

Required Communications With Those Charged With Governance

[DATE]

The Board of Directors
Associated Students of California State University, Los Angeles, Inc.

This report is provided to ensure those charged with governance, including the Audit Committee and Board of Directors of Associated Students of California State University, Los Angeles, Inc. ("Associated Students") receive sufficient information regarding the scope and results of the audit that may provide them with timely observations arising from the audit that are relevant to their responsibilities in overseeing the financial reporting process for which management is responsible. These required communications relate to the financial statement audit that has been performed by CohnReznick LLP ("CohnReznick") for the year ended June 30, 2020, and other relevant information relating to CohnReznick's relationship with Associated Students. Our objective is to present certain information that is required to be communicated to those charged with governance by professional auditing standards.

If you would like any further information or would like to discuss any of the matters raised, please do not hesitate to contact Michael Good, Partner at (310) 622-4346.

This report is intended solely for the information and use of those charged with governance, the Audit Committee, Board of Directors, management, and others within Associated Students, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

CohnReznick LLP

Responsibility for an Audit - Those charged with governance should be informed of the level of responsibility assumed by the auditor in accordance with auditing standards generally accepted in the United States of America and the nature of assurance an audit provides.

- The objective of a financial statement audit is the expression of an opinion on the financial statements. We consider Associated Students' internal control over financial reporting solely for the purpose of determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements. We did not express an opinion on the effectiveness of internal control over financial reporting.
- Our responsibility and management's responsibility is communicated annually in our engagement letter.
- Management is responsible for the financial statements and our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Management is responsible for establishing and maintaining internal controls, including, monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets and cash flows in conformity with generally accepted accounting principles in the United States of America. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting Associated Students involving (a) management, (b) employees who have significant roles in internal control, and (c) others where fraud could have a material effect on the financial statements. Management is also responsible for identifying and ensuring that the Associated Students complies with applicable laws and regulations.
- Our audit is designed to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. However, audits are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Also, because of the characteristics of fraud, an audit designed and executed in accordance with auditing standards generally accepted in the United States of America may not detect a material fraud. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected.
- We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Significant Accounting Policies and Unusual Transactions - Those charged with governance should be informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.

- The financial statements of Associated Students are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.
- Other significant accounting policies are identified in Note 1 of the financial statements.
- The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606") in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.
- In June 2020, the FASB issued ASU 2020-05 providing a one year deferral of the effective date of Topic 606 for reporting entities that meet certain criteria. The entire California State University system, including all auxiliary organizations, has elected to defer its implementation of Topic 606 which will now be effective for annual reporting periods beginning after December 15, 2019.
- In June 2019, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Associated Students implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.
- In March 2017, FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update, as amended, requires the entity to report the service cost component of net postretirement benefit costs with compensation costs. Additionally, the update requires other components of net postretirement benefit costs to be presented separately from the service cost component in the statement of activities and outside of the change in net assets from operating activities, if presented. Associated Students adopted ASU 2017-07 using the retrospective method for all periods presented. As a result of the update, \$18,782 of other components of net postretirement benefits were reclassified from salaries and benefits in the accompanying statement of functional expenses for the year ended June 30, 2019.
- No other new accounting policies were adopted and the application of existing policies was not changed during the year.
- We found the accounting policies as applied by management in the recording, reporting and the disclosure of transactions to be reasonable and appropriate.

Management Judgments and Accounting Estimates - Those charged with governance should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

- The most significant areas encountered during our audit that involved management judgment or application of accounting estimates are as follows:
 - ✓ Collectability of receivables
 - ✓ Fair value of investments
 - ✓ Useful lives of capital assets
 - ✓ Postretirement benefits
 - ✓ Allocation of functional expenses

In connection with our audit of the financial statements for the year ended June 30, 2020, we reviewed the methodology for establishing these estimates and we found these estimates to be reasonable. However, estimates are subject to change because of future events, and the ultimate amounts realized may differ from those provided.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally, including in early 2020, has caused business disruption domestically in the United States, the area in which Associated Students primarily operates. As a result, events have occurred, including mandates from federal, state and local authorities leading to the closure of the University's on-campus activities in March 2020. The closure has had an adverse effect on the Associated Student's financial condition, results of operations, and cash flows. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while Associated Students expects this matter to continue to temporarily impact the Associated Students' financial condition, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Audit Adjustments - Those charged with governance should be informed of all significant adjustments arising from the audit, whether or not recorded by Associated Students that could individually or in the aggregate have a significant effect on the financial statements.

- There were no recorded or unrecorded audit adjustments proposed by the auditors.
- There were various entries recorded by management during the audit process, primarily consisting of donated use of facilities and the post retirement liability.

Other Required Communications:

- Potential effect on the financial statements of any significant risks and exposures - We noted no specific significant risks or exposure, and accordingly none are disclosed.
- Material uncertainties related to events and conditions, specifically going concern issues - No extended procedures were performed relating to doubt about Associated Students' ability to continue as a going concern. No material uncertainties noted or disclosed.
- Other unaudited information in documents containing audited financial statements - We are not aware of any other such documents.
- Disagreements with management - None.
- Consultation with other accountants - None.
- Difficulties encountered in performing the audit - None.
- Fraud involving senior management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist - None noted.
- Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential - None noted.
- Independence -
 - CohnReznick is independent with respect to Associated Students.
 - We have not been asked to perform non-audit services for Associated Students, except for preparation of the tax returns and related tax services.
 - Our quality control processes are established to ensure our continuing independence.
- Communication of internal control matters identified in an audit including Management Letter Comments - See separate report.
- Management Representation Letter - A copy of the required Management Representation Letter provided to the auditor can be made available upon request.
- Other Matters - None noted.