

University Student Center of California State University, Stanislaus

Financial Statements and Supplemental Information

Year Ended June 30, 2021



UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Financial Statements and Supplemental Information
Year Ended June 30, 2021

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information:	
Schedule of Net Position	16
Schedule of Revenues, Expenses, and Changes in Net Position	17
Other Information	18
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 <i>Government Auditing Standards</i>	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University Student Center of California State University, Stanislaus

We have audited the accompanying financial statements of University Student Center of California State University, Stanislaus (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses 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 misstatements. 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 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 University Student Center of California State University, Stanislaus as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the year ended June 30, 2021, the University Student Center of California State University, Stanislaus adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 16-24 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 1, 2021, on our consideration of University Student Center of California State University, Stanislaus' 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 solely 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 the effectiveness of University Student Center of California State University, Stanislaus' 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 University Student Center of California State University, Stanislaus' internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
October 1, 2021

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Statement of Financial Position
June 30, 2021

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 3,156,098
Due from related parties	1,005,199
Other current assets	<u>5,621</u>
Total Current Assets	4,166,918
Property and Equipment, net	<u>4,168,236</u>
Total Assets	<u><u>\$ 8,335,154</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 42,473
Accrued expenses	97,832
Due to related parties	122,245
Current portion of capital lease	<u>125,000</u>
Total Current Liabilities	387,550
Non-Current Liabilities:	
Post-retirement benefit obligation	1,404,803
Pension obligation	309,474
Capital lease, net of current portion	<u>3,350,000</u>
Total Non-Current Liabilities	<u>5,064,277</u>
Total Liabilities	5,451,827
Net Assets:	
Without Donor Restrictions:	
Board designated for:	
Capital fund	500,000
Current operating contingency	500,000
Deferred post-retirement benefits	200,000
Catastrophic events	200,000
Undesignated	<u>1,483,327</u>
Total Without Donor Restrictions	<u>2,883,327</u>
Total Liabilities and Net Assets	<u><u>\$ 8,335,154</u></u>

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Statement of Activities
Year Ended June 30, 2021

Revenue and Other Support Without Donor Restrictions:	
Student activity fees	\$ 7,911,799
Space rental	275,688
	<hr/>
Total Revenue and Other Support Without Donor Restrictions	8,187,487
Expenses:	
Program services:	
Reservation services	895,173
Stockton center	151,823
Leadership	136,473
Other programs	48,075
	<hr/>
Total Program Services	1,231,544
General and administrative	3,803,191
	<hr/>
Total Expenses	5,034,735
	<hr/>
Operating Net Income	3,152,752
Non-Operating Revenues:	
Interest income	2,921
Pension related benefit other than net periodic pension cost	130,125
Donations	21,169
Other	1,592
	<hr/>
Total Non-Operating Revenues	155,807
	<hr/>
Change in Net Assets	3,308,559
Net Deficit - Without Donor Restrictions, beginning	<hr/> (425,232)
Net Assets - Without Donor Restrictions, ending	<hr/> \$ 2,883,327

