

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

FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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.

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, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses (Exhibit I) on page 18 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
March 6, 2020

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 7,561,632	\$ 6,364,104
Receivable from UC Berkeley	427,551	328,000
Prepaid expenses	12,721	5,757
Short-term investments	261,840	257,681
Investment with University of California Berkeley Foundation Endowment Fund	623,933	596,898
Other long-term investments	2,625,692	2,318,898
Property and equipment, net of accumulated depreciation of \$89,661 and \$64,211, respectively	77,674	38,144
Rights in Eshleman Hall	1,315,000	1,315,000
Total assets	12,906,043	11,224,482
 LIABILITIES AND NET ASSETS:		
Student fund liabilities	6,130,041	4,998,420
Payables and accrued expenses	241,579	169,979
Deferred revenue	-	36,742
Other liabilities	3,105	57,372
Total liabilities	6,374,725	5,262,513
 NET ASSETS:		
Without donor restrictions	6,531,318	5,961,969
Total net assets	6,531,318	5,961,969
Total liabilities and net assets	\$ 12,906,043	\$ 11,224,482

See accompanying notes to the financial statements.

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

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	Without Donor Restrictions	
	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT:		
Mandatory student fees	\$ 3,078,866	\$ 2,187,319
Consulting, travel and service fees	519,822	252,464
Commercial revenue	286,606	300,786
Superb income	112,641	105,257
Merchandising revenue	57,030	165,131
Blue & gold income	37,816	20,155
Cal Lodge reservation	-	3,372
Campus grants	965,023	554,548
Sponsorship and donation revenue	684,980	719,608
Realized/unrealized gain, net	249,651	161,405
Interest & dividend income	58,083	53,590
Other income	462,469	426,704
	<u>6,512,987</u>	<u>4,950,339</u>
EXPENSES:		
Program services -		
Student activities	5,780,294	4,616,729
Support services -		
Management and general	163,344	113,223
	<u>5,943,638</u>	<u>4,729,952</u>
INCREASE IN NET ASSETS	569,349	220,387
NET ASSETS - BEGINNING OF YEAR	<u>5,961,969</u>	<u>5,741,582</u>
NET ASSETS - END OF YEAR	<u>\$ 6,531,318</u>	<u>\$ 5,961,969</u>

See accompanying notes to the financial statements.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 569,349	\$ 220,387
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	25,450	20,280
Gain on disposal of fixed assets	-	(293,349)
Unrealized and realized gain on investments	(249,651)	(161,405)
Changes in assets and liabilities:		
Receivable from UC Berkeley	(99,551)	(324,116)
Prepaid expenses	(6,963)	13,164
Student fund liabilities	1,131,621	962,243
Payables and accrued expenses	71,600	95,693
Deferred revenue	(36,742)	3,742
Other liabilities	(54,267)	(308,027)
Total adjustments	781,497	8,225
Net cash provided by operating activities	1,350,846	228,612
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of real property	-	420,605
Proceeds from sale of investments	527,926	524,528
Purchase of short-term investments	(4,159)	(3,435)
Purchase of long-term investments	(612,105)	(533,477)
Purchase of property and equipment	(64,980)	-
Net cash provided by (used in) investing activities	(153,318)	408,221
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,197,528	636,833
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,364,104	5,727,271
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,561,632	\$ 6,364,104

See accompanying notes to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 mandatory student 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 significant accounting and reporting policies used by ASUC are described below to enhance the usefulness and understandability of the financial statements.

Basis of Accounting -- ASUC 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.

Net Assets -- Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ASUC and changes therein are classified as follows:

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 ASUC. ASUC’s board may designate assets without restrictions for specific operational purposes from time to time.

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 Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 a money market mutual fund.

Receivables -- Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Long-Term Investments -- Investments including endowment funds (Note 3) 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 net assets without donor restrictions 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 net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

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, 2019 and 2018, ASUC held no direct investments in derivatives.

Fair Value of Financial Instruments -- The carrying amounts of financial instruments including cash, accounts receivable, prepaid expenses, and accounts payable approximate fair value as of June 30, 2019 and 2018, because of the relatively short maturity of these instruments.

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

Commercial revenues are earned from the related party, UC Regent, that has contracted to offer goods and services within ASUC commercial facilities.

Sponsorship and donation revenues are derived from non-campus businesses, community organizations, and individuals, and campus affiliates not related to offering goods or services.

Other revenues are recognized when they are earned. Other revenues of 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 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.

In addition, other income is coming from student group activity sales.

