

Audit Committee Meeting Minutes September 9, 2020

- I. CALL TO ORDER at **4:05 PM**
- II. ROLL CALL
Present: Omer Shakoor, Euridice Pamela Sanchez, Martin Castillo, Maureen Pasag, Eric Pinlac, Kim Napoli, Josephine Capital, Debbie Chaw, David Robydek, Chris Knopik.
- III. ACTION ITEM - Approval of the Agenda
Motion to approve the agenda by **E. Pamela Sanchez**, second by **M. Castillo**, motion **PASSED**.
- IV. ACTION ITEM– Approval of the Minutes September 9th, 2019
Motion to approve the minutes of September 9th, 2019 by **O. Shakoor**, second by **M. Castillo**, motion **PASSED**.
- V. PUBLIC COMMENT – Public Comment is intended as a time for any member of the public to address the committee on any issues affecting ASI and/or the California State University, East Bay. No public comment.
- VI. NEW BUSINESS ITEMS:
 - A. **ACTION ITEM: 2019 – 2020 Financial Audit Results**

Clifton, Larson, Allen will present the results of the financial audit of ASI for 2019-2020 **David Robydek** states this might be the first time some of you are in this meeting. The audit report is forty-five pages. In the back it has various schedules that are essentially forms that were required to be filled out and submitted to the CSU systemwide office. This was used to consolidate all the activities we have done into the system. There are also several pages dedicated to describing certain financial statements, including liabilities associated with pensions. However, all of these statements are straight forward, and I will help to key focus on the financial statements. There is two pages that describes our audit opinion. Management is the one responsible for these financial statements and making sure it is accurate. In the second paragraph it states that management responsibilities for drafting these financial statements, in the next paragraph auditors are responsibilities are to express an opinion on the financial statements. In the bottom of page two it states that the opinion of these financial statements is correct. Page three to six are management discussion analysis; we will talk about some of the highlights in this section and provide a framework for any questions you have. This is good news; since it shows that your management department is doing a great job. We review 100% of the activity. For instance, we sample transactions from a statistical standpoint. We look at expenses, revenue transactions, and sample bases. If we project any errors, we project those errors. We also check all the investment balances and confirm with

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a third party. Management has also prepared a discussion analysis. I will now pause and point out some key paragraphs. Please look at the operating revenue, you can see it increases one percent every year. The main revenue fee is student fees, which is determined by your student head count. Operating expenses did increase a percent due to your covid scholarship. Josephine Capital expenses saw an increase due to the post employment of retirement benefit liability. There are two liabilities on the balance sheet. These represent the obligations you have to pay in the future to employees, along with their pensions. With the actuary students they estimate that liability overtime by using county rates, return on the investment assets or any discounting factors. Almost half of this report is explaining categorizing those liabilities. If anyone wants clarifications on this type of liability, please ask now. These liabilities are not new to ASI, we have seen these liabilities with other ASI's in the CSU system. These are very common liabilities and I just wanted everyone to make sure what they are. Due to it being \$3.1 million in liabilities. **E. Pinlac** states that last year's liability is \$2.8 million, and this year is at \$3.1 million. Is this because of the investment increasing and decreasing? **David Robydek** states yes, since these number do not tend to go down. This is due to the fact that life expectancy has gone up so has the liability. Also, a couple of our assumed rates for returned investments has come down over time. However, all that it takes is something to employ the rise of the investment. Josephine Capital states that there have been some changes to the benefits this year, which has contributed to the actuarial estimates. **E. Pinlac** states that he just wanted to point out to the board members the shift in change of \$300,000.00. **David Robydek** states that they are required to show a sensitivity of the net change liability. We changed the discount rate, which was once percent and it had a huge effect on the liability rate. On the non-revenue side, which is your investment return, it looks better than last year despite the pandemic. If you do not have to spend your investment portfolio then the market will rise up again. We already saw some of this happen from March to June. The balance sheet shows your assets and liabilities. The goal is to continue the increase in that asset or spending your net assets on mission related activities. Your current assets are up \$170,000.00, while having a positive reinsurance on the portfolio of \$100,000.00. You also took some of the cash that was generated by your operations and put that in your investment portfolio. You have also had an increase in your liabilities, which E. Pinlac has discussed already. Also, current liabilities change due to the normal fluctuations in accounts payable. At the bottom, it shows your income statement, which we have already discussed your revenue is stable. It shows your operation expenses are up. It shows a lost of \$260,000.00 compared to the \$160,000.00 of last year. You can see that on the returns of your portfolio of \$90,000.00 to a decrease of \$170,000.00. When you are thinking about your operations here, the \$170,000.00 change from this year to last year was primarily because the returns were not there. You do have capital assets, which means you have purchased items over the years, and they have accumulated wealth. You had about \$25,000.00 worth of equipment purchases this year. I do want to point out is the cash listing, which you had a lost this year. However, your operations generated \$100,000.00 cash. There

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are non-cash items that are affecting your income statement. It is helpful to understand the cash you are producing day to day. You can see that you took the cash and bought more investments and capital assets. The rest of the report talks about accounting policy and standards. No new reports have changed from last year's policies. A majority of your investment is invested in the CSU system-wide investment pool. This three-page letter is required to communicate this letter with you. The letter states that there was estimate used to prepare these financial statements. We discussed the two liabilities, the investments in your portfolio are also an estimate, and we will let you know if there needs to be any audit adjustments. We do not received disagreements from management, and we have full cooperation with them. We will issue this letter as final and send you all a copy of it.

Motion to approve the 2019-2020 financial audit results by **O. Shakoor**, second by **M. Castillo**, motion **CARRIED**.

30:52

VII. ROUND TABLE REMARKS

Euridice Pamela Sanchez states that she is still processing all the information. It is very interesting seeing where all the money goes to.

E. Pinlac states thank you for everyone's hard working. I am please to know that our audit came out clean.

32:20

VIII. ADJOURNMENT at **4:39PM**

Minutes Reviewed by:

Chair of the Finance Committee

Name: Mirna Maamou

Minutes Approved On:

September 14, 2021

Date:

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