

Associated Students, Inc., California State Polytechnic University, Pomona

Report to the Board of Directors

Year Ended June 30, 2020

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA
Report to the Board of Directors
Year Ended June 30, 2020

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ASSOCIATED STUDENTS, INC., CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Executive Summary

Year Ended June 30, 2020

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Associated Students, Inc., California State Polytechnic University, Pomona for the year ended June 30, 2020.

SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and have issued our report, dated September 10, 2020. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter dated May 11, 2018.
- We rendered an unmodified opinion on the June 30, 2020 financial statements.
- We have not identified any conditions that we consider to be material weaknesses in internal control, as defined by U.S. generally accepted auditing standards.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.

September 10, 2020

To the Board of Directors
Associated Students, Inc., California State Polytechnic University, Pomona

We have audited the financial statements of Associated Students, Inc., California State Polytechnic University, Pomona (ASI) for the year ended June 30, 2020, and have issued our report thereon dated September 10, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ASI are described in Note 1 to the financial statements. As described in Note 1, the ASI changed accounting policies related to recognizing revenue for nonexchange transactions by adopting FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the fiscal year ended June 30, 2020. We noted no transactions entered into by ASI during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allocation of expenses between program activities and supporting services is based on an analysis of the nature of the expenses and the services benefitted. We evaluated key factors and assumptions used to develop the assumptions related to the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the unfunded pension liability and postretirement benefit payable is based on the results of the actuarially determined liability. We evaluated key factors and assumptions used to develop the assumptions related to the pension and other post-employment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There is one sensitive disclosure affecting the financial statements:

The disclosure of liquidity and availability in Note 2 as it is a disclosure of cash management policies of the ASI.

The disclosure of the unfunded pension liability and the postretirement benefit payable in Notes 7 and 8, respectively, is sensitive as it is significant to the overall financial statements. This liability records a future liability for the ASI's portion of the multiple-employer plan ASI participate in, as well as a liability for other post-employment benefits ASI provides.

The disclosure of the effects of COVID-19 in Note 10 on its impacts related to ASI's operations.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were two corrected misstatements as a result of the audit that were not material to the financial statements but were posted by management. See the attached report for details on these corrections.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2020. A copy of the letter is included for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the ASI's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ASI's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Associated Students, Inc., California State Polytechnic University, Pomona and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

San Diego, California
September 10, 2020

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Summary of Corrected and Uncorrected Misstatements

Year Ended June 30, 2020

| Adjusting Journal Entries JE # 1 | | <u>Debit</u> | <u>Credit</u> |
|---|--|-------------------|-------------------|
| AJE to capitalize gym equipment over \$5k threshold | | | |
| 9-915000-1980-00 | FA - BFC CENTER EQUIPMENT | \$ 34,524 | \$ - |
| 9-915000-3960-00 | FUND BALANCE | 29,345 | - |
| 9-995000-8930-00 | Depreciation | 5,179 | - |
| 9-915000-1990-00 | RESERVE FOR DEPRECIATION-EQUIP- ACCUMULATED DEPRECI | - | 5,179 |
| 9-915000-3905-00 | BSC-INVESTMENT IN FIXED ASSETS | - | 29,345 |
| 9-915000-8910-00 | Capital Expenditures | - | 34,524 |
| Total | | \$ 69,048 | \$ 69,048 |
| Adjusting Journal Entries JE # 2 | | | |
| To plug immaterial amount of Net Assets | | | |
| 1-125000-8990-00 | MISCELLANEOUS EXPENSE | \$ 9,677 | \$ - |
| ALD-3-300000-0000-00 | ALD Net Assets | - | 9,677 |
| Total | | \$ 9,677 | \$ 9,677 |
| Proposed Journal Entries JE # 1 | | <u>Debit</u> | <u>Credit</u> |
| To record difference between estimated and actual LAIF interest | | | |
| 1-115000-6120-00 | Interest Income | \$ 36,801 | \$ - |
| 1-115000-1550-00 | A/R-MISCELLANEOUS-ACCOUNTS RECEIVABLE- MISC- | - | 36,801 |
| Total | | \$ 36,801 | \$ 36,801 |
| Proposed Journal Entries JE # 2 | | | |
| Update fair value of LAIF investment at year end | | | |
| 1-110000-1700-00 | LAIF INVESTMENT | \$ 130,771 | \$ - |
| ALD-1-60000-0000-00 | Unrealized Gain/Loss on Investment | - | 130,771 |
| Total | | \$ 130,771 | \$ 130,771 |

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Trend and Ratio Analysis

Year Ended June 30, 2020

A summary of key financial statement information is presented below:

