

**ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA  
AT SANTA BARBARA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA, SANTA BARBARA  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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March 1, 2019

### Independent Auditors' Report

Senate  
Associated Students of the  
University of California, Santa Barbara

We have audited the accompanying financial statements of Associated Students of the University of California, Santa Barbara (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, as listed (pages 6 through 14) in the accompanying table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students of the University of California, Santa Barbara as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our examination was made for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of appropriation remittances included under "Supplemental Schedule" on page 15 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.

A handwritten signature in blue ink that reads "Nasif, Hicks, Harris & Co., LLP". The signature is written in a cursive, flowing style.

Nasif, Hicks, Harris & Co., LLP

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA AT SANTA BARBARA  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,566,457	\$7,587,314
Accounts receivable	590,208	180,816
Emergency student loans receivable, net	147,167	145,159
Bike shop inventory	41,584	30,564
Total Current Assets	9,345,416	7,943,853
Investments in Marketable Securities	1,511,186	1,356,320
Property and Equipment:		
Furniture and office equipment	189,010	189,010
Radio equipment	163,379	157,661
Computers	27,190	27,190
Production equipment	87,062	87,062
Bike shop building	407,552	407,552
Less: accumulated depreciation	(613,474)	(588,963)
Net Property and Equipment	260,719	279,512
TOTAL ASSETS	\$ 11,117,321	\$ 9,579,685
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 843,445	\$277,287
Accrued compensation costs	159,553	284,342
Total Current Liabilities	1,002,998	561,629
Net Assets, Unrestricted	10,114,323	9,018,056
TOTAL LIABILITIES AND NET ASSETS	\$ 11,117,321	\$ 9,579,685

See Notes to Financial Statements.

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA AT SANTA BARBARA  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30,

	2018	2017
SUPPORT AND REVENUE:		
Associated Students registration fees	\$ 9,419,405	\$8,523,498
Student activities and co-sponsorships	55,035	112,838
Donations	40,690	49,393
Sales of services and products	1,276,489	1,011,978
Interest and dividends	152,740	97,145
Realized gain on marketable securities	11,095	4,651
Unrealized gains on marketable securities	37,993	145,573
Miscellaneous income	66,750	78,200
TOTAL SUPPORT AND REVENUE	11,060,197	10,023,276
EXPENSES:		
Program services:		
Lock-in programs	2,301,477	2,446,433
Program Board	915,845	918,275
KCSB	216,014	146,907
Appropriation remittances	640,127	603,693
Discretionary student programs	955,180	587,008
Office of Student Life student groups	726,460	628,856
Staff salaries directly allocable	2,264,334	2,091,250
Student employment	785,829	845,676
Associated Students grants	231,567	257,159
Total program services	9,036,833	8,525,257
Support services:		
Staff salaries (allocable)	566,083	522,812
Administrative overhead	336,503	230,478
Depreciation	24,511	24,082
Total support services	927,097	777,372
TOTAL EXPENSES	9,963,930	9,302,629
INCREASE IN NET ASSETS	1,096,267	720,647
NET ASSETS AT THE BEGINNING OF YEAR	9,018,056	8,297,409
NET ASSETS AT END OF YEAR	\$ 10,114,323	\$ 9,018,056

See Notes to Financial Statements.

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA AT SANTA BARBARA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,096,267	\$720,647
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	24,511	24,082
Realized loss on marketable securities	(11,095)	(4,651)
Unrealized loss on marketable securities	(37,993)	(145,573)
(Increase) decrease in:		
Accounts receivable	(409,392)	54,021
Emergency student loans receivable	(2,008)	(70,569)
Bike shop inventory	(11,020)	8,598
Increase (decrease) in:		
Accrued compensation expense	(124,789)	75,705
Accounts payable	566,158	(137,678)
Net Cash Provided by Operating Activities	1,090,639	524,582
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,718)	-
Purchases of marketable securities	(184,267)	(46,485)
Proceeds from sales of marketable securities	78,489	13,378
Net Cash Used by Investing Activities	(111,496)	(33,107)
Net Increase in Cash and Cash Equivalents	979,143	491,475
Cash and Cash Equivalents, Beginning of Year	7,587,314	7,095,839
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,566,457	\$ 7,587,314

See Notes to Financial Statements.

