



ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Financial Statements and Supplementary Information
Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Associated Students, Inc. of California State University, East Bay
Hayward, California

We have audited the accompanying Statements of Net Assets of Associated Students, Inc. of California State University, East Bay (Associated Students), a component unit of California State University, East Bay, as of June 30, 2012 and 2011, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and cash flows for the years then ended. These financial statements are the responsibility of Associated Students' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) for audits of financial statements of non-profit organizations and the standards of the Institute of Internal Auditors (IIA) for audits of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. This information is not a part of the basic financial statements, and other knowledge we obtained during our audit. We do not express an opinion or provide any assurance on the information presented in this discussion and analysis because it is not the responsibility of the auditors to provide us with sufficient evidence to express an opinion or provide



ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis
Year Ended June 30, 2012

This section of Associated Students, Inc. of California State University, East Bay (Associated Students) annual financial report includes some of management's insights and analyses of Associated Students' financial performance for the year ended June 30, 2012. 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, East Bay (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 Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets and the statements 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.

Statements of Net Assets: The Statements of Net Assets include all

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Management's Discussion and Analysis**Year Ended June 30, 2012

Analytical Overview

A summary of key financial statement information is presented below:

| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|---|---------------------|---------------------|--------------------------------|---------------------------|
| Assets: | | | | |
| Current assets | \$ 2,517,092 | \$ 662,190 | \$ 1,854,902 | 280% |
| Capital assets, net of accumulated depreciation | <u>16,402</u> | <u>1,035,190</u> | <u>(1,018,788)</u> | (98%) |
| Total Assets | <u>\$ 2,533,494</u> | <u>\$ 1,697,380</u> | <u>\$ 836,114</u> | 49% |
| Liabilities: | | | | |
| Current liabilities | \$ 464,523 | \$ 448,390 | \$ 16,133 | 4% |
| Non-current liabilities | <u>627,424</u> | <u>545,145</u> | <u>82,279</u> | 15% |
| Total Liabilities | 1,091,947 | 993,535 | 98,412 | 10% |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 16,402 | 1,035,190 | (1,018,788) | (98%) |
| Unrestricted | <u>1,425,145</u> | <u>(331,345)</u> | <u>1,756,490</u> | 530% |
| Total Net Assets | <u>1,441,547</u> | <u>703,845</u> | <u>737,702</u> | 105% |
| Total Liabilities and Net Assets | <u>\$ 2,533,494</u> | <u>\$ 1,697,380</u> | <u>\$ 836,114</u> | 49% |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Management's Discussion and Analysis**Year Ended June 30, 2012

Operating Results
Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|------------------------|---------------------|-------------------|--------------------------------|---------------------------|
| Revenues: | | | | |
| Operating revenues | \$ 4,008,354 | \$ 4,488,836 | \$ (480,482) | (11%) |
| Non-operating revenues | <u>561,810</u> | <u>1,658</u> | <u>560,152</u> | 33785% |
| Total Revenues | 4,570,164 | 4,490,494 | 79,670 | 2% |
| Expenses: | | | | |
| Operating expenses | <u>3,832,462</u> | <u>4,976,519</u> | <u>(1,144,057)</u> | (23%) |
| Change in Net Assets | 737,702 | (486,025) | 1,223,727 | 252% |
| Net Assets, beginning | <u>703,845</u> | <u>1,189,870</u> | <u>(486,025)</u> | (41%) |
| Net Assets, ending | <u>\$ 1,441,547</u> | <u>\$ 703,845</u> | <u>\$ 737,702</u> | 105% |

Operating revenues decreased by \$480K, or -11%, primarily due to a slight decrease in ASI fee revenue and a change in the fee for service agreement with the university to operate the University Union.

Non-operating revenue increased by \$560K, primarily due to a number of one-time accounting changes associated with moving the ASI fees sitting in trust off-set by capital asset write-offs and adjustments.