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					General and Administration	Total
	Reservation Services	Stockton Center	Leadership	Other Programs	Total Programs		
Payroll - wages	\$ 207,952	\$ 41,625	\$ -	\$ -	\$ 249,577	\$ 228,563	\$ 478,140
Retirement	14,649	4,773	-	-	19,422	228,832	248,254
Employee benefits	84,270	9,421	900	84	94,675	79,081	173,756
Student assistants	39,347	-	49,343	27,700	116,390	-	116,390
Payroll - taxes	12,984	3,064	491	37	16,576	16,845	33,421
Total Salaries and Related Expenses	359,202	58,883	50,734	27,821	496,640	553,321	1,049,961
Campus reimbursement	-	-	-	-	-	3,021,327	3,021,327
Contractual services	28,236	11,273	-	-	39,509	141,817	181,326
Interest	165,467	-	-	-	165,467	-	165,467
Depreciation	147,448	85	-	2,125	149,658	-	149,658
Utilities	109,522	-	-	-	109,522	-	109,522
Repairs and maintenance	37,151	66,452	-	-	103,603	-	103,603
Minor equipment	15,882	14,656	303	4,304	35,145	4,884	40,029
Insurance	5,526	-	-	-	5,526	33,692	39,218
Advertising	-	20	30,847	4,340	35,207	-	35,207
Supplies and services	23,543	94	2,906	565	27,108	2,746	29,854
Accounting and legal	-	-	-	-	-	17,375	17,375
Awards, gifts and donations	-	-	14,693	250	14,943	178	15,121
Student Clubs	-	-	15,069	-	15,069	-	15,069
Event	-	-	3,712	7,480	11,192	2,727	13,919
Overhead, Chancellor's office	-	-	-	-	-	11,956	11,956
Employee and board function	-	-	9,072	-	9,072	-	9,072
Telephone	1,635	360	2,904	744	5,643	1,458	7,101
Postage	3	-	5,971	1	5,975	725	6,700
Training	-	-	-	-	-	4,788	4,788
Dues and subscriptions	1,558	-	-	445	2,003	2,652	4,655
Hospitality	-	-	233	-	233	3,082	3,315
Miscellaneous	-	-	29	-	29	463	492
Total Operating Expenses	\$ 895,173	\$ 151,823	\$ 136,473	\$ 48,075	\$ 1,231,544	\$ 3,803,191	\$ 5,034,735
Pension related charges other than net periodic pension cost	-	-	-	-	-	(130,125)	(130,125)
Total Expenses	\$ 895,173	\$ 151,823	\$ 136,473	\$ 48,075	\$ 1,231,544	\$ 3,673,066	\$ 4,904,610

See accompanying notes to the financial statements.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities:	
Increase in net assets	\$ 3,308,559
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	149,658
Change in operating assets and liabilities:	
Due from related parties	108,661
Other current assets	(4,292)
Accounts payable	23,705
Accrued expenses	(539,577)
Due to related parties	(597,569)
Post-retirement benefit obligation	33,500
Pension obligation	12,096
	<hr/>
Net Cash Provided by Operating Activities	2,494,741
Cash Flows Used by Investing Activities:	
Purchases of property and equipment	(24,083)
Cash Flows Used by Financing Activities:	
Principal paid on capital lease	<hr/> (115,000)
	<hr/>
Net Increase in Cash and Cash Equivalents	2,355,658
Cash and Cash Equivalents, beginning	<hr/> 800,440
Cash and Cash Equivalents, ending	<hr/> <u>\$ 3,156,098</u>

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Notes to Financial Statements

Year Ended June 30, 2021

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

University Student Center of California State University, Stanislaus (Organization) was incorporated in the State of California on May 17, 1994, under the name of University Union of California State University, Stanislaus. On October 18, 1999, it was renamed to University Student Union of California State University, Stanislaus. It was later renamed to University Student Center of California State University, Stanislaus on September 5, 2019. The Organization was formed and operates as a non-profit auxiliary organization of California State University, Stanislaus (CSU Stanislaus or the University) which has campuses in Turlock and Stockton, California. The Organization operates a student union facility as a student body center for the benefit of the students, faculty, staff, and alumni, in order to promote and assist the education program of CSU Stanislaus. The Organization's primary source of revenue is student activity fees that have been remitted to CSU Stanislaus and are available upon request by the Organization.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended June 30, 2021, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Management has analyzed the provisions of the FASB's ASC Topic 606 and has concluded that no changes are necessary to conform with the new standard.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any donor restrictions that were temporary or perpetual in nature for the year ended June 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2021 and therefore no amounts have been accrued.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The 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 a price concession for uncollectible amounts. A price concession for uncollectible amounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 20 years.

Revenue Recognition

Student Activity Fees – The Organization receives student activity fees from the University to provide a variety of student-centered programs and services that enhance the quality of the student experience. Each matriculated student of the University is required to pay \$295 per semester for student activity fees. These payments support the Organization's operations and are collected and held by the University. Funds are released to the Organization on a reimbursement basis after expenditures have been incurred and billed to the University. The Organization recognizes revenues from student activity fees as expenditures are billed to the University throughout the year.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

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 approximates fair value as of June 30, 2021, due to the relative short maturities of these instruments.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

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

Functional Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefitted. Such allocations are determined by the management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Depreciation	Allocated based on program
Insurance	Allocated directly to Administration
Occupancy	Allocated directly to Administration
Office supplies	Allocated based on usage
OPEB	Allocated directly to Administration
Other costs	Allocated based on usage
Printing	Allocated based on usage
Contractual and professional services	Allocated directly to Administration
Salaries and benefits	Allocated based on program
Telephone	Allocated based on usage
Training	Allocated based on usage
Travel	Allocated based on purpose of travel