Donor Restricted Revenue - Contributions for grants, if any, that are restricted by the donor are reported as increases in net assets. Certain revenues or support received during the year contains restriction by the donors. However, such revenues or support are also spent in the year it is received. Accordingly, any revenues or support with donor restrictions that are also spent in the same year are presented in the Statement of Activities as without donor restrictions. Therefore, all revenues are support for both 2019 and 2018 are without donor restrictions and no summarized comparative information is presented.

Property and Equipment -- Purchased property and equipment are capitalized at cost (see Note 9). 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 – 5 years
Furniture and fixtures	7 years
Building and improvements	15 to 40 years

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 7).

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, 2019, there have been no such losses.

Advertising -- Advertising costs are expensed as incurred. Advertising costs were \$99,582 and \$95,356 during the years ended June 30, 2019 and 2018, 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.

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, ASUC's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. ASUC's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications -- Certain reclassifications have been made to prior years to confirm with current year's presentation. There was no impact on net assets, total expenses or net income resulting from these reclassifications.

New Accounting Pronouncements Not Yet Adopted -- In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, which superseded previously existing revenue recognition guidance. Under this ASU, companies will apply a principles-based five step model to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration for which the company expects to be entitled to in exchange for goods and services. The principles will be applied using the following steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The new cost guidance in ASC 340-40 will also be adopted upon the adoption of this ASU. The ASU also provides for certain practical expedients, including the option to expense as incurred incremental costs of obtaining a contract, if the contract period is for one year or less. ASUC plans to use this practical expedient upon adoption of this ASU. ASUC will adopt the ASU on its annual reporting period beginning July 1, 2019. ASUC believes the impact of adopting this guidance is immaterial to the financial statements and related disclosures.

3. Investment with Berkeley Foundation Endowment Fund

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 that the Endowment Fund hold the investments in two separate funds, the Restricted Operational Support Fund and the Operational Support Fund. Principal investments in the Restricted Operational Support Fund are board designated restricted funds while principal investments in the Operational Support Fund may be board designated with or without restrictions and any use is subject to the approval of the GA. The annual payout of the funds is without restriction and set by the UCBF policy to be 4.00% of a twelve-quarter (three year) moving average market value of the endowment pool. The Executive Committee may, at its discretion, recommend for approval by the Board an alternative payout percentage, within a range of 3.50% to 4.50% for a specific payout year.

In 2015, the GA officers granted \$300,000 to ASUC to be invested in 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 has been no additional investment in UCBF since 2015.

The fair value of the investment at June 30, 2019 and 2018, including reinvested income, realized and unrealized gains and losses, was \$623,933 and \$596,898, respectively.

The stated 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 for the payouts described above.

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 net assets without donor restrictions on the statement of financial position.

Changes in ASUC's investment with Berkeley Foundation Endowment Fund during the years ended June 30, 2019 and 2018 are as follows:

	Without donor restrictions	
	2019	2018
Endowment net assets, beginning of year	\$ 596,898	\$ 557,550
Investment return	29,954	42,495
Investment expense	(2,919)	(3,147)
Endowment net assets, end of year	<u>\$ 623,933</u>	<u>\$ 596,898</u>

4. Other Long-Term Investments

Other 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, 2019 and 2018 are summarized as follows:

	2019			2018		
	Cost	Fair Value	Unrealized Appreciation	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 122,628	\$ 122,628	\$ -	\$ 202,946	\$ 202,946	\$ -
U.S. government securities	394,789	405,281	10,492	300,585	291,449	(9,136)
U.S. corporate bonds	181,121	180,741	(380)	187,794	175,876	(11,918)
Foreign corporate bonds	49,895	49,970	75	-	-	-
Fixed income funds	150,000	153,839	3,839	75,000	75,537	537
U.S. equity securities	857,858	1,611,136	753,278	903,080	1,524,104	621,024
Foreign equity securities	60,121	102,097	41,976	49,895	48,986	(909)
Total	<u>\$1,816,412</u>	<u>\$2,625,692</u>	<u>\$ 809,280</u>	<u>\$1,719,300</u>	<u>\$ 2,318,898</u>	<u>\$ 599,598</u>

The following schedule summarizes the investment income from other long-term investments and its classification in the statement of activities for the years ended:

	2019		2018	
	Without Donor Restrictions	Total	Without Donor Restrictions	Total
Interest and dividends	\$ 53,909	\$ 53,909	\$ 50,141	\$ 50,141
Realized and unrealized gain	235,553	235,553	134,643	134,643
Investment expense	(12,937)	(12,937)	(12,586)	(12,586)
Total investment return, net	<u>\$ 276,525</u>	<u>\$ 276,525</u>	<u>\$ 172,198</u>	<u>\$ 172,198</u>

All other long-term 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.

