

# Associated Students, Inc., California State University, Long Beach

Financial Statements and Supplemental Information

Year Ended June 30, 2018



**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Financial Statements and Supplemental Information**  
Year Ended June 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Audit Committee  
Associated Students, Inc., California State University, Long Beach

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Associated Students, Inc., California State University, Long Beach (a nonprofit organization, referred to as "Associated Students"), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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., California State University, Long Beach as of June 30, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 3 - 9, the schedule of Associated Students' proportionate share of net pension liability on page 28, the schedule of Associated Students' contributions on page 29, the schedule of funding progress for the other post-employment benefits plan and employer contributions on page 30, and the schedule of changes in the other post-employment benefit obligation liability on page 31 to be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information for the California State University Chancellor's Office, beginning on page 34, 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 October 2, 2018, on our consideration of Associated Students' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Associated Students' internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
October 2, 2018

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

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This section of Associated Students, Inc., California State University, Long Beach (Associated Students) annual financial report includes some of management's insights and analyses of Associated Students' financial performance for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Introduction to the Basic Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This standard is applicable to Associated Students because it is a component unit of California State University, Long Beach (University). Consistent with the University, Associated Students has adopted the business-type activity (BTA) reporting model to represent its activities.

The financial statements include: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain a complete understanding of the financial picture of Associated Students.

*Statement of Net Position:* The statement of net position includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position." This section of the statement identifies major categories of restrictions and reflects the overall financial position of Associated Students as a whole. Over time, increases and decreases in total net position can be an indicator of whether the financial health of the organization is improving or declining.

*Statement of Revenues, Expenses, and Changes in Net Position:* The statement of revenues, expenses, and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

*Statement of Cash Flows:* The statement of cash flows present the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the year's operating activities.

*Notes to Financial Statements:* This additional information is essential to a full understanding of the data reported in the basic financial statements.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

Analytical Overview

A summary of key financial statement information is presented below:

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets:</b>				
Current assets	\$ 9,745,585	\$ 8,813,240	\$ 932,345	11%
Long-term investments	2,754,991	2,659,620	95,371	4%
Capital assets, net of accumulated depreciation	<u>3,506,149</u>	<u>2,943,471</u>	<u>562,678</u>	19%
<b>Total Assets</b>	<u><b>16,006,725</b></u>	<u><b>14,416,331</b></u>	<u><b>1,590,394</b></u>	11%
Deferred Outflows of Resources	1,186,645	898,638	288,007	32%
<b>Liabilities:</b>				
Current liabilities	2,739,658	2,244,040	495,618	22%
Other post-employment benefits liability	8,717,732	8,840,723	(122,991)	(1%)
Net pension liability	<u>5,060,860</u>	<u>4,344,627</u>	<u>716,233</u>	16%
<b>Total Liabilities</b>	<u><b>16,518,250</b></u>	<u><b>15,429,390</b></u>	<u><b>1,088,860</b></u>	7%
Deferred Inflows of Resources	<u>608,774</u>	<u>230,841</u>	<u>377,933</u>	164%
<b>Net Position:</b>				
Net investment in capital assets	3,506,149	2,943,471	562,678	19%
Restricted for:				
Expendable:				
Capital projects	746,566	661,347	85,219	13%
Others	3,520,466	3,487,130	33,336	1%
Unrestricted	<u>(7,706,835)</u>	<u>(7,437,210)</u>	<u>(269,625)</u>	4%
<b>Total Net Position</b>	<u><b>\$ 66,346</b></u>	<u><b>\$ (345,262)</b></u>	<u><b>\$ 411,608</b></u>	(119%)

The increase in current assets results from the accumulation of cash receipts in excess of cash payments, which have been invested in the Local Agency Investment Fund until needed for expenditure.

The increase in long-term investments represents the increase in market value. In a similar vein, the significant increase in deferred outflow of resources is due to improved market conditions for the pool of funds for the California Public Employees' Retirement System (CalPERS) as well as changes in actuarial assumptions and the difference between actual versus projected contributions to the pension fund.

The increase in capital assets reflects the investment in capital improvements, specifically the installation of security fencing at the Isabel Patterson Child Development Center and the refurbishment of the exterior escalator at University Student Union. Investments in smart room equipment and a new exterior marquee also contributed to the increase.

The increase in current liabilities results from the timing of purchase orders issued in June for the escalator repair and new exterior marquee noted above. This caused accounts payable to increase significantly compared to the prior year.

The other post-employment benefits (OPEB) liability is required to be recognized and booked in accordance with the parameters of GASB Statement No. 75. Associated Students has terminated this benefit for employees hired on or after January 1, 2013 and has begun to fund this liability, but the liability may grow due to actuarial assumptions about life expectancy and health care costs. We have also taken a very conservative approach to estimating the appreciation of plan assets.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

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The increase in deferred inflows of resources is due to differences between expected and actual experience in the payment of OPEB and pension benefits, changes in actuarial assumptions, as well as changes in Associated Students' proportion of the CalPERS pooled pension liability.

The increase in net position resulted from the increased revenue exceeding expenses during the year.

Operating Results  
Years Ended June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues:				
Operating revenues	\$ 16,280,346	\$ 15,863,079	\$ 417,267	3%
Non-operating revenues	<u>172,579</u>	<u>362,850</u>	<u>(190,271)</u>	(52%)
Total Revenues	16,452,925	16,225,929	226,996	1%
Expenses:				
Operating expenses	<u>16,041,317</u>	<u>15,066,280</u>	<u>975,037</u>	6%
Change in Net Position	411,608	1,159,649	(748,041)	(65%)
Net Deficit, beginning	<u>(345,262)</u>	<u>(1,504,911)</u>	<u>1,159,649</u>	(77%)
Net Position, ending	\$ <u><u>66,346</u></u>	\$ <u><u>(345,262)</u></u>	\$ <u><u>411,608</u></u>	(119%)

Operating revenues are a combination of student body fees and revenues derived from programs, user fees, and services offered by Associated Students. Approximately 79% of operating revenues are student body fees and the remaining 21% are revenues derived from programs and services. The increase in operating revenues primarily resulted from a reduction in the required debt service payment for the University Student Union and Student Recreation and Wellness Center. A system-wide refinancing of bond debt by the California State University resulted in a savings of over \$300,000 in University Student Union fees that were subsequently made available for allocation.

The decrease in non-operating revenues reflects a decrease in unrealized gains from investments.

The growth in operating expenses is attributable to significant increases in payroll and benefits resulting from the filling of positions that were vacant in the prior year, as well as the implementation of the California minimum wage increase. In addition, operating expenses increased as a result of enhanced custodial and maintenance efforts in the University Student Union and Student Recreation and Wellness Center and increased programming through Beach Pride Events.

