

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**





INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Associated Students
of the University of California, Berkeley:

We have audited the accompanying financial statements of the Associated Students of the University of California, Berkeley "ASUC" (a California, not-for-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended. The prior year summarized comparative information has been derived from the organization's 2016 financial statements and, in our report dated March 20, 2017 we expressed an unqualified opinion on those 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.

Auditor's 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. 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 the Associated Students of the University of California, Berkeley as of June 30, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Commonly Controlled Entity

These financial statements do not include the financial position, results of operations, and cash flows of Berkeley Student Foundation, a commonly controlled entity prior to its dissolution on April 18, 2017 as discussed in Note 7. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information about functional expenses (Exhibit I) on page 20 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.

Mah & Associates, LLP

San Francisco, California
April 13, 2018

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 5,727,271	\$ 3,809,828
Receivables from related party	3,884	554,599
Prepaid expenses	18,921	-
Short-term investments	254,245	252,440
Investment with University of California Berkeley Foundation Endowment Fund	557,550	498,967
Long-term investments	2,187,894	1,956,664
Deposit	-	6,000
Property and equipment, net of accumulated depreciation of \$96,212 and \$76,962 respectively	185,679	157,966
Rights in Eshleman Hall	1,315,000	1,315,000
Total assets	10,250,444	8,551,464
 LIABILITIES AND NET ASSETS:		
Student fund liabilities	4,036,177	3,049,177
Payables and accrued expenses	74,286	40,933
Deferred revenue	33,000	-
Other liabilities	365,399	16,956
Total liabilities	4,508,862	3,107,066
 NET ASSETS:		
Unrestricted	5,741,582	5,444,398
Total net assets	5,741,582	5,444,398
Total liabilities and net assets	\$ 10,250,444	\$ 8,551,464

See accompanying notes to the financial statements

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
REVENUES, GAINS, AND OTHER SUPPORT:					
Mandatory student fees	\$ 2,084,072	\$ -	\$ -	\$ 2,084,072	\$ 1,994,961
Commercial revenue	300,175	-	-	300,175	604,996
Sponsorship revenue	310,846	-	-	310,846	-
Cal lodge reservation	45,197	-	-	45,197	58,581
Donation revenue	381,610	-	-	381,610	157,954
Blue & gold income	27,163	-	-	27,163	21,204
Superb income	187,227	-	-	187,227	248,823
Interest & dividend income	53,893	-	-	53,893	40,661
Realized and unrealized gain, net	236,320	-	-	236,320	33,261
Miscellaneous & others income	1,278,924	22,094	-	1,301,018	1,506,214
Total Revenues, Gains and Other Support	4,905,427	22,094	-	4,927,521	4,666,655
EXPENSES:					
Program Services - Student activities	4,317,413	22,094	-	4,339,507	4,240,485
Support services - Management and general	290,830	-	-	290,830	168,220
Total Expenses	4,608,243	22,094	-	4,630,337	4,408,705
INCREASE IN NET ASSETS	297,184	-	-	297,184	257,950
NET ASSETS - BEGINNING OF YEAR	5,444,398	-	-	5,444,398	5,186,448
NET ASSETS - END OF YEAR	\$ 5,741,582	\$ -	\$ -	\$ 5,741,582	\$ 5,444,398

See accompanying notes to the financial statements.

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 297,184	\$ 257,950
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,617	14,940
Loss on disposal of fixed assets	4,024	4,417
Unrealized and realized gain on investments	(174,646)	(45,316)
Changes in assets and liabilities:		
Receivables from related party	550,715	(475,811)
Prepaid expenses	(18,921)	-
Deposit	6,000	-
Student fund liabilities	987,000	557,888
Other liabilities	348,443	10,635
Payables and accrued expenses	33,353	(87,261)
Deferred revenue	33,000	-
Other payables	-	(25,366)
Total adjustments	<u>1,790,585</u>	<u>(45,874)</u>
Net cash provided by operating activities	<u>2,087,769</u>	<u>212,076</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	619,546	782,490
Purchase of short-term investment	(1,804)	-
Purchase of investments	(734,714)	(826,974)
Purchase of property and equipment	(53,354)	(65,348)
Net cash used in investing activities	<u>(170,326)</u>	<u>(109,832)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 1,917,443	 102,244
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>3,809,828</u>	 <u>3,707,584</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 5,727,271</u>	 <u>\$ 3,809,828</u>

See accompanying notes to the financial statements.