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.

Net Asset Value (NAV) – Investments with Berkeley foundation endowment fund whose fair value is measured at NAV are excluded from the fair value hierarchy.

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, 2019 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, 2019	Fair Value Measurement at Reporting Date Using			NAV
		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable (Level 3)	
Assets:					
Berkeley foundation endowment fund	\$ 623,933	\$ -	\$ 50,547	\$ -	\$ 573,386
Short-term investments - money market funds	261,840	-	261,840	-	-
Long-term investments:					
Money market funds	122,628	-	122,628	-	-
U.S. government securities	405,281	-	405,281	-	-
U.S. corporate bonds	180,741	-	180,741	-	-
Foreign corporate bonds	49,970	-	49,970	-	-
Fixed income securities	153,839	-	153,839	-	-
U.S. equity securities	1,611,136	1,611,136	-	-	-
Foreign equity securities	102,097	102,097	-	-	-
	2,625,692	1,713,233	912,459	-	-
Total assets	\$ 3,511,465	\$ 1,713,233	\$ 1,224,846	\$ -	\$ 573,386

Description	June 30, 2018	Fair Value Measurement at Reporting Date Using			NAV
		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable (Level 3)	
Assets:					
Berkeley foundation endowment fund	\$ 596,898	\$ -	\$ 61,055	\$ -	\$ 535,843
Short-term investments - money market funds	257,681	-	257,681	-	-
Long-term investments:					
Money market funds	202,946	-	202,946	-	-
U.S. government securities	291,449	-	291,449	-	-
U.S. corporate bonds	175,876	-	175,876	-	-
Fixed income securities	75,537	-	75,537	-	-
U.S. equity securities	1,524,104	1,524,104	-	-	-
Foreign equity securities	48,986	48,986	-	-	-
	2,318,898	1,573,090	745,808	-	-
Total assets	\$ 3,173,477	\$ 1,573,090	\$ 1,064,544	\$ -	\$ 535,843

The following table presents significant terms of investments in Berkeley foundation endowment fund as of June 30, 2019:

Investment Type	Fair Value	Unfunded Commitments	Remaining life (Years)	Redemption terms and restrictions
Absolute return	\$ 120,624	\$ 2,956	0 to 3	Redemptions are available on a rolling basis and require 0 to 90 days' prior notification.
Equity funds	249,018	2,956	0 to 4	Generally, lock-up provisions ranging from 0 to 4 years. After initial lock-up expires, redemptions are available on a rolling basis and require 0 to 60 days' prior notification.
Private equities	119,498	41,972	0 to 15	Not eligible for redemption
Real estate investments trusts	7,136	9,317	0 to 12	Not eligible for redemption
Total	<u>\$ 496,276</u>	<u>\$ 57,201</u>		

6. Concentrations of Risk

Financial instruments, which potentially subject ASUC to concentration of credit risk, consist principally of securities greater than \$500,000 and cash deposits greater than \$250,000 with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC"). ASUC had \$2,125,692 and \$1,818,898 of securities with a financial institution at June 30, 2019 and 2018, respectively, that exceeded the balance insured by SIPC.

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 held \$7,802,430 and \$6,862,467 in cash balances on deposits at June 30, 2019 and 2018, respectively, that exceeded the balance insured by FDIC. The management of ASUC periodically reviews its cash policies and believes any potential accounting loss is minimal.

A significant portion, approximately 47 percent, of ASUC's annual revenue comes from the mandatory student fees.

The majority of ASUC's revenues and grants are received from within the activities of the University of California at Berkeley. As such, ASUC'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 ASUC's services.

ASUC'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 ASUC'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. 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 value of the University's commitment to provide facilities for ASUC's student government activities and student groups. Management determined that there was no impairment to these intangible asset for the years ended June 30, 2019 and 2018 (see Note 2).

8. Cal Lodge

ASUC owned 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. On March 8, 2018, Cal Lodge was sold for \$502,000 to an unrelated party.