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA, SANTA BARBARA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Note 1: Summary of Significant Accounting Policies

Associated Students of the University of California, Santa Barbara ("Associated Students") is the official organization of the undergraduate students of the University of California, Santa Barbara ("UCSB"). Associated Students is supported primarily by registration fees collected from students, business service activities, and ticket sales from events. Associated Students is governed by five elected executive officers and 25 elected Senate members. These elected officials are assisted by various boards and committees and full-time professional staff.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, certificates of deposit with maturities of 90 days or less at the date of purchase, and short-term investment pool deposits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Accounts receivable are made up of amounts due to Associated Students from the Regents of the University of California, various other UCSB organizations, and outside vendors. Historically, Associated Students has experienced a high rate of collection on these accounts receivables. Associated Students believes all outstanding balances are collectible at June 30, 2018 and 2017, respectively.

Emergency Student Loans Receivable

Interest-free, short-term, emergency student loans, not to exceed \$600, are issued to eligible students in financial need. Emergency student loans are due 30 days from the date of issuance. Emergency student loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Associated Students uses the allowance method to account for uncollectible emergency student loans receivable for the purpose of financial statement reporting. The allowance for doubtful accounts is based on prior years' collection history.

See Independent Auditors' Report.

ASSOCIATED STUDENTS OF THE  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Note 1: Summary of Significant Accounting Policies - continued

Inventories

Bike Shop inventory is recorded at cost, using the first-in, first-out method.

Marketable Securities

Marketable securities are recorded at quoted market values and all realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

Property and Equipment

Associated Students capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from 5 to 20 years.

University Designations

Associated Students registration fees are reported net of amounts collected by UCSB and remitted directly by UCSB to other organizations ("Designated Fees"). Associated Students includes Designated Fees in its budget because the amounts were approved by the Associated Students ballot. As such, Associated Students does not include these amounts in revenue that is being reported on the statement of activities and changes in net assets. For the years ended June 30, 2018 and 2017, the amounts collected were \$5,437,868 and \$4,917,249, respectively.

Donated Services

No amounts are reflected in the financial statements for donated services since no objective basis is available to measure the value of such services. However, a substantial number of volunteers, including Senate and the Executive Officers, have donated significant amounts of their time to Associated Students. Some of these volunteers are partially compensated by honoraria.

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Note 1: Summary of Significant Accounting Policies - continued

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash, inventory, accounts payable, and accrued compensation costs approximate fair value due to the short-term maturity of these financial instruments.

Uncertain Tax Positions

Associated Students is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Associated Students believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Please see Note 7 for further discussion.

Reclassification

Certain reclassifications have been made to the June 30, 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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Note 2: Emergency Student Loans Receivable

The following table presents the age of emergency student loans receivable as of June 30, 2018:

	1-30 Days	31-60 Days	> 60 Days	Total
Emergency Student Loans Receivable	\$ 126,420	\$ -	\$ 33,757	\$ 160,177
Allowance for Doubtful Accounts	-	-	(13,010)	(13,010)
Total	\$ 126,420	\$ -	\$ 20,747	\$ 147,167

The following table presents the age of emergency student loans receivable as of June 30, 2017:

	1-30 Days	31-60 Days	> 60 Days	Total
Emergency Student Loans Receivable	\$ 127,242	\$ -	\$ 36,452	\$ 163,694
Allowance for Doubtful Accounts	-	-	(18,535)	(18,535)
Total	\$ 127,242	\$ -	\$ 17,917	\$ 145,159

Note 3: Fair Value Measurements of Investments

FASB ASC 820 "Fair Value Measurements (ASC 820)" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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Note 3: Fair Value Measurements of Investments - continued

Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value, as of June 30, 2018:

Recurring Fair Value Measurements at Reporting Date Using				
	Level 1	Level 2	Level 3	Fair Value
Marketable Securities	\$ 1,511,186	\$ -	\$ -	\$ 1,511,186
Total	\$ 1,511,186	\$ -	\$ -	\$ 1,511,186

See Independent Auditors' Report.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 3: Fair Value Measurements of Investments - continued

The following table sets forth by level, within the fair value hierarchy, the investments at fair value, as of June 30, 2017:

Recurring Fair Value Measurements at Reporting Date Using				
	Level 1	Level 2	Level 3	Fair Value
Marketable Securities	\$ 1,356,320	\$ -	\$ -	\$ 1,356,320
Total	\$ 1,356,320	\$ -	\$ -	\$ 1,356,320

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Associated Students believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4: Investment in Marketable Securities

Marketable Securities consist of the following at June 30, 2018:

	Cost	Market
Domestic Equities	\$ 953,529	\$ 1,286,810
International Equities	193,473	224,376
Totals	\$ 1,147,002	\$ 1,511,186

Realized gains of \$11,095 and unrealized gains of \$37,993 were recognized for the year ended June 30, 2018.