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

1. Description of Organization

The Associated Students of the University of California, Berkeley (“ASUC”) is a California not-for-profit organization that provides a wide range of programs, services and facilities to the students of the University of California Berkeley (the “University”). Its primary source of revenue is derived from student registration fees.

Programs, services, and facilities provided by ASUC for the benefit of students of the University are summarized as follows:

- Opportunity for participation in student government, various student clubs and organizations.
- Opportunity to participate in student outreach programs, community outreach programs, minority student programs and services, student orientation and counseling, and mini grants.

2. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting -- ASUC uses the accrual basis of accounting for financial reporting purposes and information tax returns.

Net Assets -- The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets -- Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application

for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets -- Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions, if any, are classified in this class if the donor limited their use, as are the unspent appreciation of any donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets -- Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds, if any, that must be maintained in perpetuity are classified in this net asset class.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets. Net losses on endowment investments are classified as decreases in unrestricted net assets due to the classification of the endowment absent donor-restriction (see Note 3).

Cash and Cash Equivalents -- Cash consists of bank accounts. Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Short-Term Investments -- Investments consist primarily of Certificates of Deposits that matures in twelve months.

Receivables -- Receivables are primarily due to the closure of Cal Lodge. Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Long-Term Investments -- Investments are primarily mutual funds, debt and equity securities and are measured at fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by a donor, if any, are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Support and Revenues -- Student activity fees are considered to be available for unrestricted use. Mandatory student activity fees are collected by the University from the students at each period of student registration and are transferred to the ASUC for the support of authorized student government activities at the University.

Auxiliary residuals are all income received by the ASUC Auxiliary from third parties conducting ASUC commercial activities after reduction for Auxiliary operating expense. Auxiliary operating expense is incurred as a result of the operations and maintenance of the temporary facilities that house the ASUC Auxiliary. It also includes services and supplies used in the daily operation of the organization, and the cost of all personnel services reasonably required to carry out the oversight and management responsibilities related to the ASUC commercial activities and student advisory services. There were no auxiliary residuals during the years ended 2017 and 2016.

Other revenues are recognized when they are earned. Other revenues of the ASUC include the Blue & Gold income and the SUPERB income. Blue & Gold is the official yearbook for the University of California, Berkeley. Income from Blue & Gold is earned from book and advertising sales. SUPERB income is income earned by the Student Union Program, Entertainment, and Recreation Board (SUPERB), a student-run, non-profit branch of the ASUC that is dedicated to providing entertainment for the campus and community. The program includes activities such as Friday Film Series, free Noon Concerts, Comedy Competitions, Poker Tournaments, and free Sneak Previews of upcoming movies.

Restricted and Unrestricted Revenue - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions, if any, are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Property and Equipment -- Purchased property and equipment are capitalized at cost (see Note 10). ASUC's policy is to capitalize property and equipment over \$2,000. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed

as incurred. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

<u>Type of Property</u>	<u>Life</u>
Office and computer equipment	3 years
Furniture and fixtures	7 years
Building and improvements	15 to 40 years

Impairment of Long-Lived Assets -- Management periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the property, improvements, and other long-lived assets or render them not recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Through June 30, 2017, there have been no such losses.

Intangible Asset -- Intangible asset represents ASUC's rights in Eshleman Hall. This intangible asset has no finite life and is subject to impairment testing in accordance with FASB ASC 350, *Intangibles – Goodwill and Other*. Any impairment loss will be recognized and charged against earnings in the year in which it becomes impaired (see Note 8).

Advertising -- Advertising costs are expensed as incurred. Advertising costs were \$132,530 and \$99,878 during the years ended June 30, 2017 and 2016, respectively.

Income Taxes -- The Association has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and the California Franchise Tax Board.

Concentration of Credit Risk -- Financial instruments, which potentially subject ASUC to concentration of credit risk, consist principally of securities greater than \$500,000 including cash deposits greater than \$250,000 with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC"). The ASUC had \$1,687,894 and \$1,456,664 of securities with a financial institution at June 30, 2017 and 2016, respectively, that exceeded the balance insured by SIPC.

