SAN FRANCISCO STATE UNIVERSITY FOUNDATION

AUDIT COMMITTEE MEETING MINUTES

Thursday, October 4, 2018 at 2:00 pm

Don Nasser called the meeting of the Audit Committee to order at 2:05 pm.

Committee Members Present

Don Nasser, Chair

Greg Cosko, Director (via phone)

Don Endo Director (via phone)

Absent and Excused

David L. Simon, Director

Val Dolcini, Director

Others Present

Robert Nava, Foundation President

Venesia Thompson-Ramsay, Secretary and Treasurer

Vicky Lee, Director of Finance & Operations

Tammie Ridgell, Associate Vice President, Auxiliary Business Services, SF State (via phone)

Kim McCormick, Audit Partner, Grant Thornton

Angela Hans, Auditor, Grant Thornton

1. **Review of Agenda**: The committee reviewed the agenda.
2. **Approval of the May 23, 2018 Meeting Minutes**: The committee reviewed the minutes from the May 23, 2018 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 May 23, 2018 meeting, as prepared.

Motioned by: Don Endo Seconded by: Greg Cosko Motion: Passed

1. **2017-2018 Audited Financials Review**: Ridgell reviewed the financial statements pointing out that the total net position increased by $7 million from $83.7 million in 2017 to $90.7 million in 2018. The overall increase is primarily attributed to $5.2 million in investment returns and about $1.2 million in contributions. Ridgell also mentioned that the Foundation transferred $2.7 million to the University Corporation for scholarships, fellowships and endowment purposes.

Ridgell mentioned two significant items of note for the upcoming fiscal year: 1) the Foundation would move to a new method for making distributions from the endowment. The methodology would no longer be based on the average daily balance but a system of unitization where the investment pool is divided into units/shares and 2) the Foundation would engage in a strategic planning process for the next 5-10 years.

1. **Report to Board of Directors**: McCormick reported that a deficiency in internal control was identified during the audit process with regards to the valuation and disclosures of alternative/net asset value (NAV) investments. McCormick said they were not satisfied with the process management used to review the fair value of the new alternative investments. She said it was more difficult to determine fair value on alternative investments than exchange-traded investments. As such, management should not just rely on information from the fund managers but come up with a system to independently verify the fair value of these investments such as the use of audited financials. She said management, instead, had relied on the fact that the investments were new purchases and that would not be adequate verification in the future. She said there were also certain required disclosures that should have been made in the Foundation’s financials that were not.

Thompson-Ramsay shared the corrective actions proposed by management, including working with Cambridge Associates to collect and submit the valuation it performs on each investment; inviting Cambridge Associates to attend pre‐audit meetings so they can ask questions of auditors and get a better sense of what the auditors want; and having a member of the audit committee sit on the investment committee.

1. **Committee Discussion with Auditors without Management Present**: The Committee held a brief executive session with the auditors.
2. **Acceptance of Audit Report**: Having completed the review of the audit, Nasser asked for a motion to accept the audit report, as reviewed.

MINUTE ACTION: That the committee approves the Audited Financial Statements and Audit Report for the years ending June 30, 2018.

Motioned by: Greg Cosko Seconded by: Don Endo Motion: Passed

1. **Other Business**: None
2. **Adjournment**: There being no further business to discuss, the Audit Committee was adjourned at 3:41 pm.