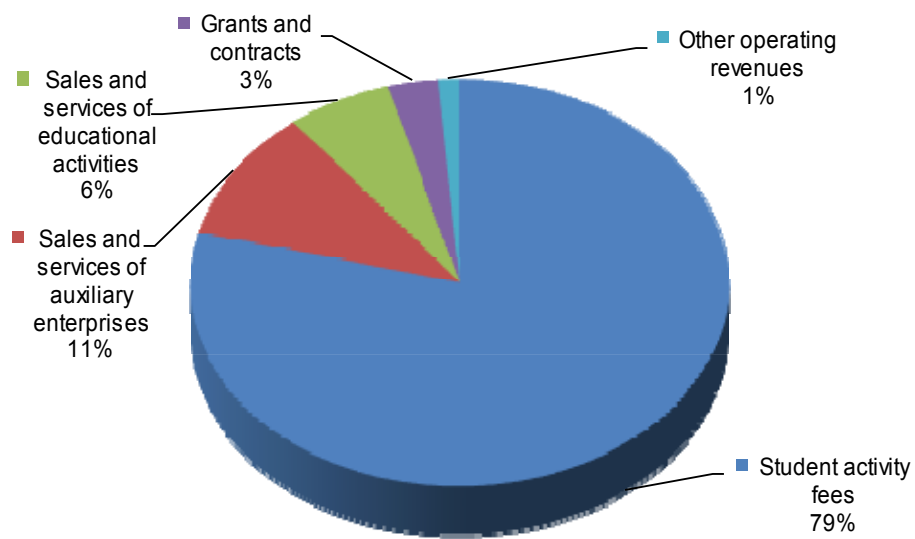
**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

Operating Revenues  
Years Ended June 30, 2018 and 2017 (Restated)

The following is detail of operating revenues by source:

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Student activity fees	\$ 12,837,825	\$ 12,600,326	\$ 237,499	2%
Sales and services of auxiliary enterprises	1,711,112	1,851,047	(139,935)	(8%)
Sales and services of educational activities	1,031,231	945,340	85,891	9%
Grants and contracts	500,790	438,613	62,177	14%
Other operating revenues	199,388	27,753	171,635	618%
Total Operating Revenues	<u>\$ 16,280,346</u>	<u>\$ 15,863,079</u>	<u>\$ 417,267</u>	3%

The following is a graphic illustration of 2018 operating revenues by source:



The increase in student activity fees resulted from a reduction in the debt service payment for the University Student Union and Student Recreation and Wellness Center. A system-wide refinancing of bond debt by the California State University resulted in an increase in the amount of University Student Union fees made available for allocation.

Last year, we received funds from the University for the cost of building improvements made to the Isabel Patterson Child Development Center, which is a state-owned facility. We did not request or receive any such reimbursement this year. In addition, the reduction in sales and services of auxiliary enterprises is the result of decreased income from leases among those vendors who lease payments represent a percentage of sales.

The increase in grants and contracts reflects additional funding provided by the California Department of Education to the Isabel Patterson Child Development Center and from the California Department of Conservation for the operation of the Recycling Center.

The increase in other operating revenues is the result of miscellaneous changes related to OPEB benefits.



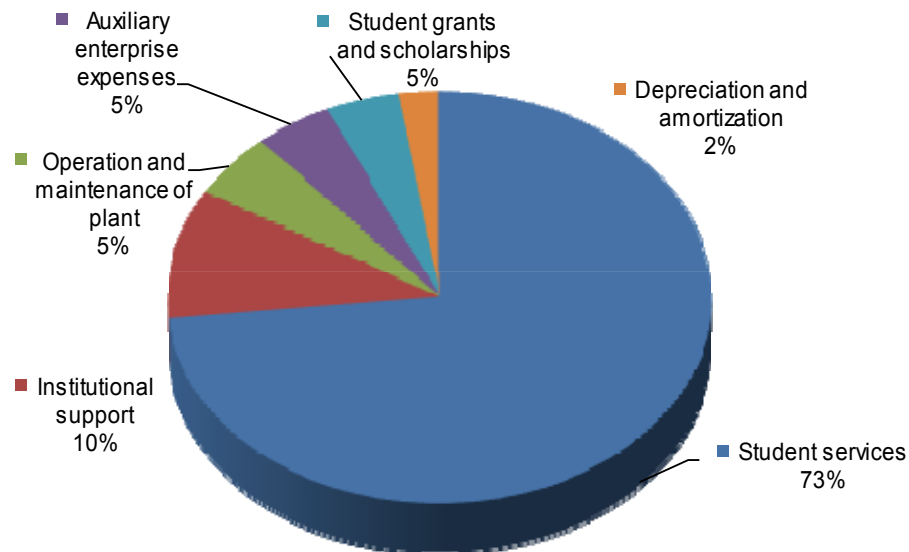
**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

Operating Expenses  
Years Ended June 30, 2018 and 2017 (Restated)

The following is detail of operating expenses:

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expenses:				
Student services	\$ 11,758,427	\$ 11,420,523	\$ 337,904	3%
Institutional support	1,622,249	1,487,214	135,035	9%
Operation and maintenance of plant	823,578	385,669	437,909	114%
Auxiliary enterprise expenses	746,220	780,209	(33,989)	(4%)
Student grants and scholarships	706,488	607,320	99,168	16%
Depreciation and amortization	384,355	385,345	(990)	(0%)
Total Operating Expenses	<u>\$ 16,041,317</u>	<u>\$ 15,066,280</u>	<u>\$ 975,037</u>	6%

The following is a graphic illustration of 2018 operating expenses:



The increase in operating expenses for student services is due to the increase in the net pension liability.

The growth in operating expenses for institutional support and operation and maintenance of plant results from substantial increases in payroll and benefit costs from filling a number of vacant full-time positions in the University Student Union and Student Recreation and Wellness Center. It also represents a significant increase in part-time payroll costs resulting from the implementation of the California minimum wage increase.

The reduction in auxiliary enterprise expenses results from decreased full-time staffing at the Recycling Center.