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

Future Accounting Standards

The FASB has issued a substantial ASU which will become effective in future years.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 was originally effective for fiscal years beginning after December 15, 2019 but the FASB has delayed the effective period to fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through October 1, 2021, which is the date the financial statements were available to be issued.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Notes to Financial Statements

Year Ended June 30, 2021

Note 2 – Liquidity and Availability

The Organization's financial assets available within one year of the financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 3,156,098
Due from related parties	<u>1,005,199</u>
 Total Financial Assets Available for General Operations	 4,161,297
 Less amounts not available to be used within one year:	
Restricted by the Board for capital fund	500,000
Restricted by the Board for current operating contingency	500,000
Restricted by the Board for deferred health-post retirement	200,000
Restricted by the Board for catastrophic events	<u>200,000</u>
	<u>1,400,000</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u><u>2,761,297</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirement in short-term investments.

Note 3 – Cash and Cash Equivalents

The Organization maintains its cash accounts at a financial institution. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at the financial institution are insured by the FDIC up to \$250,000. In addition, the Organization has deposited cash in the State Treasury's Local Agency Investment Fund (LAIF). Deposits in LAIF are carried at fair value as reported by LAIF and are not insured by the federal government nor the State of California.

Cash on hand	\$ 1,185
Deposits with financial institutions	668,748
Investments in LAIF	<u>2,486,165</u>
 Total cash and cash equivalents	 \$ <u><u>3,156,098</u></u>

Investments in LAIF

As of June 30, 2021, investments are in LAIF, which 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 activities. The Organization's investments in LAIF are measured and reported at fair value based on NAV. The instruments in LAIF have no unfunded commitment, no redemption frequency, and no redemption notice period as of June 30, 2021.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

Note 4 – Property and Equipment

Property and equipment consist of the following:

Equipment	\$	75,685
Construction work in progress		19,013
Leasehold improvements		<u>4,293,603</u>
		4,388,301
Less: Accumulated Depreciation		<u>(220,065)</u>
	\$	<u><u>4,168,236</u></u>

Note 5 – Capital Lease

On October 1, 2007, California State University, Stanislaus Auxiliary Business Services (“ABS”), a related party, entered into a 32-year lease agreement with the Board of Trustees of the California State University (the “Board”) as lessee for financing the acquisition of the bookstore from the State of California. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The California State University System (the “CSU System”) issued a System Revenue Bond Series 2008A (“Series 2008A Bond”) in relation to the capital lease. On May 1, 2016, the CSU System completed a partial refinance of the Series 2008A Bond by issuing the Systemwide Revenue Bonds Series 2016A (“Series 2016A Bond”).

In May 2020, the Organization purchased the bookstore from ABS for a sales price approximating \$4,293,600. In exchange for the bookstore, the Organization paid \$703,600 and assumed the remaining capital lease payments of \$3,590,000 on the Series 2016A Bond payable to the CSU System.

The bond bears interest at a rate varying from 2% to 5% per annum. Principal and unpaid interest will be due and payable on or before May 1 and November 1 in each year, through November 1, 2038.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Year Ending June 30	Payment	Principal	Interest
2022	\$ 285,425	\$ 125,000	\$ 160,425
2023	284,050	130,000	154,050
2024	287,300	140,000	147,300
2025	285,175	145,000	140,175
2026	282,800	150,000	132,800
Thereafter	<u>3,673,275</u>	<u>2,785,000</u>	<u>888,275</u>
	<u>\$ 5,098,025</u>	<u>\$ 3,475,000</u>	<u>\$ 1,623,025</u>

Interest expense for the year ended June 30, 2021 was \$165,467.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

Note 6 – Related Party Transactions

The Organization enters into transactions with related parties, including:

California State University, Stanislaus (CSU Stanislaus)
California State University, Stanislaus Auxiliary and Business Services (ABS)
California State University, Stanislaus Foundation (Foundation)
Associated Students, Inc. of California State University, Stanislaus (ASI)

Transactions with related parties consist of the following:

	CSU Stanislaus	ABS	ASI	Foundation	Total
Due from related parties	\$ 987,779	\$ -	\$ 113	\$ 17,307	\$ 1,005,199
Due to related parties	(112,654)	(1,115)	(116)	(8,360)	(122,245)
Payment from related parties for services, space and programs	7,568,235	115,352	8,721	38,935	7,731,243
Payments made to related parties	(3,579,608)	(715,912)	(12,277)	-	(4,307,797)
Gifts to related parties	-	-	(16,463)	(5,000)	(21,463)

Note 7 – Pension Plan

The Organization contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The four auxiliary organizations at California State University, Stanislaus, contribute to PERS through the California State University, Stanislaus Auxiliary and Business Services (ABS). All direct full-time the Organization employees are covered by the plan. Reimbursed employees are covered by CSU Stanislaus' plan.