Operating expenses decreased \$1.1M due to the closure of the childcare center (-\$337K), Insurance, Postage and Utilities (-\$227K) and repairs and maintenance (-\$126K) and other cost reduction efforts.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Management's Discussion and Analysis**Year Ended June 30, 2012

Operating Expenses

Years Ended June 30, 2012 and 2011

| | 2012 | 2011 | Increase (Decrease) | Percent Change |
|----------------------------------|--------------|--------------|------------------------|-------------------|
| Operating Expenses: | | | | |
| Personnel related expenses | \$ 2,526,457 | \$ 2,800,347 | \$ (273,890) | (10%) |
| Event costs | 351,267 | 380,175 | (28,908) | (8%) |
| Services and supplies | 235,691 | 94,689 | 141,002 | 149% |
| Fees | 156,701 | 99,484 | 57,217 | 58% |
| Repairs and maintenance | 122,449 | 248,585 | (126,136) | (51%) |
| Student grants and scholarships | 116,390 | 107,797 | 8,593 | 8% |
| Insurance, postage and utilities | 115,856 | 343,199 | (227,343) | (66%) |
| Childcare center | 99,084 | 436,236 | (337,152) | (77%) |
| Miscellaneous expenses | 56,236 | 221,127 | (164,891) | (75%) |
| Travel, membership and dues | 45,961 | 62,349 | (16,388) | (26%) |
| Depreciation and amortization | 6,370 | 182,531 | (176,161) | (97%) |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Management's Discussion and Analysis**Year Ended June 30, 2012

Cash Flows
Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|---|-------------------------|-----------------------|--------------------------------|---------------------------|
| Net cash provided (used) by: | | | | |
| Operating activities | \$ 202,588 | \$ 21,185 | \$ 181,403 | 856% |
| Non operating revenue from the University | 1,582,622 | - | 1,582,622 | 100% |
| Capital and related financing activities | (13,341) | - | (13,341) | (100%) |
| Investing activities | <u>345,835</u> | <u>-</u> | <u>345,835</u> | 100% |
| Net Change in Cash | 2,117,704 | 21,185 | 2,096,519 | 9896% |
| Cash, beginning | <u>302,230</u> | <u>281,045</u> | <u>21,185</u> | 8% |
| Cash, ending | <u>\$ 2,419,934</u> | <u>\$ 302,230</u> | <u>\$ 2,117,704</u> | 701% |

Net cash increased by \$2.1M, or 701% was primarily driven by the one-time change of moving the \$1.7M of trust money to the Associated Students and the movement of \$340K from LAIF investments into cash investments.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis
Year Ended June 30, 2012

Capital Assets, Net
June 30, 2012 and 2011

| | 2012 | 2011 | Increase (Decrease) | Percent Change |
|---------------------------|------|------------|------------------------|-------------------|
| Capital Assets: | | | | |
| Childcare center building | \$ - | \$ 893,453 | \$ (893,453) | (100%) |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Statements of Revenues, Expenses, and Changes in Net Assets**

Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|-------------------|
| Operating Revenues: | | |
| Student fees | \$ 3,854,079 | \$ 4,100,000 |
| Sales and services of auxiliary enterprises | 143,050 | 233,621 |
| User fees and other charges | 10,748 | 137,106 |
| Other operating revenues | <u>477</u> | <u>18,109</u> |
| Total Operating Revenues | 4,008,354 | 4,488,836 |
| Operating Expenses: | | |
| Auxiliary enterprise expenses | 3,610,618 | 4,249,955 |
| Childcare center operating expenses | 99,084 | 436,236 |
| Student grants and scholarships | 116,390 | 107,797 |
| Depreciation and amortization | <u>6,370</u> | <u>182,531</u> |
| Total Operating Expenses | <u>3,832,462</u> | <u>4,976,519</u> |
| Operating Income (Loss) | 175,892 | (487,683) |
| Non-operating Revenue: | | |
| Other non-operating revenues | 556,862 | - |
| Investment income, net | <u>4,948</u> | <u>1,658</u> |
| Total Non-Operating Revenue | <u>561,810</u> | <u>1,658</u> |
| Change in Net Assets | 737,702 | (486,025) |
| Net Assets, beginning | <u>703,845</u> | <u>1,189,870</u> |
| Net Assets, ending | <u>\$ 1,441,547</u> | <u>\$ 703,845</u> |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|--------------|--------------|
| Cash Flows from Operating Activities: | | |
| Student fees | \$ 3,854,079 | \$ 4,100,000 |
| Sales and services of auxiliary enterprises | 282,204 | 428,684 |
| Payments to suppliers | (1,388,454) | (1,960,381) |
| Payments to employees | (2,430,328) | (2,456,429) |
| Payments to students | (116,390) | (107,797) |
| Other income | 1,477 | 17,108 |
| Net Cash Provided by Operating Activities | 202,588 | 21,185 |
| Cash Flows from Non Operating Activities: | | |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Associated Students, Inc. of California State University, East Bay (Associated Students) is a nonprofit, tax exempt, California State University auxiliary organization located on the campus of California State University, East Bay (University). The University is one of 23 campuses in the California State Un