The increase in student grants and scholarships results from a recent reorganization of student government, which resulted in the creation of additional positions that are provided scholarships through the University's Office of Financial Aid. In addition, the awards have been augmented to cover tuition increases as well as increased living expense allowances. It should also be noted that the full amount of funding for student government scholarships provided in the prior year was not spent due to a vacancy.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

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Cash Flows  
Years Ended June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net cash provided (used) by:				
Operating activities	\$ 1,702,044	\$ 2,960,391	\$ (1,258,347)	(43%)
Capital and related financing activities	(938,320)	(287,732)	(650,588)	(226%)
Investing activities	<u>77,208</u>	<u>(21,166)</u>	<u>98,374</u>	465%
 Net Increase in Cash and Cash Equivalents	 840,932	 2,651,493	 (1,810,561)	 68%
 Cash and cash equivalents, beginning	 <u>8,628,519</u>	 <u>5,977,026</u>	 <u>2,651,493</u>	 44%
Cash and cash equivalents, ending	<u>\$ 9,469,451</u>	<u>\$ 8,628,519</u>	<u>\$ 840,932</u>	10%

The decrease in net cash provided by operating activities results from increased expenditures exceeding revenue attributable primarily to the increases payroll and benefits costs described earlier.

The increase in cash used for capital and related financing activities reflects investments in capital improvements, specifically the installation of security fencing at the Isabel Patterson Child Development Center and the University Student Union, including the refurbishment of the exterior escalator and purchase of smart room equipment and a new exterior marquee.

The increase in cash provided by investing activities reflects increased proceeds from sales of investments.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2018

Capital Assets, Net  
June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Assets:				
Leasehold improvements	\$ 3,918,818	\$ 3,483,428	\$ 435,390	12%
Equipment	2,394,983	2,348,252	46,731	2%
Building	277,950	277,950	-	0%
Construction in progress	<u>464,912</u>	<u>-</u>	<u>464,912</u>	-
Total	7,056,663	6,109,630	947,033	16%
Less Accumulated Depreciation	<u>(3,550,514)</u>	<u>(3,166,159)</u>	<u>(384,355)</u>	12%
Net Capital Assets	<u>\$ 3,506,149</u>	<u>\$ 2,943,471</u>	<u>\$ 562,678</u>	19%

The increase in leasehold improvements represents capital improvement to the Isabel Patterson Child Development Center and the Student Recreation and Wellness Center. The increase in equipment represents capital asset purchases for the University Student Union, Student Recreation and Wellness Center, and Club Sports program. Construction in progress represents the funds encumbered for the University Student Union escalator refurbishment project as well as the purchase and installation of the exterior marquee.

Net Position  
June 30, 2018 and 2017 (Restated)

	<u>2018</u>	<u>Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Position (Deficit):				
Invested in capital assets, net of related debt	\$ 3,506,149	\$ 2,943,471	\$ 562,678	19%
Restricted for:				
Expendable:				
Capital projects	746,566	661,347	85,219	13%
Others	3,520,466	3,487,130	33,336	1%
Unrestricted	<u>(7,706,835)</u>	<u>(7,437,210)</u>	<u>(269,625)</u>	(4%)
Total Net Position	<u>\$ 66,346</u>	<u>\$ (345,262)</u>	<u>\$ 411,608</u>	(119%)

Associated Students' net position has increased as a result of operating revenues exceeding operating expenses and reduction of its net OPEB liability despite the increase in its long-term liability for CalPERS pension benefits. This year reflects a positive net position.

Contacting the Organization's Financial Management

The Organization's financial report is designed to provide the Organization's Board of Directors, management, legislative and oversight agencies, citizens and customers with an overview of the California State University, Long Beach, Associated Students, Inc.'s finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Richard Haller, Executive Director at 1212 Bellflower Blvd., Long Beach, CA 90815.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH****Statement of Net Position**

June 30, 2018

**ASSETS**

## Current Assets:

Cash and cash equivalents	\$	9,469,451
Accounts receivable		219,830
Inventory		19,354
Prepaid expenses		36,950
Total Current Assets		<u>9,745,585</u>

## Noncurrent Assets:

Long-term investments		2,754,991
Capital assets, net of accumulated depreciation		<u>3,506,149</u>
Total Noncurrent Assets		<u>6,261,140</u>

**DEFERRED OUTFLOWS OF RESOURCES**

## Deferred Outflows of Resources:

Pension costs		<u>1,186,645</u>
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**LIABILITIES**

## Current Liabilities:

Accounts payable		972,192
Accrued expenses		616,914
Funds held for others		1,125,452
Unearned revenues		<u>25,100</u>
Total Current Liabilities		2,739,658

## Noncurrent Liabilities:

Net other post-employment benefits liability		8,717,732
Net pension liability		<u>5,060,860</u>
Total Noncurrent Liabilities		<u>13,778,592</u>
Total Liabilities		16,518,250

**DEFERRED INFLOWS OF RESOURCES**

## Deferred Inflows of Resources:

Pension costs		426,178
Other post-employment benefits costs		<u>182,596</u>
Total Deferred Inflows of Resources		<u>608,774</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets		3,506,149
Restricted for:		
Expendable:		
Capital projects		746,566
Others		3,520,466
Unrestricted		<u>(7,706,835)</u>
Total Net Position	\$	<u><u>66,346</u></u>

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
Year Ended June 30, 2018

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Operating Revenues:	
Student activity fees	\$ 12,837,825
Sales and services of auxiliary enterprises	1,711,112
Sales and services of educational activities	1,031,231
Grants and contracts	500,790
Other operating revenues	<u>199,388</u>
Total Operating Revenues	<u>16,280,346</u>
Operating Expenses:	
Student services	11,758,427
Institutional support	1,622,249
Operation and maintenance of plant	823,578
Auxiliary enterprise expenses	746,220
Student grants and scholarships	706,488
Depreciation and amortization	<u>384,355</u>
Total Operating Expenses	<u>16,041,317</u>
Operating Income	239,029
Non-Operating Revenues:	
Investment return, net	<u>172,579</u>
Change in Net Position	411,608
Net Position, beginning, as previously reported	353,468
Cumulative Effect of Change in Accounting Principle (Note 12)	<u>(698,730)</u>
Net Position, beginning, as restated	<u>(345,262)</u>
Net Position, ending	<u>\$ 66,346</u>

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Statement of Cash Flows**  
Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Student activity fees	\$ 12,810,023
Grants and contracts	465,113
Sales and services of auxiliary enterprises	1,733,488
Other operating revenues	1,144,749
Payments to suppliers	(4,892,323)
Payments to employees	(8,852,518)
Payments to students	(706,488)
	<u>1,702,044</u>
Net Cash Provided by Operating Activities	
Cash Flows Used by Capital and Related Financing Activities:	
Acquisitions of capital assets	<u>(938,320)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(136,292)
Proceeds of investments	<u>213,500</u>
	<u>77,208</u>
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	
	840,932
Cash and Cash Equivalents, beginning	<u>8,628,519</u>
Cash and Cash Equivalents, ending	<u>\$ 9,469,451</u>
Cash Flows from Operating Activities:	
Operating income	\$ 239,029
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	384,355
Transfer of capital assets	(8,713)
Pension loss	623,563
Other post-employment benefits loss	59,605
Changes in operating assets and liabilities:	
Accounts receivable	(126,883)
Inventory	(11,787)
Prepaid expenses	47,257
Accounts payable	510,369
Accrued expenses	(91,305)
Funds held for others	67,931
Unearned revenues	8,623
	<u>1,702,044</u>
Net Cash Provided by Operating Activities	
Noncash Investing and Financing Activities:	
Noncash contribution of capital assets	<u>\$ 8,713</u>

