SAN FRANCISCO STATE UNIVERSITY FOUNDATION
AUDIT COMMITTEE MEETING MINUTES
Wednesday, October 23, 2024 at 1:00 pm

Amy Chan called the meeting of the Audit Committee to order at 1:00 pm.

Committee Members Present
Amy Chan, Chair
Greg Cosko, Director
Teri Jackson, Director
Don Nasser, Director
Coraetta Smith, Director
Jeff Wilson, Director/VP, Administration & Finance and CFO, SF State

Others Present
Don Endo, Vice Chair
Katherine Fischer, Cambridge Associates
Mary Huss, Board Chair
Jeff Jackanicz, Foundation President
Vicky Lee, Director of Finance
Ben McKinney, Windes
Tammie Ridgell, Associate Vice President, Auxiliary Business Services, SF State
Gary Sjolander, Windes
Venesia Thompson-Ramsay, Treasurer, SF State Foundation
Maggie Mar-Kei Woo, Controller, Auxiliary Business Services

I. **Public Comments**: None.

II. **Approval of Agenda**: The committee reviewed the agenda. On motion duly made, seconded, and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee approves the agenda for the October 23, 2024 committee meeting.
Motioned by: Don Nasser Seconded by: Greg Cosko Motion: Passed

III. **Approval of Meeting Minutes**: The committee reviewed the minutes from the July 22, 2024 meeting. On motion duly made, seconded, and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee approves the minutes for the July 22, 2024 meeting, as prepared.
Motioned by: Jeff Wilson Seconded by: Don Nasser Motion: Passed

IV. **2023-2024 Audited Financials Review**: McKinney provided the review of the financials. He began with a note of thanks to staff for their essential work on the audit, mentioning that it was a major undertaking, especially as it coincided with audits of the University Corporation and

Associated Students, all of which must meet the Chancellor's Office deadline. McKinney said this year's audit process went very smoothly, meeting all timeline requirements without surprises.

McKinney said the auditor's opinion was *unmodified* (clean) - the highest level of assurance. He said the report included standard "boilerplate" opinion language (i.e. Required Supplementary Information (management's discussion and analysis) and additional Chancellor's Office-required forms. He said the audit was conducted under Governmental Auditing Standards, with an additional report at the end of the document reflecting this.

McKinney directed the board to Management Discussion and Analysis (MD&A), which contained management's overview and interpretation of the financials. He then provided a summary of the financials:

- <u>Statement of Net Position (Balance Sheet Equivalent)</u>: Key driver this year was the significant increase in investment balances. Cash and investments (in current and non-current sections) rose by ~$22.5 million, which reflected strong market returns consistent with expectations and peer institutions with similar fiscal years. Accounts Receivable decreased by ~$8.7 million due to a timing issue (prior year included an investment liquidation with cash not yet received at year-end). The current year's balance represented a return to normal with an overall asset increase of approximately $14.4 million year over year. McKinney said there was very little movement overall with liabilities - payable to University Corporation increased by ~$261,000 and other liabilities increased by ~$314,000, both changes were routine timing of payments and nothing unusual.

- <u>Statement of Revenue, Expenses, and Changes in Net Position Summary (Income Statement Equivalent</u>): McKinney discussed the highlights from Operating Revenues & Expenses. He said administrative fees (Foundation primary source of revenue) increased by ~7%, indicating modest growth in fund activity or volume. Management & general expenses increased by $346,000 - primarily salary and administrative costs reimbursed to the University. Non-operating revenue, which included contributions and investment returns, was positive. Contributions showed a significant increase of $2.7 million over the prior year and investment returns had another strong year with $12.5 million in gains (prior year's gains were $13 million. Other Additions & Transfers included permanent endowments (additions totaling $5.2 million); Transfers In (an additional $1.1 million in transferred funds); and Transfers to University Corporation (the routine annual transfer from endowment earnings). McKinney said the bottom line was a positive change in net position of $13.8 million, reflecting one of the strongest years to date, driven by market gains, increased contributions, and endowment growth.

- Statement of Cash Flows: McKinney said the overall change in cash was positive (~$400,000 net increase for the year) and summarized the activities, as follows:
  - Operating Activities – Net outflow of ~$1.1 million (typical use for program and administrative costs).
  - Investing Activities – Net use of ~$1.5 million (included purchase of investments or reinvestment strategies.

- Non-Capital Financing Activities – Net inflow of ~$3 million (primarily from contributions and other non-operating support).

McKinney noted that the total investment return recognized was ~$12 million, $6.5 million of which was unrealized gains (i.e., market appreciation not yet sold or converted to cash). He said the key takeaway was that the Foundation maintained a strong liquidity position despite reinvestment and operating outflows with positive cash for continued program funding and financial stability.

V. **Report to Governing Body**: Sjolander discussed their report to the Board also known as the Required Auditor Communication. He said the audit was completed on time and reiterated that the Foundation received an unmodified (clean) audit opinion (the highest level available). He said the Foundation's internal controls showed no material weaknesses nor significant deficiencies. He also reported that there were no new standards/accounting policies adopted for the audit year, no unusual transactions without guidance or consensus and that all significant transactions were recorded in the correct period. Sjolander said estimates were an important part of the financials and that while actual results might differ from estimates, the disclosures were clear, consistent and neutral. Sjolander also mentioned that no adjustments were needed during the audit process. He closed by expressing thanks for the collaborative approach and the committee's support and engagement throughout the audit.

VI. **Committee Discussion with Auditors without Management Present**: The Committee moved into closed session to discuss the audit, per Education Code section 89923. On motion duly made, seconded and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the Committee enters closed session.
Motioned by: <u>Don Nasser</u> Seconded by: <u>Greg Cosko</u> Motion: <u>Passed</u>

VII. **Acceptance of Audit Report**: Having completed the review of the audit, Chan asked for a motion to accept the audited financials, as presented.

MINUTE ACTION: That the committee accepts the Audited Financial Statements for the year ending June 30, 2024.
Motioned by: <u>Don Nasser</u> Seconded by: <u>Greg Cosko</u> Motion: <u>Passed</u>

VIII. **Other Business**:

IX. **Adjournment**: With Don Nasser making the motion to adjourn the meeting and Teri L. Jackson seconding the motion, the meeting was adjourned at 2:05 pm.

Respectfully submitted,

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Amy Chan, Chair Date