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

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

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 5 to 20 years. In accordance with instructions from the System, depreciation expense is shown separately in the Statements of Revenues, Expenses, and Changes in Net Assets, rather than being allocated among other categories of operating expenses.

Funds Held for Others

During the year ended June 30, 2011, Associated Students administered club funds on behalf of student organizations. It was management's belief that Associated Students was acting as an agent for the transactions of these funds. Accordingly, the activity of such student organizations is not recorded in the Statements of Revenues, Expenses, and Changes in Net Assets as of June 30, 2011. As of July 1, 2011 the University has taken over the fund management for student organizations.

Other Post-Employment Benefits Other than Pensions (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* establishes the standards for the actuarial measurement, recognition, presentation, disclosure, and required supplemental information of postemployment benefits and related liabilities.

Net Assets

Associated Students' net assets are classified into the following categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Unrestricted: All other categories of net assets, including those net assets designated by the Board or management.

Classification of Revenues and Expenses

Associated Students considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Assets 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 quarterly student body fees. During 2011 these payments support Associated Students' operations and were collected by the University Business Office, who made disbursements to Associated Students on a regular basis to cover its operating budget. Undisbursed funds were withheld by the University in a reserve account and could have been requested by Associated Students on an as needed basis. During 2011, Associated Students recorded revenues from student fees based on cash requests made to the University during the year. As of July 1, 2011; the arrangement discussed above is no longer being used. During 2012 student body fees were received by Associated Students directly and used for daily operations.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

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

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.

Associated Students recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

Associated Students files informational and income tax returns in the United States and various state and local jurisdictions. The Associated Students' Federal income tax and informational returns are subject to examination by the Internal Revenue Service generally for 3 years after the returns were filed. State and local jurisdictions have statutes of limitation that generally range from 3 to 5 years.

Deferred Revenue

Associated Students bills annual student dues in advance. The unearned income is recorded as deferred revenue within the statement of Net Assets.

Subsequent Events

Associated Students evaluated subsequent events through September 26, 2012, 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 Statements of Revenues, Expenses, and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 3 - Concentration of Credit Risk

Associated Students maintains its cash in bank deposit accounts that are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. At June 30, 2012, Associated Students' uninsured balance was \$2,245,416.

Note 4 - Cash and Cash Equivalents

Associated Students includes all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with an original maturity of 90 days or less, as cash and cash equivalents. Each account is managed by the University and is held by the Office of the Chancellor.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Note 7 - Capital Assets

Capital assets consist of the following:

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|------------------|---------------------|
| Childcare Center building | \$ - | \$ 893,453 |
| Furniture and fixtures | 14,696 | 151,326 |
| Equipment | 68,462 | 218,907 |
| Leasehold improvements | - | 909,031 |
| | <u>83,158</u> | <u>2,172,717</u> |
| Less accumulated depreciation | <u>(66,756)</u> | <u>(1,137,527)</u> |
| | <u>\$ 16,402</u> | <u>\$ 1,035,190</u> |

