686	14,750
Other	-	2,452	2,452
Payroll processing	542,893	171,621	714,514
Postage	-	466	466
Professional development	-	12,719	12,719
Programming and student activities	247,036	5,515	252,551
Other rental and lease equipment	11,713	5,997	17,710
Other taxes and licenses	160	81	241
Rent	-	82,664	82,664
Salaries	-	115,300	115,300
Relocation (Non Faculty)	360	3,955	4,315
Telephone	-	5,795	5,795
Transportation and conference	22,760	4,547	27,307
	<u>\$ 825,108</u>	<u>\$ 723,950</u>	<u>\$ 1,549,058</u>

See accompanying notes to financial statements.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Management and General	Total Expenses
Accounting and legal	\$ -	\$ 148,431	\$ 148,431
Advertisements	106	330	436
Bank fees	907	800	1,707
Benefits	-	46,787	46,787
Contract services admin fee, UARSC	-	46,903	46,903
Depreciation	531	16,560	17,091
Insurance	-	11,058	11,058
Interest charges	-	432	432
Membership and dues	7,458	1,000	8,458
Office and other supplies	806	12,192	12,998
Other	8	1,804	1,812
Payroll processing	436,210	164,776	600,986
Postage	-	438	438
Professional development	94	5,160	5,254
Programming and student activities	220,214	1,126	221,340
Other rental and lease equipment	-	25,041	25,041
Other taxes and licenses	-	170	170
Rent	-	81,846	81,846
Salaries	-	99,924	99,924
Relocation (Non Faculty)	2,247	4,154	6,401
Telephone	-	5,511	5,511
Transportation and conference	12,650	3,994	16,644
	<u>\$ 681,231</u>	<u>\$ 678,437</u>	<u>\$ 1,359,668</u>

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

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (102,689)	\$ (9,924)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,585	17,091
Changes in operating assets and liabilities:		
Due from related parties	(7,372)	33,965
Other receivables	16,954	(12,924)
Accounts payable	65,756	26,913
Deferred revenue	32,391	15,847
Net Cash Provided by Operating Activities	<u>22,625</u>	<u>70,968</u>
Cash Flows Used by Investing Activities:		
Purchases of equipment	(2,319)	(2,181)
Cash Flows Used by Financing Activities:		
Payments on capital lease obligation	<u>(3,705)</u>	<u>(3,636)</u>
Net Increase in Cash	16,601	65,151
Cash, beginning	<u>66,851</u>	<u>1,700</u>
Cash, ending	<u>\$ 83,452</u>	<u>\$ 66,851</u>
Cash and Restricted Cash, beginning	\$ 175,243	\$ 1,700
Net increase in unrestricted cash	16,601	65,151
Increase in funds held for others	44,839	108,392
Cash and Restricted Cash, ending	<u>\$ 236,683</u>	<u>\$ 175,243</u>
Cash	\$ 83,452	\$ 66,851
Restricted Cash	<u>153,231</u>	<u>108,392</u>
Total Cash and Restricted Cash	<u>\$ 236,683</u>	<u>\$ 175,243</u>
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	<u>\$ 801</u>	<u>\$ 432</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Property and Equipment financed with long-term debt	<u>\$ 24,103</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

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 activity 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.

Related Parties

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

As of June 30, 2016 and 2015, all of the Organization's net assets were classified as unrestricted. Unrestricted net assets represent funds that are fully available, at the discretion of management and the Associated Students Council, for the Organization to utilize in any of its programs or services.

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.

Income Taxes

The Organization is a qualified nonprofit 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 statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions as of June 30, 2016 and 2015 and therefore no amounts have been accrued.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

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

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. 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.

Deferred Revenue

Deferred revenue represents the portion of student activity fees collected for the summer and fall sessions applicable to the next fiscal year.

Fund Held for Others

The Organization holds funds for on-campus clubs to fund club activities. These monies can be drawn upon at any time by the on-campus clubs and are recognized as liability. These corresponding assets related to these funds are included in restricted cash on the statements of financial position for the years ended June 30, 2016 and 2015.

Revenue

Each matriculated student of the University was required to pay \$50 per semester during the spring, fall, and summer semesters for an associated student body fee for the years ended June 30, 2016 and 2015. Extended education students paid \$50 per semester for the years ended June 30, 2016 and 2015. These payments support the Organization's operations and are collected by the University Business Office and remitted to the Organization, at which time they are recorded as revenue.