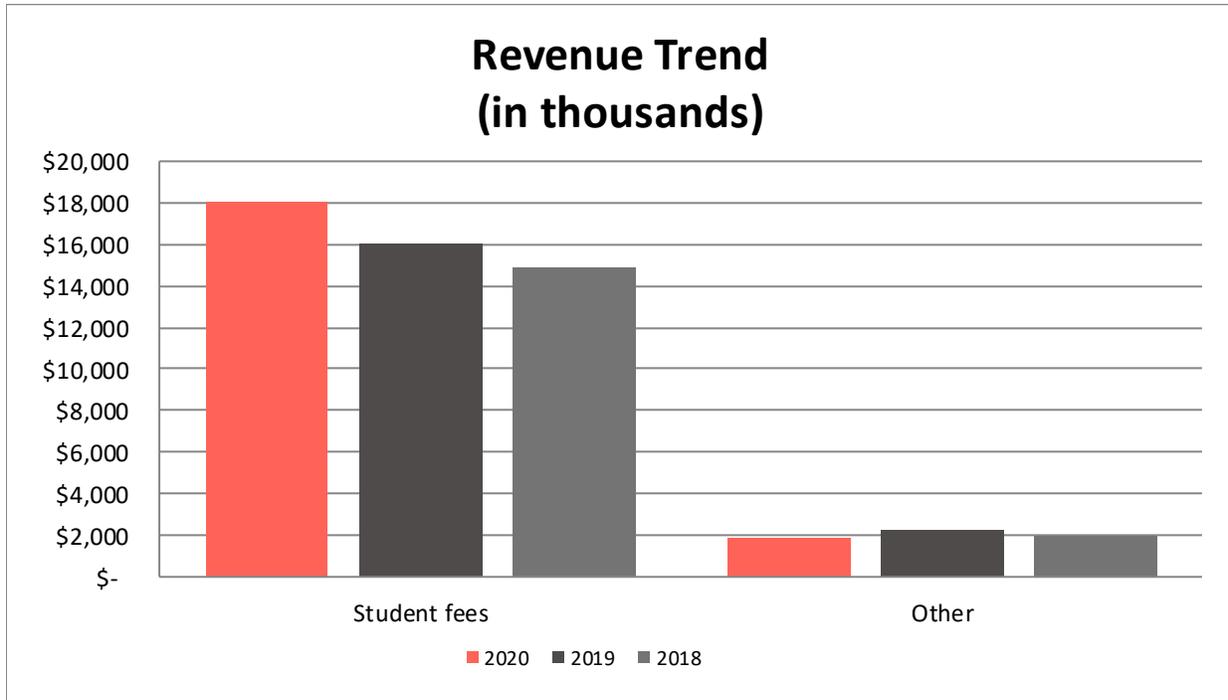
Summary of Statements of Financial Position

| | 2020 | | 2019 | | 2018 (as restated) | |
|-----------------------------------|----------------------|-------------|----------------------|-------------|-----------------------|-------------|
| ASSETS | | | | | | |
| Cash | \$ 818,815 | 3% | \$ 800,743 | 3% | \$ 177,778 | 1% |
| Investments | 26,618,374 | 88% | 22,745,910 | 89% | 19,467,239 | 90% |
| Accounts receivable, net | 1,494,296 | 5% | 649,826 | 3% | 647,637 | 3% |
| Property and equipment | 1,233,413 | 4% | 1,327,768 | 5% | 1,226,169 | 6% |
| Other assets | 37,253 | 0% | 57,284 | 0% | 44,786 | 0% |
| Total Assets | <u>\$ 30,202,151</u> | <u>100%</u> | <u>\$ 25,581,531</u> | <u>100%</u> | <u>\$ 21,563,609</u> | <u>100%</u> |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | \$ 8,864,419 | 29% | \$ 9,698,560 | 38% | \$ 8,016,990 | 37% |
| Net Assets | <u>21,337,732</u> | <u>71%</u> | <u>15,882,971</u> | <u>62%</u> | <u>13,546,619</u> | <u>63%</u> |
| Liabilities and Net Assets | <u>\$ 30,202,151</u> | <u>100%</u> | <u>\$ 25,581,531</u> | <u>100%</u> | <u>\$ 21,563,609</u> | <u>100%</u> |