The credit risk also consists of cash in bank deposit accounts and certificates of deposit greater than \$250,000 with each financial institution that is a member of Federal Deposit Insurance Corporation ("FDIC"). ASUC had \$6,026,988 and \$4,404,554 cash balances on deposits at June 30, 2017 and 2016, respectively, that exceeded the balance insured by FDIC. The management of the ASUC periodically reviews its cash policies and believes any potential accounting loss is minimal.

Financial Investments with Off-Balance Sheet Risk -- Boston Trust & Investment Management Company manages the investments of ASUC. Investment managers are allowed to use derivatives to achieve investment objectives. It is the investment managers'

responsibility to understand the potential impact of derivatives on the total investment funds under various market scenarios. As with other marketable securities, all derivatives are in the custody of the investment company and valued daily. As of and during the years ended June 30, 2017 and 2016, ASUC held no direct investments in derivatives.

Fair Value of Financial Instruments -- The carrying amounts of financial instruments including cash, certificate of deposits, accounts receivable, prepaid expenses, and accounts payable approximate fair value as of June 30, 2017 and 2016, because of the relatively short maturity of these instruments.

Use of Estimates -- The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications -- Certain amounts in the prior year have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the change in net assets.

Prior Period Information -- The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ASUC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

3. Investment with Berkeley Foundation Endowment Fund

The ASUC invests a portion of the Graduate Assembly's funds with the University of California, Berkeley Foundation Endowment Fund ("UCBF"). The Graduate Assembly ("GA") designated the endowment fund to form two separate designated endowment funds, the Restricted Operational Support Fund and the Operational Support Fund. Principal investments in the Restricted Operational Support Fund are permanently restricted while principal investments in the Operational Support Fund may be permanently restricted or temporarily restricted. The temporarily restricted fund's use is subject to the approval of the GA. The annual payout of the funds is unrestricted and set by the UCBF policy to be 4.50% of a twelve-quarter (three years) moving average market value of the endowment principal. The Executive Committee may, at its discretion, recommend for approval by the Board an alternative payout percentage, within a range of 4.00% to 5.00% for a specific year.

In 2015, the GA officers granted \$300,000 to ASUC to fund UCBF. ASUC invested in the Operational Support Fund the total principal amount of \$85,000 and invested in the Restricted Operational Support Fund the total principal amount of \$365,000 (which includes the \$300,000 grant). There was no investment in UCBF for the year ended June 30, 2017 and 2016.

The fair value of the investment at June 30, 2017 and 2016 including investment income, investment income reinvestment, realized and unrealized gains or losses totals \$557,550 and \$498,967, respectively.

Based on campus policy, deposits from new accounts must be invested in the Short-Term Investment Pool ("STIP") for a period of six months before reverting back to the UCBF. The STIP is a cash investment pool established by the Regents of the University of California, the primary investment objective of which is to generate income from investments in short duration US dollar denominated bonds and cash equivalents. As of June 30, 2017 there were no funds invested in the STIP. The earnings, if any, for the first six months after deposit accrue to the campus for fundraising costs and not to the fund.

After the six-month waiting period, the funds will revert back to the UCBF for investment in the General Endowment Pool ("GEP") managed by the UC Berkeley Foundation (the "Foundation"). The GEP is The Foundation's primary investment vehicle for endowed gift funds.

The investment objectives of the UCBF are to maintain the purchasing power of the current assets and all future contributions; maximize return within reasonable and prudent levels of risk; maintain an appropriate asset allocation policy that is compatible with the objectives of GEP (maintaining liquidity needed to support spending in prolonged down markets), while still having the potential to produce positive real returns; control costs of administering the GEP assets and managing the investments; provide investment results equal or superior to an appropriate peer universe; limit the risk of large losses by diversification among broad asset classes (e.g., domestic stocks, international stocks, fixed income) and among the various styles within individual asset classes (e.g., "growth" and "value" within domestic equity); achieve a rate of return which exceeds that of a target weighted composite index based on the target asset allocation policy adopted which includes a mix of Global Equity, Marketable Alternatives, Private Equity, Real Estate, Energy/Commodities/Other and Fixed Income; and produce a sufficient total fund return to provide 4.50% payout (based on a 12-quarter moving average of market value of endowment principal) to GEP beneficiaries and as discussed above, the Committee may, at its discretion, recommend for approval by the Board an alternative payout range of 4.00% to 5.00% for a specific payout year. The Committee approved the payout rate of 4.25% for the years ended June 30, 2017 and 2016.