Fair Value Measurements

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2016, due to the relative short maturities of these instruments.

Subsequent Events

The Organization has evaluated subsequent events through September 21, 2016, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to June 30, 2016 that would require adjustments to, or disclosures in the financial statements.

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 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 – Property and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 115,010	\$ 104,785
Less accumulated depreciation	<u>(65,752)</u>	<u>(64,364)</u>
	<u>\$ 49,258</u>	<u>\$ 40,421</u>

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY SAN MARCOS

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 3 – Property and Equipment, continued

The total cost basis of equipment under capital leases as of June 30, 2016 and 2015 was \$24,103 and \$16,197, respectively. Accumulated depreciation associated with these assets as of June 30, 2016 and 2015 was \$1,086 and \$16,197, respectively.

Note 4 – Operating Leases

The Organization entered into a lease with UCorp as of January 2014 to lease spaces in the Student Union, which expired June 30, 2016. As consideration for the leased space from UCorp, the Organization operates student programs with the space leased in the Student Union. This relationship is recognized as \$82,664 and \$81,845 of in-kind revenue and expense shown within other income and management and general expenses on the statements of activities for the years ended June 30, 2016 and 2015, respectively. Total rent for each of the years ended June 30, 2016 and 2015 was \$82,664 and \$81,845, respectively. The lease was renewed starting July 1, 2016 and will continue until June 30, 2026.

The Organization leased equipment under non-cancelable leases which expired at various times through March 2016. The Organization also leased equipment under month-to-month lease agreements. Rent expense associated with equipment leases was \$3,188 and \$9,389 for the years ended June 30, 2016 and 2015, respectively.

Note 5 – Capital leases

The Organization has acquired certain equipment under capital leases. The future minimum lease payments as of June 30, 2016 are due as follows:

<u>Year Ending June 30,</u>	
2017	\$ 6,188
2018	6,188
2019	6,188
2020	6,188
2021	4,291
Thereafter	<u>-</u>
Total minimum lease payments	29,043
Less amount representing interest	<u>(6,027)</u>
Present value of net minimum lease payments	<u>\$ 23,016</u>

Note 6 – Transactions with Related Parties

The Organization receives services from and provides services to the University and related parties including UCorp and UARSC. In July 2010, the Organization entered into a payroll and employment services agreement with UARSC under which all of the Organization's personnel became employees of UARSC. The Organization pays UARSC 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.

Associated Students, Inc. of California State University San Marcos
 Other Information
 June 30, 2016
 (for inclusion in the California State University)

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$	49,258
Capitalized lease obligations, current portion		(4,021)
Capitalized lease obligations, net of current portion		(18,996)
Long-term debt obligations, current portion		-
Long-term debt obligations, net of current portion		-
Portion of outstanding debt that is unspent at year-end		-
Other adjustments: (please list)		
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Net position - net investment in capital asset	\$	26,241

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	-
Endowment investments		-
Other adjustments: (please list)		
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Net position - Restricted for nonexpendable - endowments per SNP	\$	-

8 Transactions with related entities

		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	151,913
Payments to University for other than salaries of University personnel		223,261
Payments received from University for services, space, and programs		10,447
Gifts-in-kind to the University from discretely presented component units		-
Gifts (cash or assets) to the University from discretely presented component units		-
Accounts (payable to) University (enter as negative number)		(20,974)
Other amounts (payable to) University (enter as negative number)		-
Accounts receivable from University		-
Other amounts receivable from University		-

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$	-
Contributions during the year		-
Increase (decrease) in net OPEB obligation (NOO)		-
Other adjustments		-
NOO - beginning of year		-
NOO - end of year	\$	-

Associated Students, Inc. of California State University San Marcos
Other Information
June 30, 2016
(for inclusion in the California State University)

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total pollution remediation liabilities	\$ -
Less: current portion	-
Pollution remediation liabilities, net of current portion	-

11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2015, as previously reported		\$ 631,587
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2015, as restated		\$ 631,587

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net position class: _____ 1 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 2 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 3 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 4 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 5 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 6 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 7 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 8 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 9 (breakdown of adjusting journal entry)	-	-
Net position class: _____ 10 (breakdown of adjusting journal entry)	-	-