See Independent Auditors' Report.

ASSOCIATED STUDENTS OF THE  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Note 4: Investment in Marketable Securities - continued

Marketable Securities consisted of the following at June 30, 2017:

	Cost Basis	Market
Domestic Equities	\$ 905,450	\$ 1,140,274
International Equities	192,916	216,046
Totals	<u>\$ 1,098,366</u>	<u>\$ 1,356,320</u>

Realized gains of \$4,651 and unrealized gains of \$145,573 were recognized for the year ended June 30, 2017.

Note 5: Net Assets

The Senate has designated all net assets for specific purposes. The difference between total assets and total liabilities is net assets. It is not a measure of cash available for expenditures since the assets include equipment and inventory that are not readily convertible to cash.

Note 6: Related Party Transactions

Associated Students, the University Center, and the University of California, Santa Barbara are related parties under the common control of the Regents of the University of California.

Associated Student groups contract with various University of California, Santa Barbara departments in the ordinary course of operations. The University also provides payroll accounting services to Associated Students. Associated Students paid the University an administrative cost recovery charge of \$40,000 and \$39,266 for the years ended June 30, 2018 and 2017, respectively, in return for payroll, personnel, and other services.

All Associated Students' staff are University employees hired by Associated Students. Support and technical staff are subject to University collective bargaining agreements. Associated Students reimburses the University for the costs of these employees. Associated Students reimbursed the University \$2,830,417 and \$2,614,062 for career employee costs, and \$785,829 and \$845,676 for student employee costs for the years ended June 30, 2018 and 2017, respectively.

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FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Note 6: Related Party Transactions - continued

Full-time Associated Student employees are covered by the University pension plan. University pension coverage is provided under the University of California Retirement System which provides defined benefit pension coverage for employees at all University of California campuses.

Note 7: Income Tax Status

Associated Students, as a non-profit organization, is generally exempt from income taxes. Organizations that are otherwise tax exempt are subject to income taxes on unrelated business income. Unrelated business income is income from activities unrelated to Associated Students' tax exempt purpose. Income earned from investments purchased with borrowed funds is unrelated business income. Management does not believe that Associated Students had any unrelated business income during the years ended June 30, 2018 and 2017.

On the advice of the University of California system, Associated Students did not file a Federal Exempt Organization Annual Information Return ("Form 990") for the years ended June 30, 2001 through 2009. Federal regulations provide that governmental units and affiliates of governmental units that are exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") are not required to file Form 990. After receiving "failure to file" notices from the Internal Revenue Service (the "IRS"), Associated Students filed Form 990 for the years ended June 30, 2010 through 2016, all the while asserting in correspondence with the IRS that Associated Students is a governmental unit or an affiliate of a government unit and is exempt from federal income tax under Section 501(a) of the Code.

In a letter dated November 30, 2017, the IRS notified Associated Students that it had determined Associated Students meets the requirements for classification as a governmental unit or an affiliate of a governmental unit and is therefore not required to file Form 990. Management believes that the FTB will agree with determination made by the IRS.

Note 8: Concentrations

Associated Students has cash deposits with a local bank and cash deposits which are held in the University of California short-term investment pool. Demand deposits are federally insured up to the maximum as determined by the Federal Deposit Insurance Corporation. Cash deposits held in the short-term investment pool are not insured.

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Note 9:      Associated Students Registration Fees

The Associated Students constitution restricts use of a portion of Associated Students registration fees to specific purposes, including support of Communications Personnel, Educational Opportunity Program, Community Affairs Board, and others. In addition, the Senate through its by-laws designates another portion of registration fees for uses, including Campaign Issues, Financial Aid, and Legal Resources.

Note 10:      Subsequent Events

Subsequent events were evaluated through March 1, 2019, which is the date the financial statements were available to be issued.

See Independent Auditors' Report.

## SUPPLEMENTAL SCHEDULE

ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA AT SANTA BARBARA  
SUPPLEMENTAL SCHEDULE OF APPROPRIATION REMITTANCES  
FOR THE YEARS ENDED JUNE 30,

	2018	2017
APPROPRIATION REMITTANCES:		
Daily Nexus	\$ 205,482	\$ 195,216
Parking	240,497	234,685
University of California Student Association	194,148	173,792
TOTAL APPROPRIATION REMITTANCES	<u>\$ 640,127</u>	<u>\$ 603,693</u>

See Notes to Financial Statements.