There are certain administrative expenses associated with the endowment funds such as a one-time charge of 2.50% of the initial value of all non-research gifts to the

Foundation (including endowments). The fee is taken from the gift principal unless the specified department elects to pay the fee from another allowable source. Also, an annual administrative fee of 50 basis points is charged on endowment funds administered by the Foundation.

As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the GA to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Because the funds used for the endowment fund are that of the GA's and the absence of any donor-imposed restriction, the endowment fund is treated as unrestricted net assets on the statement of financial position.

Changes in ASUC's investment with Berkeley Foundation Endowment Fund during the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	
	2017	2016
Investment returns		
Investment income (loss)	\$ (3,296)	\$ (2,447)
Net realized and unrealized gain	61,879	(14,666)
	<u>\$ 58,583</u>	<u>\$ (17,113)</u>

The balances of ASUC's investment with Berkeley Foundation Endowment Fund net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	
	2017	2016
Endowment net assets, beginning of year	\$ 498,967	\$ 516,080
Investment return	58,583	(17,113)
Endowment net assets, end of year	<u>\$ 557,550</u>	<u>\$ 498,967</u>

4. Long-Term Investments

Long-term investments are stated at fair value and consist of mutual funds, debt and equity securities (see Note 5). Fair values and unrealized appreciation (depreciation) at June 30, 2017 and 2016 are summarized as follows:

	2017			2016		
	Cost	Fair Value	Unrealized Appreciation	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 78,601	\$ 78,601	\$ -	\$ 95,574	\$ 95,574	\$ -
U.S. government securities	404,917	403,600	(1,317)	353,945	369,840	15,894
Corporate debt securities	216,114	209,120	(6,994)	268,864	269,842	979
Foreign securities	49,895	50,026	131	100,091	130,157	30,066
Equity securities	930,320	1,446,547	516,227	742,126	1,091,251	349,124
Total	<u>\$ 1,679,847</u>	<u>\$ 2,187,894</u>	<u>\$ 508,047</u>	<u>\$ 1,560,600</u>	<u>\$ 1,956,664</u>	<u>\$ 396,063</u>

The following schedule summarizes the investment returns and its classification in the statement of activities for the years ended:

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest	\$ 21,906	\$ -	\$ 21,906	\$ 20,272	\$ -	\$ 20,272
Dividends	26,091	-	26,091	22,821	-	22,821
Net realized and unrealized gain	174,646	-	174,646	49,659	-	49,659
Total	<u>\$ 222,643</u>	<u>\$ -</u>	<u>\$ 222,643</u>	<u>\$ 92,752</u>	<u>\$ -</u>	<u>\$ 92,752</u>

The investment returns were net of \$11,457 and \$11,690 of related expenses during the years ended June 30, 2017 and 2016, respectively.

All investments were originally surplus funds made available to ASUC after the termination and distribution of its prior pension plan. The investments are private funds for the benefit of ASUC and are primarily used to fund scholarship grants to Berkeley Student Foundation as approved by the senate of ASUC (see Note 7).

5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ASUC has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for

the asset or liability; and other inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability'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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2018.

Money market funds: Determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Equity securities traded on the over-the-counter market: Determined by the last reported bid price, if actively traded.

Financial assets measured at fair value on a recurring basis are summarized below:

Description	June 30, 2017	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Assets:				
Berkeley foundation endowment fund	\$ 557,550	\$ 557,550	\$ -	\$ -
Money market funds	78,602	78,602	-	-
U.S. government securities	403,600	-	403,600	-
Corporate bonds	209,120	-	209,120	-
Equity securities	1,496,572	1,496,572	-	-
Total assets	\$ 2,745,444	\$ 2,132,724	\$ 612,720	\$ -

Description	June 30, 2016	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Assets:				
Berkeley foundation endowment fund	\$ 498,967	\$ -	\$ 498,967	\$ -
Money market funds	95,574	95,574	-	-
U.S. government securities	369,840	-	369,840	-
Corporate bonds	269,842	-	269,842	-
Equity securities	1,221,408	1,169,988	-	-
Total assets	\$ 2,455,631	\$ 1,265,562	\$ 1,190,069	\$ -

6. Concentrations of Risk

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

A significant portion, approximately 42 percent, of the organization's annual revenue comes from the mandatory student fees.