## **ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**

### **Notes to Financial Statements**

Year Ended June 30, 2018

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

##### Nature of Activities

Associated Students, Inc., California State University, Long Beach (Associated Students) is a nonprofit, tax exempt, California State University auxiliary organization located on the campus of California State University, Long Beach (University). The University is one of 23 campuses in the California State University System (System). Associated Students was established to administer various student programs and activities which include the following significant operations:

##### 1) Associated Students Operations

The charitable purpose of Associated Students is to promote and assist in carrying out the educational services of the student body and perform other functions related to the student activities of the University; promote and maintain a student self-government organization under the supervision of University officials for the purpose of providing essential activities closely related to, but not normally included as part of, the regular instructional program of the University, specifically designed to contribute to the development of leadership ability and the recreational and social needs of the students; to build, construct, lease, or purchase buildings, which may be necessary to carry out the purposes of the University; and, to apply funds and property coming within its possession toward furthering the education services and/or welfare of the students and to perform other functions related to the student activities of the University.

The mission of Associated Students is to facilitate the achievement of students' educational objectives and life goals through programs, services, and facilities that advocate student needs and interests, compel student representation in campus decision making and provide students with resources that they identify as necessary for their intellectual, social and physical development.

Associated Students is the student government component of the campus and arranges for public speakers, music, bands, and other cultural and recreational events for the students' enjoyment. Associated Students main purpose is to represent students' interests to the University administration and provide out-of-classroom experiences for students. Associated Students also provides miscellaneous services to students such as fax transmittals, notary public services, movie and amusement park ticket sales, and a food pantry.

##### 2) Childcare Center Operations

The Isabel Patterson Child Development Center (Center) is a childcare facility operated by Associated Students on the campus of the University under a lease and operating agreement with the System. During the year ended June 30, 2018, the Center operated the following programs:

- a) Associated Students component for fee paying parents (students, staff, and faculty) who do not qualify for programs b) and c) described below.
- b) Full-day State Preschool Program - under contract with the California State Department of Education, Office of Child Development.
- c) Child Care Food Program - provides free and subsidized meals.

##### 3) University Student Union (Union) Operations

Associated Students manages and maintains a building on behalf of the System and University campus. The building contains a food court operated under contract with outside vendors, a game room for student use, a bowling alley, administrative offices used by Associated Students, and a room to be used by student organizations as well as the Associated Students' Board Room. A variety of conference rooms are available in the building for use by the University and community organizations for a fee.

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

Nature of Activities, continued

4) Recycling Center Operations

Associated Students Recycling Center is a State-certified drop-off facility and redemption center, managing beverage containers and Union recycling. The Recycling Center provides a location where students and community members can donate recyclable materials and redeem their CA Redemption Value beverage containers.

5) Student Recreation and Wellness Center Operations

The Student Recreation and Wellness Center (SRWC) is a 126,500-square-foot, two-story, state-of-the-art recreation facility located on the east side of the University campus. The facility is a hub for recreational activities, programs, and opportunities for intramural sports, fitness, and wellness services. The SRWC is managed by *Associated Students Inc. Recreation* and is open to all University students, associates, and affiliates. The facility contains a three-court gym, a multi activity court gym, indoor jogging track, 20,000 square feet of weight and cardio equipment, racquetball courts, activity rooms for group exercise, a custom-made rock climbing wall, a wellness center, swimming pool and spa, as well as many other services. The SRWC is Leadership in Environmental and Energy Design (LEED) certified and offers many technological advances, such as biometric hand scanners for entry, filtered water fountains, and flat screens with touch technology.

Financial Reporting Entity

The basic financial statements include the accounts of Associated Students. Associated Students is a government organization under accounting principles generally accepted in the United States of America (GAAP) and is also a component unit of the University. Associated Students has chosen to use the reporting model for special-purpose governments engaged only in business-type activities.

Basis of Presentation

The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary non-exchange transactions are recognized as revenue as soon as all eligibility requirements have been met.

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.

Cash and Cash Equivalents

Associated Students considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management believes that all accounts receivable are fully collectible, therefore, no allowance for doubtful accounts is considered necessary.

Inventory

Inventory consists of gifts, candy, and other food and supplies sold at the candy counter and snack shop. Inventory is stated at the lower of cost or net realizable value, and is determined on a first-in, first-out basis.



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

Investments

Investments are carried at fair value in the statement of net position. Unrealized gains and losses are reflected in the change in net position in the statement of revenues, expenses, and changes in net position.

Capital Assets

Acquisitions of capital assets of \$5,000 or more are capitalized. Capital assets are stated at cost or, if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to 40 years.

Funds Held for Others

Associated Students receives and holds resources for student organizations on behalf of the University over which it does not have the unilateral (variance) power to redirect the use of the money without the approval of the student organization. Money held without variance power is classified as a liability in the statement of net position.

Unearned Revenues

Unearned revenues consists of membership fees paid by staff, faculty, and alumni to the SRWC collected in advance.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 7 and 8 to the financial statements.

In addition to liabilities, the statement of net financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and thus, will not be recognized as revenue until then. See Notes 7 and 8 to the financial statements.

Other Post-Employment Benefits Other than Pensions (OPEB)

Associated Students implemented the provision of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The annual OPEB cost reported in the accompanying financial statements is equal to the annual required contributions (ARC) of Associated Students plus or minus ARC adjustments and interest. The ARC is calculated using an actuarial valuation based upon the same methods and assumptions applied in determining the plan's funding requirements. The OPEB obligation at June 30, 2018 is determined by adding the annual OPEB cost to the net OPEB obligation at the beginning of the year and deducting any contributions to the plan during the year.

Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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

Net Position

Associated Students' net position is classified into the following categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted – expendable: Amounts subject to externally imposed conditions that can be fulfilled by the actions of Associated Students.
- Unrestricted: All other categories of net position.

The purpose of restricted – expendable net position (reserves) is to ensure the stability of the mission, programs, employment, and ongoing operations of Associated Students. The reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or sudden reductions in enrollment. In determining the amount of funds to be held in reserve, Associated Students employs a risk-based approach that examines plausible risks associated with the current operations of Associated Students. These reserves are not intended to replace a permanent loss of funds or to eliminate an ongoing budget gap.