Capital assets' activity for the year ended June 30, 2012 consisted of the following:

| Description | Balance June 30, 2011 | Additions | Retirements / Transfers | Balance June 30, 2012 |
|--------------------------------|--------------------------|-----------------|----------------------------|--------------------------|
| Cost: | | | | |
| Childcare Center building | \$ 893,453 | \$ - | \$ (893,453) | \$ - |
| Furniture and fixtures | 151,326 | 13,341 | (149,971) | 14,696 |
| Equipment | 218,907 | - | (150,445) | 68,462 |
| Leasehold improvements | <u>909,031</u> | <u>-</u> | <u>(909,031)</u> | <u>-</u> |
| Total cost | 2,172,717 | 13,341 | (2,102,900) | 83,158 |
| Less accumulated depreciation: | | | | |
| Childcare Center building | (670,091) | - | 670,091 | - |
| Furniture and fixtures | (154,635) | (6,370) | 153,879 | (7,126) |
| Equipment | (119,981) | - | 60,351 | (59,630) |
| Leasehold improvements | <u>(192,820)</u> | <u>-</u> | <u>192,820</u> | <u>-</u> |
| Total accumulated depreciation | <u>(1,137,527)</u> | <u>(6,370)</u> | <u>1,077,141</u> | <u>(66,756)</u> |
| Capital assets, net | <u>\$ 1,035,190</u> | <u>\$ 6,971</u> | <u>\$ (1,025,759)</u> | <u>\$ 16,402</u> |

Retirements/Transfers include assets with a cost basis of \$1,403,164 and accumulated depreciation of \$377,404 which were transferred to the University.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Note 9 - Other Post-Employment Benefits Other Than Pensions (OPEB)

Plan description

In addition to providing pension benefits, Associated Students sponsors a single-employer post-retirement healthcare plan, which covers substantially all full-time, central staff employees. This benefit is provided through the Foundation. This plan provides lifetime medical benefits to retirees who have attained age 50 with five years of service. Spouses and dependents of eligible retirees are also eligible for life. During the year ended June 30, 2009 the plan was amended to provide lifetime medical benefits to retirees who have attained the age of 50 with ten years of service. The Foundation has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

Funding policy

For the year ended June 30, 2012, Associated Students' share of the monthly medical premiums was limited to \$566 (single), \$1,074 (two parties), and \$1,382 (three or more parties). For the year ended June 30, 2011, Associated Students' share of the monthly medical premiums was limited to \$542 (single), \$1,030 (two parties), and \$1,326 (three or more parties). For the year ended June 30, 2012, Associated Students' share of the monthly dental premiums was limited to \$52 (single), \$108 (two parties), and \$133 (three or more parties). For the year ended June 30, 2011, Associated Students' share of the monthly dental premiums was limited to \$52 (single), \$109 (two parties), and \$184 (three or more parties). Retirees are responsible for premiums in excess of Associated Students' share.

Associated Students contributes annually based on a pay-as-you-go basis.

Annual postemployment benefit cost and net OPEB obligation

Associated Students' annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC 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 accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. Associated Students has selected a level percentage of payroll amortization method over a fixed 20-year period.

The following table shows the components of Associated Students' annual OPEB cost, the amount contributed to the plan, and changes in Associated Students' net OPEB obligation for the years ended June 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|---|------------------|-------------------|
| Determination of annual required contribution : | | |
| Normal cost at end of year | \$ 52,406 | \$ 251,722 |
| Amortization of unfunded actuarial liability | <u>115,971</u> | <u>111,294</u> |
| Annual required contribution | 168,377 | 363,016 |
| Determination of net OPEB obligation: | | |
| Annual required contribution | 168,377 | 363,016 |
| Interest on prior year net OPEB obligation | 38,160 | 9,213 |
| Adjustment to ARC | <u>(47,616)</u> | <u>(11,706)</u> |
| Annual OPEB cost | 158,921 | 360,523 |
| Contributions made | <u>(76,642)</u> | <u>(78,614)</u> |
| Increase in net OPEB obligation | <u>\$ 82,279</u> | <u>\$ 281,909</u> |

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Note 9 - Other Post-Employment Benefits Other Than Pensions (OPEB), continued

Annual postemployment benefit cost and net OPEB obligation, continued

Associated Students' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012, 2011 and 2010 was as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Age Adjusted Contribution</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-----------------------------|--------------------------------------|--|--------------------------------|
| June 30, 2012 | \$ <u>158,921</u> | \$ <u>76,642</u> | <u>48.23%</u> | \$ <u>627,424</u> |
| June 30, 2011 | \$ <u>360,523</u> | \$ <u>78,614</u> | <u>21.81%</u> | \$ <u>545,145</u> |
| June 30, 2010 | \$ <u>116,479</u> | \$ <u>74,030</u> | <u>63.56%</u> | \$ <u>263,236</u> |