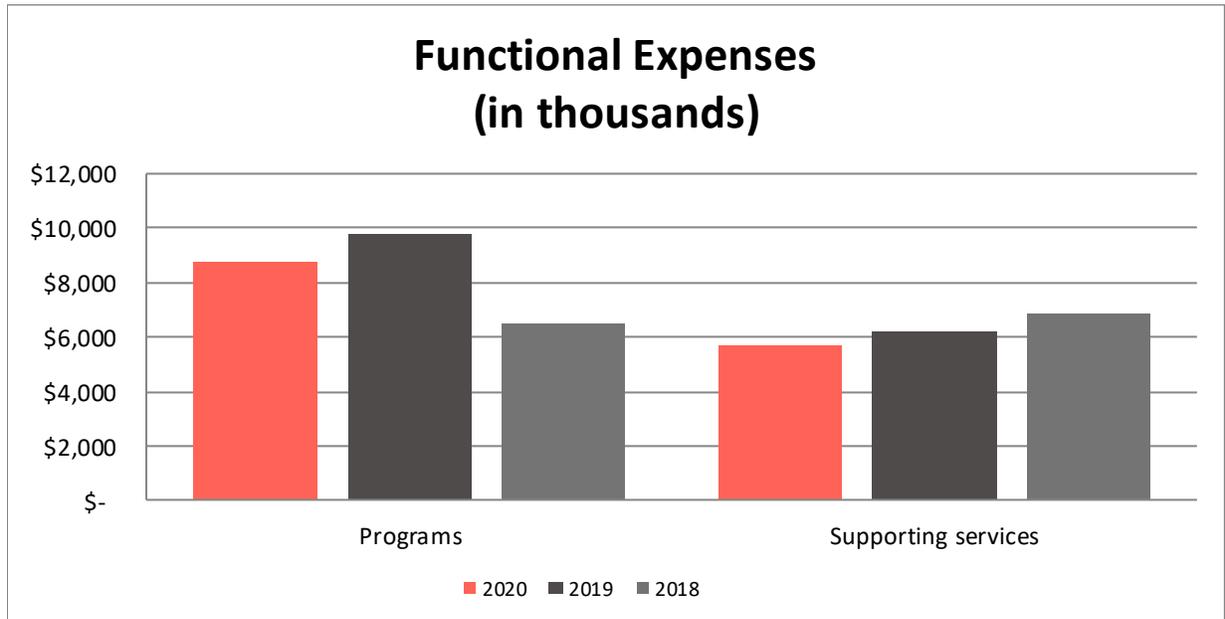
Summary of Statements of Activities

| | 2020 | | 2019 (as restated) | | 2018 (as restated) | |
|----------------------|---------------------|-------------|-----------------------|-------------|-----------------------|-------------|
| Revenues: | | | | | | |
| Student fees | \$ 17,974,191 | 90% | \$ 16,028,637 | 87% | \$ 14,891,369 | 88% |
| Other | 1,925,676 | 10% | 2,307,530 | 13% | 1,953,621 | 12% |
| Total revenues | <u>19,899,867</u> | <u>100%</u> | <u>18,336,167</u> | <u>100%</u> | <u>16,844,990</u> | <u>100%</u> |
| Expenses: | | | | | | |
| Program services | 8,724,129 | 60% | 9,804,746 | 61% | 6,452,269 | 49% |
| Supporting services | 5,720,977 | 40% | 6,195,069 | 39% | 6,819,713 | 51% |
| Total expenses | <u>14,445,106</u> | <u>100%</u> | <u>15,999,815</u> | <u>100%</u> | <u>13,271,982</u> | <u>100%</u> |
| Change in Net Assets | <u>\$ 5,454,761</u> | | <u>\$ 2,336,352</u> | | <u>\$ 3,573,008</u> | |

Summary Revenue Trend



Summary of Functional Expenses





September 10, 2020

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 1300
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of Associated Students, Inc., California State Polytechnic University, Pomona (ASI), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 10, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 11, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to ASI's accounts. We are in agreement with those adjustments.

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which ASI is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 12) We have provided you with—
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within ASI from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects ASI and involves—
 - 1) Management,
 - 2) Employees who have significant roles in internal control, or
 - 3) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting ASI's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.
- 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 19) ASI has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 21) Associated Students, Inc. California State Polytechnic University, Pomona is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize ASI's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 22) We acknowledge our responsibility for presenting the supplemental information in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- 23) Net asset components are properly classified and, if applicable, approved.
- 24) Provisions for uncollectible receivables have been properly identified and recorded .
- 25) Expenses have been appropriately directly charged to their various functions on the statement of functional expenses, and the allocation of expenses across functions is considered reasonable based on the nature of the supporting expenses that would be allocated.
- 26) We have implemented ASU 2018-08 related to contributions and have reviewed all revenue transactions of ASI to ensure that they are reported in accordance with this standard.
- 27) We have implemented ASU 2017-07 related to the pension and postretirement plan and have properly disclosed the service cost component with benefits and all other changes as non-operating expenses.
- 28) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 29) We have analyzed the accounting and reporting requirements and ASI is required to follow FASB standards.
- 30) In regard to assistance provided in drafting the financial statement and other nonattest services performed by you, we have-
 - 1) Assumed all management responsibilities.
 - 2) Designated and individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - 3) Evaluated the adequacy and results of the services performed.
 - 4) Accepted responsibility for the results of the services.

Signature:  Digitally signed by Carol L Lee
Date: 2020.09.14 15:09:17
-07'00'

Title: Director of Financial Services

Signature:  Digitally signed by Liz Roosa
Millar
Date: 2020.09.14 17:09:56 -07'00'

Title: Executive Director