

**STUDENT UNION BOARD OF DIRECTORS
AUDIT COMMITTEE**

**Meeting Minutes
Tuesday, September 7, 2021
4:00 PM**

**In-person: Student Union Inc. Building, Conference Room 6
Telecommute meeting by Zoom Video Conference.**

This meeting was facilitated in person and through an online Zoom format, consistent with the Governor's Executive Order N25-20, suspending certain open meeting law restrictions.

Voting Members Present: Dr. Sonja G. Daniels, Ninh Pham-Hi, Anoop Kaur, Soumya Trivedi
Voting Members Absent: None
Non-Voting Members Present: David Alves, Tamsen Burke
Guests: Patrick Day, Charlie Faas, Lisa Wilson (RSM US), Brianna Turk (RSM US)

I. CALL TO ORDER

Director Kaur called the meeting to order at 4:03 p.m

II. ROLL CALL

Director Kaur asked Kelly Goldsmith to take the roll. Kelly Goldsmith completed a verbal roll call.

III. APPROVAL OF SEPTEMBER 7, 2021 AGENDA

Director Kaur asked for any changes to the agenda. No changes requested. Director Kaur asked for a motion to approve the September 7, 2021 Audit Committee meeting agenda as presented.

Mr. Pham-Hi motioned to approve the agenda; Director Daniels seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

IV. APPROVAL OF APRIL 27, 2021 MEETING MINUTES

Director Kaur asked for any changes to the minutes. No changes requested. Director Kaur asked for a motion to approve the April 27, 2021 Audit Committee meeting minutes as presented.

Mr. Pham-Hi motioned to approve the minutes; Director Daniels seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

V. DISCUSSION ITEM

A. Presentation of the June 30, 2021 Financial Audit Draft by RSM US LLP

- 1. Questions & Answers Session**
- 2. Discussion of Findings**
- 3. Review of Management Letter**

Ms. Turk reviewed the draft of deliverables and discussed the status of a couple of items that were still open and are getting close to being resolved. She provided a high level overview of the financial statements which have not changed from previous years. Ms. Wilson pointed out that the total of both the long term and short term investments are

close to \$12 million and it is a healthy position to be in. This allowed the Student Union to weather the pandemic in a way that perhaps other organizations have not been able to.

Ms Turk stated that due to COVID last year, only part of the year was impacted where 2021 has had a full year of COVID which included no in-person events that were held in previous years. Based on everything they are seeing, they have no concerns about the numbers which look positive. She explained that one of the reasons the audit cannot be finalized today is that they are waiting for the actuary that assesses the value of all the items related to Other Post-Employment Benefits (OPEB) to be completed. Anything related to OPEB in the report is in draft form using the information currently available. The information will be updated once the actuarial report has been received from the firm that is completing the report. Ms. Turk explained that the Student Union did receive forgiveness for the PPE loan so the revenue related to that has been recognized in the report. She briefly discussed the \$4 million dollar contribution made by the Student Union to the University. Ms. Wilson explained there were also significant drops in other expense categories including wages as there weren't as many employees being paid due to the reduction of events.

Ms. Turk briefly reviewed the cash flow statement and as expected, cash is down compared to last year due to COVID. She also reviewed footnotes that had changes which included the accounting policies that the Student Union have in place, the operating leases, and the Governmental Accounting Standards Board (GASB) 84 requirements regarding the identification of fiduciary related activities. After discussions with the Student Union and the University, it was determined that for this year, since the amount is only \$65 thousand dollars, GASB 84 standard would not be implemented in this particular report. It will be kept the same for this year and disclosed that the funds related to these checking accounts are held on behalf of the club sports programs. Moving forward, it will be implemented so there is comparability between all of the Auxiliary reports. Ms. Turk asked for feedback from the committee regarding the footnote addressing the \$4 million dollar contribution to the University and what the wording should be in the footnote. She also reviewed the language in the Subsequent Events footnote which referred back to the Operating Agreement and that the agreement is still in the process of being finalized. Ms. Wilson explained that the report indicates the Operating Agreement has expired so the approval of the Operating Agreement is considered a subsequent event.

Ms. Turk and Ms. Wilson answered questions from the committee which included confirmation that the club sports financials need to be recognized as revenue as a party of the Auxiliary based on the Memorandum of Understanding (MOU). Ms. Burke explained that based on the Executive Order that governs student organizations, auxiliaries are not allowed to use their finances for club sports. Due to this Executive Order the Student Union has held the two budgets separately. Mr. Pham-Hi stated that the accounting principle overrides the Executive Order. Regarding funds that were allocated but were not spent, Ms. Wilson explained that there is nothing in the MOU that indicated the funds need to be returned. Also, there is nothing in the accounting guidance that states the funds would need to be returned but that does not mean there might be another expectation.

The committee discussed spending the carryover funds and the length of time needed to spend the funds.

Ms. Turk reviewed the draft letter which is issued to the Audit Committee every year and shows the high level changes, the responsibilities of the auditors, and items that were identified during the audit as being items that could be corrected. After discussions with Mr. Alves, it was agreed that the items identified are immaterial enough in nature that they can just be put in the letter and brought to the Audit Committees attention. Ms. Turk also reviewed a separate letter that summarizes the control deficiencies identified in the

audit. She explained that there are three levels of deficiencies, material weakness, significant deficiencies, and the lowest level being control deficiency. She reviewed the deficiencies under each level.

The committee discussed the list of deficiencies and why the material weakness listed is considered a deficiency. Ms. Wilson explained that when new standards come out sometimes they are applicable, are immaterial, or not applicable. This falls between applicable and immaterial to the current year financial statements. The decision was made to adopt it in the next fiscal year even though it is applicable for this fiscal year. Ms. Wilson stated that she is fine taking that out of the letter. She also addressed questions from the committee regarding why auditors consider the Student Union's reserves to be healthy. She explained that they look at the organization's ability to operate which is based on whether the organization is generating enough revenue to support the organization going forward and if not, is there enough cash and investments in the bank to keep operating. The reserves reflect that the Student Union could cover a year of expenses, even if no revenue was generated which is why Ms. Wilson considers it a healthy reserve.

The committee asked if there is a risk if the Student Union has to use their reserves for expenses due to the University not transferring student fees? Director Faas explained that when the Student Union has expenses and when the budget has been approved, then the University will transfer student fees to the Student Union. The University will make sure there are adequate levels of reserves that are within the Student Union.

Ms. Wilson confirmed that they will strike the language regarding GASB 84, from the first letter.

VI. ACTION ITEM

A. Approval of the June 30, 2021 Financial Audit Draft

Director Kaur asked for a motion to approve the June 30, 2021 financial audited draft.

Mr. Pham-Hi moved to approve; Director Daniels seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

VII. Closed Session Items (as needed)

A. Overview of Audit Concerns

The committee determined that a Closed Session was not needed.

VIII. MEETING ADJOURNMENT

Director Kaur asked for a motion to adjourn the meeting.

Mr. Pham-Hi moved to adjourn the meeting; Director Daniels seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

Meeting adjourned at 4:57 p.m.

The Student Union Board of Directors is a public body, and members of the public have a right to attend and participate in its meetings. This schedule is established as a best approximation of how long each scheduled meeting will take to complete its business. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.

