

SAN FRANCISCO STATE UNIVERSITY FOUNDATION
AUDIT COMMITTEE MEETING MINUTES
Monday, October 11, 2021 at 3:00 pm

Don Nasser called the meeting of the Audit Committee to order at 3:04 pm.

Committee Members Present (virtual)

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

Others Present

Jeff Jackanicz, Foundation President
Venesia Thompson-Ramsay, Treasurer, SF State Foundation
Tammie Ridgell, Associate Vice President, Auxiliary Business Services, SF State
Vicky Lee, Director of Finance
Tom Huey, Lead Partner, Windes
Ben McKinney, Senior Manager, Windes
Mike Pearce, Cambridge Associates

- I. **Review of Agenda:** The committee reviewed the agenda.
- II. **Approval of Meeting Minutes:** The committee reviewed the minutes from the July 12, 2021 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 12, 2021 meeting, as prepared.

Motioned by: Don Endo Seconded by: Coraetta Smith Motion: Passed

- III. **Report to Board of Directors:** Huey presented the report and summarized the audit process. He said that as part of the audit he and his team looked at internal controls. He said they looked at the environment in play at the foundation to help them plan the audit to ensure significant areas important to board were addressed. Huey said he was pleased to report that they did not have any reported findings in terms of internal controls. He said the audit was a relatively smooth one, given that this was their first time working with the foundation. Huey reminded the committee that his job as the auditor was to conduct the audit to make sure it was in compliance with generally accepted accounting principles (i.e. recording of revenue and expenses were done correctly; estimates were fair). Huey said one of the Foundation's biggest estimates related to the fair value of its investment portfolio and

that in their review of these estimates, they checked to ensure that estimates were not only consistent but were based on some established process. Huey also shared that they experienced no difficulties working with management, including no corrected or uncorrected mistakes. He also mentioned that the Foundation's financials included a lot of supplementary information related to its finances. Finally, Huey said discussed a few new pronouncements that may impact the Foundation in the coming year. First, he said that organizations with long-term leases will need to reflect them on their financial statements this was covered with a disclosure in the past). Second, he said if the Foundations were to incur interest on loans for construction of any large projects, the Foundation would now be allowed to expense that away.

- IV. **2020-2021 Audited Financials Review:** Ridgell then walked the Audit Committee through the audited financials. She said the Foundation's operating revenue and expenses were primarily from managing endowments. She said the foundation charges a fee of 1.25% annually to do so. She said non-operating revenue was probably the most significant thing to happen with a significant increase of 25% in investment income (or about \$40 million net). Ridgell said the cryptocurrency gift was fully liquidated in the fiscal year and the at the end of the liquidation the \$25 million gift saw a \$2.5 profit, mainly due to: 1) the donor providing additional cryptocurrency to round out the original donation and 2) appreciation of the currency.

In reviewing the balance sheet, Ridgell said the lion's share of the Foundation's assets were noncurrent assets (the investments). She said the changes in the cash and cash equivalents were really just the nature of cash flow rather than something specific happening (i.e. large cash donation towards the end of the year or the maturity of short-term investments). Ridgell said the Foundation had pledge receivables (managed by the Chancellor's Office on behalf of the Foundation) that had increased in value based on the interest rates and based on the maturity of those investments. Regarding liabilities, Ridgell said the Foundation's current liabilities included accounts payable, which generally were payables, in transit at year end, between the related parties (SF State University and the University Corporation). She said the endowment market value increased 30% (about \$42 million) from \$142 million to \$183 million.

On the statement of revenues and expenses, Ridgell said the Foundation's contributions were presented under the non-operating revenue for contributions coming in our temporary endowments. Under additions, Ridgell said they had done some further expanding to provide more clarity for the reader. As such, the statement included "additions to the permanent endowment", which essentially consisted of contributions that went directly to permanent endowments. She said the statement also clearly showed transfers to the University (the remainder of Mashouf funds donated for the construction of the Wellness Center). Ridgell said the transfers to the University Corporation represented both the board-approved payout and additional payouts that are allowed under each endowment agreement. Finally, Ridgell said we now separately reflect transfers from transitional funds that were previously included in the contributions. Ridgell said keeping those transfers under contribution could distort the numbers as the Foundation receives funds throughout the year that are parked in transitional accounts until all the documentation is received. Once the documentation is received, there could be movement between temporary and permanent

categories that could distort the numbers. So, by separating out these transitional endowments, we were able to clearly present what was going on more accurately for the reader.

Ridgell walked through the footnotes mentioning that they really discussed the Foundation's operations, accounting rule and policies and provided quite a bit of details for the reader. For example, the footnotes included further disclosure regarding the XRP cryptocurrency and the sale of those units. The footnotes also reported the XRP was held as an intangible asset (the accounting rule that determined how one should treat cryptocurrency). Ridgell highlighted a couple other footnotes: 1) the Foundation did not pay any unrelated business income tax for the fiscal year (2020-2021); 2) the maturity schedule, which showed investments the types of investments and when they would mature; 3) the leveling, which is showed the investment value and how quickly they could be liquidated and 4) investments that are measured at NAV (including types of investments, unfunded commitments, locked up periods, redemption requirements, etc). Finally, Ridgell mentioned that the Foundation would be moving to Fundriver, as a new endowment accounting software, to handle the distribution and allocation of investment earnings and to unitize the endowments.

The Audit Committee asked to receive financials quarterly to track realized and unrealized gains instead of waiting annually for the audited financial statements. Staff agreed to send them quarterly during the year.

Huey said the financials were already reviewed by management, finalized and submitted to the Chancellor's Office to meet the deadline. Nonetheless, he said the ultimate opinion of the audit was that the Foundation received an unqualified opinion, which was commonly known as a "clean" opinion. Huey also said he was pleased to report that they did not find any deficiencies.

V. **Committee Discussion with Auditors without Management Present:** The Committee held a brief executive session with the auditors.

VI. **Acceptance of Audit Report:** Having completed the review of the audit, Nasser 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, 2021.

Motioned by: Amy Chan

Seconded by: David Simon

Motion: Passed

VII. **Other Business:** None.

VIII. **Adjournment:** With Teri Jackson making the motion to adjourn the meeting and Greg Cosko seconding the motion, the Audit Committee was adjourned at 4:38 pm.

Respectfully submitted,

DocuSigned by:

Don Nasser

10/23/2023 | 8:10 PM PDT

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Don Nasser, Chair

Date