In the event any of the reserves fall below their targeted reserve levels, the shortfall must be eliminated within a minimum of three years, with at least one third of the deficit balance being funded in the each of the three subsequent years' operating budgets, until the reserve is restored to the target balance.

Classification of Revenues and Expenses

Associated Students considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly with Associated Students' primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 35. These non-operating activities include Associated Students' net investment income.

Student Fees

Each matriculated student of the University is required to pay student body fees each semester. These payments support Associated Students' operations and other activities and are collected by the University Business Office, who makes disbursements to Associated Students on a regular basis to cover its operating budget. Undisbursed funds are withheld by the University in a reserve account and can be requested by Associated Students on an as needed basis. Associated Students records revenues from student fees based on cash requests made to the University during the year.

Additionally, each matriculated student is required to pay student body fees to service debt related to the construction of the Union and SRWC buildings and their operations. These funds are collected by the University Business Office. The System's Board of Trustees has the right of first call on these funds for revenue bond debt service requirements and repairs and replacement of plant assets, with remaining funds available for use in operating the Union for the benefit of the students.

Advertising

Associated Students follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

Associated Students 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. In addition, Associated Students qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). However, Associated Students 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.

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

Income Taxes, continued

Associated Students follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. Associated Students recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of revenues, expenses, and changes in net position, when applicable. Management has determined that Associated Students has no uncertain tax positions at June 30, 2018 and therefore no amounts have been accrued.

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables are approximate fair values as of June 30, 2018, due to the relative short maturities of these instruments.

Restatement

Net position and changes in net position have been restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. See Note 12 for further information.

Subsequent Events

Associated Students has evaluated subsequent events through October 2, 2018, which is the date the financial statements were available to be issued.

**Note 2 – Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 3 – Concentration of Credit Risk**

Associated Students maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At June 30, 2018, the Associated Students' uninsured deposits with financial institutions were approximately \$390,800. In addition, the Associated Students had \$8,578,282 deposited in the State Treasury's Local Agency Investment Fund (LAIF). Deposits in LAIF are guaranteed by the State of California.

Investments in LAIF

LAIF is a voluntary program created by statute as an alternative for California's local governments and special districts that allows them to participate in a major investment portfolio. It is under the administration of the California State Treasurer's Office. The investment is considered a cash equivalent as it is used to fund any operating deficit. Realized gains, losses, and interest income are included in investment return in the statement of revenues, expenses, and changes in net position. Associated Students' investments in LAIF are measured and reported at NAV. The investments in LAIF have no unfunded commitment, no redemption frequency, and no redemption notice period as of June 30, 2018.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

**Note 4 – Investments**

Associated Students' investment policy is to earn a rate of return consistent with a safety objective of 100% preservation of capital. Associated Students can invest in the following:

- Repurchase agreements using U.S. Government or any of its agencies
- U.S. Treasury and Federal agency securities with maturities of one year or less
- Banker's acceptances eligible for purchase by the Federal Reserve
- Certificates of deposit (not to exceed \$100,000 per institution)
- Notes and bonds due in one year or less (not rated less than P-1 or A-1 by Moody's or Standard & Poor's)
- Money market accounts
- Mutual funds
- Local Agency Investment Fund (LAIF)

Investments consist of the following:

	<u>Long-term</u>
Equities	\$ 545,663
Fixed Income	603,119
Mutual Funds	1,464,013
Real Estate Investment Trusts (REIT)	142,196
	<u>\$ 2,754,991</u>

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

**Note 4 – Investments, continued**

The fair market value of investments is categorized as follows:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value	Total
	Level 1	Level 2	Level 3	NAV	
Equities:					
Small cap - domestic	\$ 46,187	\$ -	\$ -	\$ -	\$ 46,187
Mid cap - domestic	57,318	-	-	-	57,318
Large cap - domestic	442,158	-	-	-	442,158
Fixed Income:					
Agency securities	14,751	-	-	-	14,751
Government bonds - municipal	9,993	-	-	-	9,993
Corporate bonds - domestic	549,795	-	-	-	549,795
Asset backed securities - domestic	28,580	-	-	-	28,580
Mutual Funds:					
Bond funds	314,089	-	-	-	314,089
Equity funds	1,149,924	-	-	-	1,149,924
REIT - Domestic	142,196	-	-	-	142,196
	<u>\$ 2,754,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,754,991</u>

**Note 5 – Accounts Receivable**

Accounts receivable consist of the following:

Other	\$ 118,040
Child Development Center	44,201
Conference and events center	32,937
Telecommunications and utilities	19,861
Marketing	4,791
	<u>\$ 219,830</u>

**Note 6 – Capital Assets**

Capital assets consist of the following:

Description	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Cost:				
Leasehold improvements	\$ 3,483,428	\$ 435,390	\$ -	\$ 3,918,818
Equipment	2,348,252	46,731	-	2,394,983
Building	277,950	-	-	277,950
Construction in progress	-	464,912	-	464,912
Total cost	<u>6,109,630</u>	<u>947,033</u>	<u>-</u>	<u>7,056,663</u>
Total accumulated depreciation	<u>3,166,159</u>	<u>384,355</u>	<u>-</u>	<u>3,550,514</u>
Capital assets, net	<u>\$ 2,943,471</u>	<u>\$ 562,678</u>	<u>\$ -</u>	<u>\$ 3,506,149</u>

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 7 – Other Post-Employment Benefits (OPEB) Plan**

General Information about the OPEB Plan

*Plan Description* – Associated Students participates in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association) Trust to fund the cost of health and welfare benefits provided to its employees, who have completed one month of continuous employment, defined as having worked eleven full days within one month, with group health insurance under a postretirement benefit plan. Associated Students' employees who reach age 50 with ten years of full-time employment are eligible to receive lifetime medical and dental insurance coverage upon retirement. Spouses of eligible retirees are also eligible for life.

*Eligibility and Benefits Provided* – Associated Students pays a portion of the health care premium for an eligible retiree and an eligible retiree plus spouse. Eligibility is determined as at least 50 years of age with 5 years of service. Associated Students' portion of the health care premium is multiplied by a percentage factor as defined in the following table, but not to exceed the Associated Students' dollar maximum as defined in the funding policy below.

<u>Plan</u>	<u>Percentage Factor</u>
I (Unequal Method)	5% multiplied by the number of calendar years from 8/1/2000 (including 2000) until the year of contribution (to a maximum of 20 years)
II (Vesting Schedule)	5% multiplied by the number of years of service at retirement with the following limits of the definition of "number of years of service at retirement" Minimum – 10 Maximum – 20

Plan I contains all participants who are not in Plan II. Plan II contains: a) all participants hired on or after July 1, 2003, b) all participants hired before July 1, 2003 and retired prior to August 1, 2000, and c) all participants hired before July 1, 2003 and retired on or after August 1, 2000, if elected such plan. Employees hired on or after January 1, 2013 are ineligible for benefits under the defined benefit healthcare plan for retirees.