The majority of the organization's revenues and grants are received from within the activities of the University of California at Berkeley. As such, the organization's ability to generate resources via fees and grants is dependent upon the economic health of the University and the State of California. An economic downturn could cause a decrease in revenues, fees and grants that coincides with an increase in demand for the organization's services.

The organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see Notes 3 and 4) should mitigate the impact of changes in any one class.

7. Berkeley Student Foundation

The Berkeley Student Foundation (BSF) is a 501(c)(3) exempt organization organized primarily to provide support and assistance to students attending the University of California, Berkeley, and other institutions of higher learning, through the granting of scholarships and funding of student services and programs. A majority of the elected members of the ASUC Senate are voting members of BSF. ASUC provides BSF with scholarship grants from the investment income generated from the long-term investments currently managed by Boston Trust and records these grants as an expense on ASUC's records (see Note 4). BSF provides students with scholarship awards based on criteria established by the ASUC Senate and records the revenues on BSF's records. ASUC provided scholarship grants of \$38,092 and \$35,639 to BSF during the year ended June 30, 2017 and 2016, respectively. On April 18, 2017, BSF was dissolved and all of its remaining assets were merged into ASUC. Further activities, if any, will also be reported in ASUC.

Accounting standards generally accepted in the United States of America give a reporting entity the option of combining the financial results of one or more commonly controlled entities with its own financial results. ASUC elected not to combine the financial results of BSF. BSF changed its fiscal year from December 31 to June 30 starting in 2016. The unaudited condensed Statement of Financial Position and the related Statement of Activities of BSF are as follows:

Berkeley Student Foundation Condensed Statement of Financial Position

	June 30, 2017	June 30, 2016
Assets:		
Cash and cash equivalents	\$ 44,332	\$ 35,649
Saving account	12,583	12,582
Transfer	(56,915)	-
Total assets	\$ -	\$ 48,231
Net assets:		
Unrestricted net assets	\$ -	\$ 48,231
Total liabilities and net assets	\$ -	\$ 48,231

**Berkeley Student Foundation
Condensed Statement of Activities
for the Year Ended**

	June 30, 2017	June 30, 2016
	Unrestricted	
Revenues, gains and other support:		
Other support	\$ 15	\$ 13
Scholarship grants	38,092	35,639
Interest income	1	1
Total revenues, gains and other support	38,108	35,653
Expenses:		
Transfer to ASUC	56,915	-
Other expenses	29,424	28,399
Total expenses	86,339	28,399
Increase/(Decrease) in net assets	(48,231)	7,253
Net assets - Beginning of Year	48,231	40,978
Net assets - End of Year	\$ -	\$ 48,231

8. Rights in Eshleman Hall

During the 1960's, ASUC transferred its rights in old Eshleman Hall in the amount of \$1,315,000 to the University for the rights in the new Eshleman Hall. The title to these rights is held by the University for the exclusive use of ASUC.

The value of ASUC's rights in Eshleman Hall presents the intangible values of the University's commitment to provide facilities for ASUC's student government activities and student groups. Management determined that there was no impairment on these intangible assets for the years ended June 30, 2017 and 2016 (see Note 2).

9. Cal Lodge

The ASUC owns a lodge in Norden, California called the Cal Lodge for the use of the University Students and/or for short term rentals by the public. ASUC contracted and hired a property management firm ("contractor") to oversee the operations of the Cal Lodge. In consideration for the services of the contractor, ASUC compensated the contractor \$1,850 or

ten percent of the gross revenues after deducting taxes, whichever is greater. ASUC will also be responsible for all costs and expenses necessary for the operation and maintenance of Cal Lodge. On June 19, 2017, ASUC Senate decided to close Cal Lodge and terminated the service agreement with the contractor. On March 8, 2018, Cal Lodge was sold for \$502,000 to an unrelated party.