The defined benefit plan uses the Entry Age Normal Actuarial Cost Method, which is a projected benefit cost method. According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from the date of employment until retirement. The auxiliaries fund the plan based upon a percentage of qualified payrolls. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities.

In addition to a contribution made by the Organization, active participating employees are required to contribute 5% of their monthly salary. Pension expense reported in the statement of activities for the year ended June 30, 2021 was \$12,096.

Funded Status:

	Miscellaneous June 30, 2020	Pepra Plan June 30, 2020
Valuation date		
Present value of projected benefits	\$ 1,381,148	\$ 230,522
Entry age normal accrued liability	\$ 983,265	\$ 18,137
Fair value of plan assets	\$ 735,717	\$ 15,065
Unfunded liability	\$ 247,548	\$ 3,072
Funded ratio	74.8%	83.1%

Amounts recognized in the Statement of Financial Position:

Pension obligation	\$ <u>309,474</u>
--------------------	-------------------

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

Note 7 – Pension Plan, continued

The significant actuarial assumptions used to calculate the above pension benefit obligation were as follows:

Investment return (net of administrative expenses)	7.00%
Projected salary increases	0.40% - 8.5%
Inflation	2.50%
Overall payroll growth	2.75%

Actuarial information as of June 30, 2021 is currently unavailable.

In addition to the Active plans, the Organization has a pension plan which was transferred from ABS and assumed by the Organization. The plan had an outstanding pension obligation of \$126,253 at June 30, 2021. No comprehensive annual financial report is issued by CalPERS for the pension plan, and it is recorded at the value set upon transfer. The plan is inactive, and no new participants are added to the plan.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS' annual financial report may be obtained from the CalPERS Headquarters Office, 400 Q Street, Sacramento, California 95811. Information about benefits and contributions expected to be paid in each of the next five fiscal years and the five years thereafter have not been provided by CalPERS.

Note 8 – Post-Retirement Benefit Plan

The Organization provides lifetime post-retirement medical coverage to employees (and their dependents) who retire at age 50 or older with at least five years of service with ABS, ASI, Stanislaus or the Organization. The Organization pays a portion of the cost of the benefit, up to a predetermined maximum. Retirees are responsible for costs in excess of the maximum. At June 30, 2021, the Organization had 7 employees who were eligible to participate in the plan. The Organization made contributions to the plan of \$41,614 as of June 30, 2021.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

Note 8 – Post-Retirement Benefit Plan, continued

Obligations and Funded Status at June 30

Change in Benefit Obligation:

Benefit obligation at beginning of year	\$ 1,371,303
Service cost	90,461
Interest cost	36,463
Actuarial gain/(loss)	(51,810)
Benefits paid	<u>(41,614)</u>

Benefit obligation at end of year	<u>\$ 1,404,803</u>
-----------------------------------	---------------------

Funded Status:

Benefit obligation	\$ 1,404,803
Unrecognized net actuarial loss	452,951
Accrued benefit cost	<u>\$ 951,852</u>

Measurement date	June 30, 2021
------------------	---------------

Unfunded status at end of year	<u>\$ (1,404,803)</u>
--------------------------------	-----------------------

Amounts recognized in the Statement of Financial Position:

Post-retirement benefit obligation	<u>\$ 1,404,803</u>
------------------------------------	---------------------

Net Periodic Benefit Cost:

Service cost	\$ 90,461
Amortization of net loss	36,701
Interest cost	<u>36,463</u>

Net periodic benefit cost	<u>\$ 163,625</u>
---------------------------	-------------------

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption 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 costs between the employer and plan members to that point.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Notes to Financial Statements
Year Ended June 30, 2021

Note 8 – Post-Retirement Benefit Plan, continued

Assumptions

Weighted-average assumptions used to determine benefit obligations:

Discount rate	2.90%
Expected long-term return on plan assets	N/A
Rate of compensation increase	N/A
Health care cost trend rate assumed for next year	6.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%
Year that the rate reaches the ultimate trend rate	3 years

Expected Benefit Payments

2022	\$	48,171
2023		55,074
2024		54,891
2025		45,267
2026		51,035
2027-2031		290,084

Note 9 – Contingencies

COVID-19

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closing of businesses and shelter-in-place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. However, the future financial impact and duration cannot be reasonable estimated at this time.