Funded status and funding progress

As of June 30, 2012, the funded status of the plan was as follows:

Actuarial accrued

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Note 9 - Other Post-Employment Benefits Other Than Pensions (OPEB), continued

In the June 30, 2012 actuarial valuation, the alternative measurement method in accordance with GASB methodology was used. Costs are allocated from hire age to expected retirement age. At June 30, 2012 the actuarial assumptions included a 7% discount rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5%. At June 30, 2011 the actuarial assumptions included a 2.5% investment rate (net of administrative expenses) and an annual healthcare cost trend rate of 5%. The change in rate of return is attributable to the planned movement of fund management to an investment third party instead of with the University. The plan did not have any assets at June 30, 2012 and 2011.

Note 10 - Board Designated Net Assets

Unrestricted net assets were designated by the Board for the following purposes:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|-------------------|
| Current operations and working capital | \$ 428,000 | \$ 79,000 |
| Public Employees Retirement System reserve | 285,000 | 50,000 |
| Capital replacement reserve | 428,000 | 65,000 |
| Planned future operations | - | 35,000 |
| Student organization modular units | - | 15,000 |
| Contingency operations reserve | - | 4,000 |
| Undesignated | <u>284,000</u> | <u>-</u> |
| | <u>\$ 1,425,000</u> | <u>\$ 248,000</u> |

As of June 30, 2011, unrestricted net assets were not sufficient to fund these designated purposes.

Note 11 - Transactions with Affiliates

Associated Students enters into transactions with th

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY**Notes to Financial Statements**Years Ended June 30, 2012 and 2011

Note 11 - Transactions with Affiliates, continued

Payments received during the years ended June 30, 2012 and 2011 were as follows:

| | <u>2012</u> | <u>2011</u> |
|--|---------------|---------------------|
| California State University, East Bay | \$ - | \$ 4,114,205 |
| California State University, East Bay Foundation, Inc. | - | 146,230 |
| Cal State East Bay Educational Foundation, Inc. | <u>190</u> | <u>1,250</u> |
| | <u>\$ 190</u> | <u>\$ 4,261,685</u> |

Amounts receivable (payable) at June 30, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|--|------|-------------|
| California State University, East Bay - payable | \$ - | \$ (10,112) |
| Cal State East Bay Educational Foundation, Inc. - receivable | 190 | - |

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

To the Audit Committee
Associated Students, Inc. of California State University, East Bay
Hayward, California

We have audited the financial statements of Associated Students, Inc. of California State University, East Bay (Associated Students), a component unit of California State University, East Bay, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 26, 2012. We conducted our

7671 HAZARD CENTER DRIVE, SUITE 7300, SAN DIEGO, CA 92161

PORTLAND, OR 97208 | PAKEM, OR 97131 | PARKERSBURG, WV 26101 | FESONBURG, WV 26031 | SAN DIEGO, CA 92161 | ANCHORAGE, AK 99501

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Schedule of Funding Progress
Year Ended June 30, 2012

| Actuarial Valuation Date | Fair Value of Plan Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio |
|-----------------------------|---------------------------------|-----------------------------------|---|-----------------|
| June 30, 2012 | \$ - | \$ 1,240,858 | \$ 1,240,858 | 0.0% |
| June 30, 2011 | \$ - | \$ 2,835,911 | \$ 2,835,911 | 0.0% |

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

Assets:

Current assets:

| | | |
|------------------------------------|----|-----------|
| Cash and cash equivalents | \$ | 2,419,934 |
| Short-term investments | | - |
| Accounts receivable, net | | 97,158 |
| Leases receivable, current portion | | - |
| Notes receivable, current portion | | - |

Revenues:

Operating revenues:

(for inclusion in the California State University)

Provide a detailed breakdown of the journal entries of the financial statement line item by account to record each prior period adjustment:

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