10. Property and Equipment

The following is a summary of property and equipment as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cal Lodge Land	\$ 20,920	\$ 20,920
Cal Lodge Building	63,430	63,430
Office and computer equipment	80,965	55,392
Furniture and fixtures	18,244	14,220
Building improvements	<u>98,332</u>	<u>80,966</u>
	\$ 281,891	\$ 234,928
Less: accumulated depreciation	<u>(96,212)</u>	<u>(76,962)</u>
	<u>\$ 185,679</u>	<u>\$ 157,966</u>

The depreciation expenses were \$21,618 and \$14,940 during the years ended June 30, 2017 and 2016, respectively.

11. Student Fund Liabilities

ASUC held funds totaling \$4,036,178 and \$3,049,177 as of June 30, 2017 and 2016, respectively, on behalf of the students. The funds are unrestricted and available for the future use of the students.

Student fund liabilities are the surplus funds from the student organizations. Any excess or deficit of revenues over expenses from the student activities reported on the Statement of Activities during the current year are closed to the student fund liabilities at year-end.

12. Related Party Transactions

ASUC has payable of \$22,910 to the University as of June 30, 2017, and no payable for various operating and program service expenses. ASUC also has no receivable from the University as of June 30, 2017 for mandatory student fees.

During the year ended June 30, 2017 and 2016, ASUC received approximately \$2,117,572 and \$1,994,961, respectively, from the University for mandatory student fees and recruitment and retention programs and incurred expenses totaling approximately \$971,370 and \$954,164, respectively, for operating and program services provided by the University.

13. Functional Allocation of Expenses

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

14. Contingencies

On December 04, 2017, the State of California assessed ASUC a penalty of \$141,337 for failing to report and remit the unclaimed checks held by ASUC for more than 10 years. ASUC accrued the amount which is included in Other Liabilities in the Statement of Financial Position.

15. Subsequent Events

ASUC evaluated subsequent events through April 13, 2018, the date on which the financial statements were available to be issued and, except as discussed in Notes 9 and 14, noted no other subsequent events that would require recognition in the financial statements or the notes thereto as of and for the year ended June 30, 2017.

**ASSOCIATED STUDENTS OF THE UNIVERSITY
OF CALIFORNIA, BERKELEY**

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Program		Supporting Services		2017 Total	2016 Comparative Total
	Student Activities	Management and General	Fundraising			
EXPENSES AND LOSSES:						
Programs and events	\$ 728,127	\$ -	\$ -	\$ -	\$ 728,127	\$ 1,182,640
Stipends	537,064	20,000	-	-	557,064	546,465
Salary	35,177	37,872	-	-	73,049	44,719
Membership and dues	97,525	-	-	-	97,525	96,407
Scholarship expense	156,545	-	-	-	156,545	115,199
Concert expenses	115,819	-	-	-	115,819	111,495
Entertainment expenses	86,419	-	-	-	86,419	85,056
Advertising expenses	132,530	-	-	-	132,530	99,878
Publication and subscriptions	35,810	-	-	-	35,810	22,873
Photo copying and printing	161,106	2,319	-	-	163,425	185,626
Postage	4,361	-	-	-	4,361	2,128
Supplies expenses	657,834	15,464	-	-	673,298	392,758
Meeting and meals	717,340	8,703	-	-	726,043	656,526
Travel	583,268	-	-	-	583,268	558,976
Legal expenses	-	20,719	-	-	20,719	42,020
Insurance expenses	12,304	12,597	-	-	24,901	58,140
Investment expenses	-	11,457	-	-	11,457	10,437
Communications and utilities	43,871	1,407	-	-	45,278	46,628
Repair and maintenance	11,361	-	-	-	11,361	14,379
Property Tax	90	-	-	-	90	1,523
Miscellaneous expenses	9,638	(1,052)	-	-	8,586	15,651
Professional Services	187,676	20,007	-	-	207,683	145,985
Student Group Capital Expenditure	-	-	-	-	-	(46,161)
Penalty Interest	-	141,337	-	-	141,337	-
Depreciation	21,618	-	-	-	21,618	14,941
Loss on disposal of fixed assets	4,024	-	-	-	4,024	4,417
Total expenses	\$ 4,339,507	\$ 290,830	\$ -	\$ -	\$ 4,630,337	\$ 4,408,705

See accompanying notes to the financial statements.