SUPPLEMENTAL INFORMATION

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Schedule of Net Position
June 30, 2021
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	669,933
Short-term investments	2,486,165
Accounts receivable, net	1,007,097
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	3,723
Total current assets	4,166,918

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	-
Capital assets, net	4,168,236
Other assets	-
Total noncurrent assets	4,168,236

Total assets

8,335,154

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	-

Liabilities:

Current liabilities:

Accounts payable	164,718
Accrued salaries and benefits	28,676
Accrued compensated absences, current portion	41,898
Unearned revenues	-
Capital lease obligations, current portion	125,000
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	27,258
Total current liabilities	387,550

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	3,350,000
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	1,404,803
Net pension liability	309,474
Other liabilities	-
Total noncurrent liabilities	5,064,277

Total liabilities

5,451,827

Deferred inflows of resources:

Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	-

Net position:

Net investment in capital assets	693,236
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	2,190,091
Total net position	2,883,327

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	275,688
Scholarship allowances (enter as negative)	-
Other operating revenues	7,911,799
Total operating revenues	8,187,487

Expenses:

Operating expenses:

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	3,653,673
Institutional support	141,817
Operation and maintenance of plant	188,769
Student grants and scholarships	-
Auxiliary enterprise expenses	770,693
Depreciation and amortization	149,658
Total operating expenses	4,904,610
Operating income (loss)	3,282,877

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	21,169
Investment income (loss), net	2,921
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	1,592
Net nonoperating revenues (expenses)	25,682
Income (loss) before other revenues (expenses)	3,308,559

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	3,308,559

Net position:

Net position at beginning of year, as previously reported	(425,232)
Restatements	-
Net position at beginning of year, as restated	(425,232)
Net position at end of year	2,883,327

See independent auditors' report.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Other Information

Year ended June 30, 2021

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	-	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	-	-	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment	-	-	-	-	-
Other external investment pools	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	2,486,165	-	-	-	2,486,165
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total Other investments	\$ -	-	-	-	-
Total investments	2,486,165	-	-	-	2,486,165

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g - CSU Consolidated Investment Pool (formerly SWIFT):			\$ -

See independent auditors' report.

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Other Information

Year ended June 30, 2021

(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2020	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2020 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2021
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements					\$ -				\$ -
Works of art and historical treasures					-				-
Construction work in progress (CWIP)					-	19,013			19,013
Intangible assets:									
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Intangible assets in progress (PWIP)					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets					-				-
Total intangible assets					-				-
Total non-depreciable/non-amortizable capital assets					\$ -	19,013			\$ 19,013
Depreciable/Amortizable capital assets:									
Buildings and building improvements					-				-
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	4,293,603				4,293,603				4,293,603
Personal property:									
Equipment	70,615				70,615	5,070			75,685
Library books and materials					-				-
Intangible assets:									
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets:					-				-
Total intangible assets					-				-
Total depreciable/amortizable capital assets					4,364,218	5,070			4,369,288
Total capital assets					\$ 4,364,218	24,083			\$ 4,388,301
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements					-				-
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	(24,087)				(24,087)	(144,524)			(168,611)
Personal property:									
Equipment	(46,320)				(46,320)	(5,134)			(51,454)
Library books and materials					-				-
Intangible assets:									
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets:					-				-
Total intangible assets					-				-
Total accumulated depreciation/amortization					(70,407)	(149,658)			(220,065)
Total capital assets, net					\$ 4,293,811	(125,575)			\$ 4,168,236

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 149,658
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 149,658