*Funding Policy* – For the year ended June 30, 2018, Associated Students' share of the monthly medical premiums was limited to \$725 (single), \$1,377 (two parties), and \$1,766 (families). For the year ended June 30, 2018, Associated Students' share of the monthly dental premiums was limited to \$20 (single), \$33 (two parties), and \$48 (families) for its HMO plan and \$33 (single), \$62 (two parties), and \$124 (families) for its PPO plan. Retirees are responsible for premiums in excess of Associated Students' share.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

Associated Students' contribution to the defined benefit healthcare plan is annually approved by the Board of Control. During the fiscal year ended June 30, 2018, Associated Students contributed \$250,000 to the VEBA Trust. In addition to the above contribution, Associated Students also paid \$143,241 for retiree benefit expenses in the fiscal year ended June 30, 2018.

Associated Students' annual OPEB cost is an amount actuarially determined in accordance with GASB Statement No. 75. The actuarially determined contribution (ADC) is an amount actuarially determined by the Actuarial Standards of Practice and applicable Federal and State laws. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

At June 30, 2018, Associated Students reported a net OPEB liability of \$8,717,732 per the GASB actuarial report. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The total plan fiduciary net position (assets) as a percentage of the total OPEB liability was 14% or \$1,418,128 as of June 30, 2018.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 7 – Other Post-Employment Benefits (OPEB) Plan, continued**

The census data as of June 2018 used in the measurement of the total OPEB liability included 32 active members, average age of 46 and average years of service of 15, and 13 retired members including six under age 65, seven age 65 and over, and an average age of 66, for a grand total of 45.

For the year ended June 30, 2018, Associated Students recognized OPEB expense of \$182,596. At June 30, 2018, Associated Students reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ (124,298)
Adjustments due to changes in assumptions	-	(58,298)
	<u>\$ -</u>	<u>\$ (182,596)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB resulting from employer contributions and withdrawals subsequent to the measurement date will be recognized as a net reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (24,906)
2020	(24,906)
2021	(24,906)
2022	(24,906)
2023	(24,906)
Thereafter	<u>(58,066)</u>
	<u>\$ (182,596)</u>

*Actuarial Assumptions* – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	4.45% based on a blend of the long term investment return on the OPEB Trust assets and June 2018 Bond Buyer 20-Bond General Obligation Index
Inflation Rate	2.00%
Salary Increases	3.00%
Investment Rate of Return	4.35% based on a blend of the long term investment return on the OPEB Trust assets and June 2017 Bond Buyer 20-Bond General Obligation Index
Mortality Rate	RP 2014 Mortality Table projected to 2024 with Scale BB
Premium Increases	7.00% initial rates; 5.00% ultimate rate; 5-year grading period

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 7 – Other Post-Employment Benefits (OPEB) Plan, continued**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the net OPEB liability of the Associated Students, calculated using the discount rate of 4.45%, as well as what the Associated Students' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.45%) or 1 percentage-point higher (5.45%) than the current rate:

Discount Rate -1% (3.45%) Net Pension Liability (Asset)	\$ 10,858,426
Current Discount Rate (4.45%) Net Pension Liability (Asset)	\$ 8,717,732
Discount Rate +1% (5.45%) Net Pension Liability (Asset)	\$ 7,087,886

*Sensitivity of the Net OPEB Liability to Changes in the Trend Rate* – The following presents the net OPEB liability of the Associated Students, calculated using the trend rate of 7.00%, as well as what the Associated Students' net OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

Trend Rate -1% (6.00%) Net Pension Liability (Asset)	\$ 5,200,873
Current Trend Rate (7.00%) Net Pension Liability (Asset)	\$ 6,493,415
Trend Rate +1% (8.00%) Net Pension Liability (Asset)	\$ 8,165,531

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

**Note 8 – Pension Plan**

General Information about the Pension Plan

*Plan Descriptions* – All qualified permanent and probationary employees are eligible to participate in the Associated Students miscellaneous cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided* – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.



**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 8 – Pension Plan, continued**

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Tier 1	Tier 2	PEPRA
Hire date	3/1/1967	10/1/2008	1/1/2013
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly	Monthly	Monthly
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%
Required employee contribution rates	5.0%	5.0%	6.5%
Required employer contribution rates	11.599%	9.850%	6.908%

*Contributions* – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Associated Students is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active employee contribution rate is 5.00 percent of annual pay for Tier 1 and Tier 2 and 6.50 percent of annual pay for PEPRA, and the average employer's contribution rate is 9.45 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	331,475
Contributions - employee (paid by employer)	\$	21,050

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, Associated Students reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Net Pension Liability	\$	5,060,856
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The Associated Students net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. Associated Students' proportion of the net pension liability was based on a projection of Associated Students' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Associated Students' proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.12507%
Proportion - June 30, 2017	0.12838%
Change - Increase	0.00332%

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 8 – Pension Plan, continued**

For the year ended June 30, 2018, Associated Students recognized pension expense of \$916,527. At June 30, 2018, Associated Students reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ (91,411)
Adjustments due to changes in assumptions	786,165	-
Adjustments due to difference in actual and projected contributions	89,786	-
Adjustments due to difference in proportions	-	(334,767)
Differences between projected and actual earnings on plan investments	192,474	-
Net pension contributions subsequent to measurement date	118,220	-
	<u>\$ 1,186,645</u>	<u>\$ (426,178)</u>

The \$118,220 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2018	\$	174,703
2019		465,144
2020		266,587
2021		(145,967)
Thereafter		-
	\$	<u>760,467</u>

*Actuarial Assumptions* – The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation Rate	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	11.20%, net of pension plan investment expenses, including inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 8 – Pension Plan, continued**

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2012, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 11.20%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00	0.80	2.27
Inflation Assets	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)

(1) An expected inflation of 2.50% used for this period.

(2) An expected inflation of 3.00% used for this period.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 8 – Pension Plan, continued**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the Associated Students' for each Plan, calculated using the discount rate of 7.15%, as well as what the Associated Students' net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Discount Rate -1% (6.15%) Net Pension Liability (Asset)	\$ 7,601,450
Current Discount Rate (7.15%) Net Pension Liability (Asset)	\$ 5,060,856
Discount Rate +1% (8.15%) Net Pension Liability (Asset)	\$ 2,619,298

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Note 9 – Operating Leases**

Associated Students leases space in the Union building to outside vendors for the operation of a food court. Leases with the vendors expire at various dates through June 2025. The monthly payments vary based on sales volume and other factors included in the contracts.