9. Property and Equipment

The following is a summary of property and equipment as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office and computer equipment	\$ 64,980	\$ -
Furniture and fixtures	4,023	4,023
Building improvements	<u>98,332</u>	<u>98,332</u>
	167,335	102,355
Less: accumulated depreciation	<u>(89,661)</u>	<u>(64,211)</u>
	<u>\$ 77,674</u>	<u>\$ 38,144</u>

Depreciation expense was \$25,450 and \$20,280 during the years ended June 30, 2019 and 2018, respectively.

10. Liquidity

ASUC's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$	7,561,632
Receivables from UC Berkeley		427,551
Prepaid expenses		12,721
Short-term investments		261,840
Other long-term investments		<u>2,625,692</u>
Financial assets, at year end	\$	<u>10,889,436</u>
Financial assets available to meet cash needs for general expenditures within one year		<u><u>10,889,436</u></u>

Other long-term investments were originally surplus funds made available to ASUC after the termination and distribution of its prior pension plan and are available for general expenditure.

As part of ASUC's liquidity management plan, management invest cash in excess of daily requirements in a money market fund.

11. Student Fund Liabilities

ASUC held funds totaling \$6,130,041 and \$4,998,420 as of June 30, 2019 and 2018, 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 \$57,754 and \$68,582 to the University as of June 30, 2019 and 2018, respectively, for various operating and program service expenses. ASUC also has receivable of \$427,551 and \$328,000 from the University as of June 30, 2019 and 2018, respectively, for mandatory student fees and commercial revenues.

During the years ended June 30, 2019 and 2018, ASUC received approximately \$3,078,866 and \$2,192,560, respectively, from the University for mandatory student fees and recruitment and retention programs and incurred expenses totaling approximately \$1,408,700 and \$1,030,893, respectively, for operating and program services provided by the University.

13. Contingency

A complaint has been filed in court by a student of the University against the Regents of the University and a number of individuals including a previous volunteer student advocate working under the auspices of the ASUC. The complaint is in the early stages and the ultimate outcome of the complaint is presently uncertain. The accompanying financial statements do not include any adjustments that might be necessary should the complaint result in an unfavorable outcome.

14. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in Exhibit I - Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

15. Subsequent Events

In January 2020, ASUC signed a two and three-year subscription contracts with The Wall Street Journal and The New York Times for approximately \$23,000, net of in-kind contribution of \$63,000, and \$160,000, respectively. These contracts provide subscription services to more than forty thousand students of the University.

ASUC evaluated subsequent events through March 6, 2020, the date on which the financial statements were available to be issued and except as discussed above, noted no subsequent events that would require recognition in the financial statements or the notes thereto as of and for the year ended June 30, 2019.

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

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>	
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Comparative Total</u>
	<u>Student Activities</u>	<u>Management and General</u>	<u>Fundraising</u>		
EXPENSES AND LOSSES:					
Programs and Events	\$ 1,942,499	\$ -	\$ -	\$ 1,942,499	\$ 1,170,206
Stipends	822,310	20,000	-	842,310	742,935
Meeting and Meals	816,900	7,975	-	824,875	768,705
Travel	674,002	-	-	674,002	582,635
Supplies Expenses	435,700	6,904	-	442,604	569,492
Photo Copying and Printing	174,130	206	-	174,336	152,344
Scholarship Expenses	132,927	-	-	132,927	164,674
Membership and Dues	129,296	-	-	129,296	107,546
Professional Services	97,192	22,568	-	119,760	85,387
Concert Expenses	98,651	-	-	98,651	103,963
Advertising Expenses	99,582	-	-	99,582	95,356
Salary	60,637	37,858	-	98,495	95,817
Entertainment Expenses	96,874	-	-	96,874	76,659
Publication and Subscriptions	68,913	-	-	68,913	71,687
Bad Debt	50,000	-	-	50,000	-
Legal Expenses	6,064	38,719	-	44,783	19,789
Insurance Expenses	12,436	18,655	-	31,091	37,392
Merchandising Expenses	30,621	-	-	30,621	66,377
Depreciation	25,450	-	-	25,450	20,280
Miscellaneous Expenses	1,801	10,459	-	12,260	9,830
Postage	2,294	-	-	2,294	5,687
Repair and Maintenance	1,166	-	-	1,166	13,461
Property Tax	529	-	-	529	1,902
Communications and Utilities	320	-	-	320	21,425
Donation Expenses	-	-	-	-	39,752
Gain of Fixed Assets	-	-	-	-	(293,349)
Total expenses	<u>\$ 5,780,294</u>	<u>\$ 163,344</u>	<u>\$ -</u>	<u>\$ 5,943,638</u>	<u>\$ 4,729,952</u>