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Other Information
Year ended June 30, 2021
(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2020	Prior Period Adjustments/Reclassification s	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 38,407		38,407	33,255	(29,764)	\$ 41,898	\$ 41,898	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	3,590,000		3,590,000		(115,000)	3,475,000	125,000	3,350,000
Unamortized net premium/(discount)								
Total capital lease obligations	\$ 3,590,000	-	3,590,000	-	(115,000)	3,475,000	\$ 125,000	3,350,000
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -		-
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	-		-			-		-
4.4 Others:								
	-		-			-		-
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	-		-			-		-
Sub-total long-term debt	\$ -	-	-	-	-	\$ -	-	-
4.5 Unamortized net bond premium/(discount)	-		-			-		-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 3,628,407	-	3,628,407	33,255	(144,764)	\$ 3,516,898	166,898	\$ 3,350,000

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS
Other Information
Year ended June 30, 2021
(for inclusion in the California State University)

5 Capital lease obligations schedule:

	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:									
2022	125,000	160,425	285,425	-	-	-	125,000	160,425	285,425
2023	130,000	154,050	284,050	-	-	-	130,000	154,050	284,050
2024	140,000	147,300	287,300	-	-	-	140,000	147,300	287,300
2025	145,000	140,175	285,175	-	-	-	145,000	140,175	285,175
2026	150,000	132,800	282,800	-	-	-	150,000	132,800	282,800
2027 - 2031	2,785,000	888,275	3,673,275	-	-	-	2,785,000	888,275	3,673,275
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 3,475,000	1,623,025	5,098,025	-	-	-	3,475,000	1,623,025	5,098,025
Less: amounts representing interest									(1,623,025)
Present value of future minimum lease payments									3,475,000
Unamortized net premium/(discount)									-
Total capital lease obligations									3,475,000
Less: current portion									(125,000)
Capital lease obligations, net of current portion									\$ 3,350,000

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
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									-
Long-term debt obligations, net of current portion									-

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Other Information

Year ended June 30, 2021

(for inclusion in the California State University)

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	
Payments to University for other than salaries of University personnel	3,579,608
Payments received from University for services, space, and programs	7,568,235
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts (payable to) University (enter as negative number)	(112,654)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	987,779
Other amounts receivable from University (enter as positive number)	

8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

		Debit/(Credit)
Restatement #1	Enter transaction description	
		-
Restatement #2	Enter transaction description	
		-

UNIVERSITY STUDENT CENTER OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Other Information

Year ended June 30, 2021

(for inclusion in the California State University)

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	302,408	97,369	228,832	(130,125)	-	3,155,189	-	3,653,673
Institutional support	-	-	-	-	-	141,816	-	141,816
Operation and maintenance of plant	-	-	-	-	-	188,769	-	188,769
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	292,122	109,808	19,422	-	-	349,342	-	770,694
Depreciation and amortization	-	-	-	-	-	-	149,658	149,658
Total operating expenses	\$ 594,530	207,177	248,254	(130,125)	-	3,835,116	149,658	4,904,610

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)

Deferred outflows - net pension liability

Deferred outflows - net OPEB liability

Deferred outflows - others:

Sales/intra-entity transfers of future revenues

Gain/loss on sale leaseback

Loan origination fees and costs

Change in fair value of hedging derivative instrument

Irrevocable split-interest agreements

Total deferred outflows - others

Total deferred outflows of resources

-
-

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements

Deferred inflows - net pension liability

Deferred inflows - net OPEB liability

Deferred inflows - unamortized gain on debt refunding(s)

Deferred inflows - nonexchange transactions

Deferred inflows - others:

Sales/intra-entity transfers of future revenues

Gain/loss on sale leaseback

Loan origination fees and costs

Change in fair value of hedging derivative instrument

Irrevocable split-interest agreements

Total deferred inflows - others

Total deferred inflows of resources

-
-

11 Other nonoperating revenues (expenses)

Other nonoperating revenues

1,592

Other nonoperating (expenses)

Total other nonoperating revenues (expenses)

\$ 1,592

**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
University Student Center of California State University, Stanislaus

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 University Student Center of California State University, Stanislaus (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered University Student Center of California State University, Stanislaus' internal control over financial reporting (internal control) as a basis for designing 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 University Student Center of California State University, Stanislaus' internal control. Accordingly, we do not express an opinion on the effectiveness of the University Student Center of California State University, Stanislaus' 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 University Student Center of California State University, Stanislaus' financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 University Student Center of California State University, Stanislaus' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University Student Center of California State University, Stanislaus' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
October 1, 2021