**Note 10 – Contingencies**

The Center participates in Federal and State grant programs that are subject to review and audit by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenses. Management believes that it has adhered to the terms of its grants and that any disallowed expenses resulting from such review would not have a material effect on the statement of net position of Associated Students.

**Note 11 – Transactions with Affiliates**

Associated Students enters into transactions with the University. During the year ended June 30, 2018, Associated Students paid the University for salaries, utilities, information technology management, and reimbursements for special events and students' activities. Associated Students leased space to the University for Union use.

Payments made (received) were as follows:

Payments made to the University	\$ 2,056,838
Payments received from the University	<u>(318,361)</u>
Net payments made to the University	<u>\$ 1,738,477</u>

Amounts receivable (payable) are as follows:

University:	
Accounts receivable	\$ 75,197
Accounts payable and accrued expenses	\$ (1,275,584)

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Notes to Financial Statements**  
Year Ended June 30, 2018

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**Note 12 – New Accounting Pronouncements**

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Others than Pensions*. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Due to the implementation of GASB Statement No. 75, Associated Students has restated the net position for the period ending June 30, 2017 as noted below:

Net Position as previously reported, June 30, 2017	\$ 353,468
Restatement	<u>(698,730)</u>
Net Position as restated, June 30, 2017	<u><u>\$ (345,262)</u></u>
Net Position: Unrestricted as previously reported, June 30, 2017	\$ (2,590,003)
Other postemployment benefit liabilities	8,141,993
Net OPEB obligation	<u>(8,840,723)</u>
Net Position: Unrestricted as restated, June 30, 2017	<u><u>\$ (3,288,733)</u></u>

**SUPPLEMENTAL INFORMATION**

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Schedule of Associated Students' Proportionate Share of Net Pension Liability (Unaudited)**  
Year Ended June 30, 2018

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Net pension liability and fiduciary net position are allocated to the plan based on its proportion of the Miscellaneous Risk Pool. However, GASB 68 requires that employers report certain proportions as a percentage of the total plan (PERF C, excluding the 1959 Survivors Risk Pool), which includes both the Miscellaneous and Safety Risk Pools. All cost-sharing public agency plans, are categorized as either Miscellaneous or Safety within PERF C. Proportions shown in the table below represent the plan's proportion of PERF C, excluding the 1959 Survivors Risk Pool, and not its proportion of the Miscellaneous Risk Pool.

Proportion of the Net Pension Liability/(Asset)		0.12370%
Proportionate Share of the Net Pension Liability/(Asset)	\$	5,060,856
Covered-Employee Payroll	\$	3,651,297
Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		138.60%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		100.27%
Proportionate Share of Aggregate Employer Contributions	\$	580,206

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Schedule of Associated Students' Contributions (Unaudited)**  
Year Ended June 30, 2018

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**Schedule of Plan Contributions**

Actuarilly Determined Contribution	\$	580,206
Contributions in Relation to the Actuarilly Determined Contribution		<u>(352,525)</u>
Contributions Deficiency (Excess)	\$	<u>227,681</u>
Covered-Employee Payroll	\$	3,651,297
Contributions as a Percentage of Covered-Employee Payroll		15.89%



**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Other Post-Employment Benefits Plan (Unaudited)**  
Year Ended June 30, 2018

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2017	\$ 1,089,905	\$ 9,930,628	\$ 8,840,723	10.98%	\$ 1,820,220	485.70%

Schedule of Employer Contributions

Year Ended June 30	Actuarial Determined Contribution	Contribution in Relation to Actuarially Required	Contribution Excess (Deficiency)	Covered Payroll	Percentage of Covered Payroll Contributed
2018	\$ 575,891	\$ 250,000	\$ (325,891)	\$ 1,820,220	13.73%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no other data prior to 2018 is available. However, additional years will be included as they become available.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH**  
**Other Post-Employment Benefits Plan (Unaudited)**  
Year Ended June 30, 2018

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**Schedule of Changes in Net OPEB Liability and Related Ratios**

Year Ended June 30, 2018

Total OPEB Liability		
Service cost	\$	156,713
Interest cost		438,800
Benefit payments		(213,591)
Differences between expected and actual experience		(112,300)
Change in benefit terms		-
Change in assumptions		(64,390)
Net change in Total OPEB Liability		<u>205,232</u>
Total OPEB Liability - beginning		<u>9,930,628</u>
Total OPEB Liability - ending	\$	<u><u>10,135,860</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$	250,000
Net investment income		78,223
Administrative expense		-
Net Change in Fiduciary Net Position		<u>328,223</u>
Plan Fiduciary Net Position - beginning		<u>1,089,905</u>
Plan Fiduciary Net Position - ending	\$	<u><u>1,418,128</u></u>
Net OPEB Liability	\$	<u><u>8,717,732</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		13.99%
Covered Employee Payroll		1,820,220
Plan Net OPEB Liability as a Percentage of Covered Employee Payroll		478.94%

**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., California State University, Long Beach

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., California State University, Long Beach (Associated Students), which comprise the statement of net position for the year ended June 30, 2018, and the related statements of revenues, expenses, and changes net position, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Associated Students' internal control. Accordingly, we do not express an opinion on the effectiveness of Associated Students' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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' 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 audits, 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' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
October 2, 2018

**INFORMATION FOR THE CALIFORNIA STATE  
UNIVERSITY CHANCELLOR'S OFFICE**

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 693,222
Short-term investments	8,776,229
Accounts receivable, net	219,830
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	56,304
Total current assets	<u>9,745,585</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
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	2,754,991
Capital assets, net	3,506,149
Other assets	—
Total noncurrent assets	<u>6,261,140</u>
Total assets	<u>16,006,725</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	1,186,645
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>1,186,645</u>
Liabilities:	
Current liabilities:	
Accounts payable	972,192
Accrued salaries and benefits	197,041
Accrued compensated absences, current portion	223,520
Unearned revenues	25,100
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	1,125,452
Other liabilities	196,353
Total current liabilities	<u>2,739,658</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
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	8,717,732
Net pension liability	5,060,860
Other liabilities	—
Total noncurrent liabilities	<u>13,778,592</u>
Total liabilities	<u>16,518,250</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	426,178
Net OPEB liability	182,596
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>608,774</u>
Net Position:	
Net investment in capital assets	3,506,149
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	746,566
Debt service	—
Others	3,520,466
Unrestricted	(7,706,835)
Total net position	<u>\$ 66,346</u>

See independent auditors' report.

**ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH****Schedule of Revenues, Expenses, and Changes in Net Position**

Year Ended June 30, 2018

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	\$	12,837,825
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		163,445
State		337,345
Local		—
Nongovernmental		—
Sales and services of educational activities		1,031,231
Sales and services of auxiliary enterprises, gross		1,711,112
Scholarship allowances (enter as negative)		—
Other operating revenues		199,388
Total operating revenues		<u>16,280,346</u>
Expenses:		
Operating expenses:		
Instruction		—
Research		—
Public service		—
Academic support		—
Student services		11,758,427
Institutional support		1,622,249
Operation and maintenance of plant		823,578
Student grants and scholarships		706,488
Auxiliary enterprise expenses		746,220
Depreciation and amortization		384,355
Total operating expenses		<u>16,041,317</u>
Operating income (loss)		<u>239,029</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		172,579
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		—
Net nonoperating revenues (expenses)		<u>172,579</u>
Income (loss) before other revenues (expenses)		411,608
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net position		411,608
Net position:		
Net position at beginning of year, as previously reported		353,468
Restatements		(698,730)
Net position at beginning of year, as restated		<u>(345,262)</u>
Net position at end of year	\$	<u>66,346</u>

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2018:**

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		—
Total restricted cash and cash equivalents	\$	—

**2.1 Composition of investments at June 30, 2018:**

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	8,578,282	—	8,578,282	—	—	—	8,578,282
Corporate bonds	—	—	—	549,795	—	549,795	549,795
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	1,464,013	—	1,464,013	1,464,013
Money Market funds	197,947	—	197,947	—	—	—	197,947
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	28,580	—	28,580	28,580
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	9,993	—	9,993	9,993
U.S. agency securities	—	—	—	14,751	—	14,751	14,751
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	545,663	—	545,663	545,663
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	142,196	—	142,196	142,196
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	8,776,229	—	8,776,229	2,754,991	—	2,754,991	11,531,220
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	8,776,229	—	8,776,229	2,754,991	—	2,754,991	11,531,220

**2.2 Investments held by the University under contractual agreements at June 30, 2018:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018:	—	—	—	—	—	—	—
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# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

<b>2.3 Restricted current investments at June 30, 2018 related to:</b>	<b>Amount</b>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted current investments at June 30, 2018</b>	<b>\$ —</b>

<b>2.4 Restricted noncurrent investments at June 30, 2018 related to:</b>	<b>Amount</b>
Endowment investment	\$ —
Scholarships	—
Inflation reserves	—
University projects	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2018</b>	<b>\$ —</b>

**2.5 Fair value hierarchy in investments at June 30, 2018:**

	Fair Value Measurements Using				Net Asset Value (NAV)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	8,578,282	—	—	—	8,578,282
Corporate bonds	549,795	549,795	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	1,464,013	1,464,013	—	—	—
Money Market funds	197,947	197,947	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	28,580	28,580	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	9,993	9,993	—	—	—
U.S. agency securities	14,751	14,751	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	545,663	545,663	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	142,196	142,196	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
<b>Total investments</b>	<b>11,531,220</b>	<b>2,952,938</b>	<b>—</b>	<b>—</b>	<b>8,578,282</b>

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

### 3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	464,912	—	—	464,912
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	464,912	—	—	464,912
Depreciable/amortizable capital assets:								
Buildings and building improvements	277,950	—	—	277,950	—	—	—	277,950
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	3,483,428	—	—	3,483,428	435,390	—	—	3,918,818
Personal property:								
Equipment	2,348,252	—	—	2,348,252	46,731	—	—	2,394,983
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	6,109,630	—	—	6,109,630	482,121	—	—	6,591,751
Total capital assets	6,109,630	—	—	6,109,630	947,033	—	—	7,056,663
Less accumulated depreciation/amortization:								
Buildings and building improvements	(75,959)	-	-	(75,959)	(13,898)	-	-	(89,857)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(1,692,682)	-	-	(1,692,682)	(142,393)	-	-	(1,835,075)
Personal property:								
Equipment	(1,397,518)	-	-	(1,397,518)	(228,064)	-	-	(1,625,582)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(3,166,159)	-	-	(3,166,159)	(384,355)	-	-	(3,550,514)
Total capital assets, net	\$ 2,943,471	-	-	2,943,471	562,678	-	-	3,506,149

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

### 3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$ 384,355
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 384,355</u>

### 4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ 197,922	—	—	197,922	173,275	(147,677)	223,520	223,520	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 197,922	—	—	197,922	173,275	(147,677)	223,520	223,520	—

### 5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									<u>\$ —</u>

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum payments									—
Unamortized net premium (discount)									—
Total long-term debt obligations									—
Less: current portion									—
<b>Long-term debt obligations, net of current portion</b>									<b>\$ —</b>

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 3,506,149
Capital lease obligations, current portion	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, current portion	—
Long-term debt obligations, net of current portion	—
Portion of outstanding debt that is unspent at year-end (enter as positive number)	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Net position - Net investment in capital assets</b>	<b>\$ 3,506,149</b>

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)	—
Restricted expendable endowments	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Net position - Restricted for nonexpendable - endowments</b>	<b>\$ —</b>

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

**8 Transactions with related entities:**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 145,540
Payments to University for other than salaries of University personnel	1,589,961
Payments received from University for services, space, and programs	318,361
Gifts-in-kind to the University from discretely presented component units	21,337
Gifts (cash or assets) to the University from discretely presented component units	300,000
Accounts (payable to) University (enter as negative number)	(1,275,584)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	75,197
Other amounts receivable from University	—

**9 Other postemployment benefits (OPEB) liability**

Intentionally left blank - not required/applicable eff FY17/18

**10 Pollution remediation liabilities under GASB Statement No. 49:**

<u>Description</u>	<u>Amount</u>
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	<u>—</u>

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 2017, as previously reported	\$	353,468
Prior period adjustments:		
1 OPEB liability adjustment		(698,730)
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, 2017, as restated	\$	<u>(345,262)</u>

See independent auditors' report.

# ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, LONG BEACH

## Other Information

June 30, 2018

(for inclusion in the California State University)

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: Unrestricted		
1 (breakdown of adjusting journal entry)		
Other postemployment benefits liability	\$ 8,141,993	8,840,723
Net OPEB obligation		
Unrestricted net position	698,730	
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)	—	—

### 12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	—	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	5,521,374	2,094,956	—	4,142,097	—	11,758,427
Institutional support	787,163	556,075	—	279,011	—	1,622,249
Operation and maintenance of plant	—	—	—	823,578	—	823,578
Student grants and scholarships	—	—	706,488	—	—	706,488
Auxiliary enterprise expenses	471,694	83,204	—	191,322	—	746,220
Depreciation and amortization	—	—	—	—	384,355	384,355
Total	6,780,231	2,734,235	706,488	5,436,008	384,355	16,041,317

See independent auditors' report.