

SAN FRANCISCO STATE UNIVERSITY FOUNDATION
AUDIT COMMITTEE MEETING MINUTES
Thursday, November 17, 2022 at 1:00 pm

Don Nasser called the meeting of the Audit Committee to order at 1:02 pm.

Committee Members Present (virtual)

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

Absent and Excused

Teri Jackson, Director
Coraetta Smith, Director

Others Present

Tom Huey, Lead Partner, Windes
Katie Kuechler, Cambridge Associates
Vicky Lee, Director of Finance
Ben McKinney, Senior Manager, Windes
Mike Pearce, Cambridge Associates
Tammie Ridgell, Associate Vice President, Auxiliary Business Services, SF State
Venesia Thompson-Ramsay, Treasurer, SF State Foundation
Wendy Walker, Cambridge Associates
Maggie Mar-Kei Woo, Controller, Auxiliary Business Services

- I. **Review of Agenda:** The committee reviewed the agenda.
- II. **Approval of Meeting Minutes:** The committee reviewed the minutes from the July 21, 2022 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 21, 2022 meeting, as prepared.

Motioned by: Jeff Wilson Seconded by: David Simon Motion: Passed

- III. **Report to Board of Directors:** Huey said the audit went well overall and thanked the accounting staff for getting them through the audit on time. He then presented the Report to the Audit Committee of the Board - information that auditors are required to communicate to the Board (i.e. significant issues/problems or internal control weaknesses encountered during the audit). Huey said there were no such issues/problems or internal control weaknesses and, as such, they had issued an unmodified opinion, which was synonymous to having a clean audit.

He further stated there were no difficulties working with management, no disagreements on accounting, or treatment of certain transactions.

IV. **2021-2022 Audited Financials Review:** Huey presented the finalized audited financial statements for the SF State Foundation as of June 30, 2022. He said one thing that was different this year compared to the prior year was the location of some of the paragraphs as well as some expanded language. Huey said this was the first year where the auditors had to implement some new reporting standards, which moved some of the paragraphs around. For example, the auditor's opinion is now at the beginning of the independent auditor letter. Huey said the audit was conducted in accordance with generally accepted auditing standards as well as government auditing standards, which require them to take a deeper dive into the Foundation's controls to make sure there were adequate controls to track and report some of the financial transactions for the foundation.

Huey then discussed the auditor's responsibilities. He said in the past, there was only one paragraph that addressed auditor's responsibilities but that this had been expanded with bullet points to provide some transparency and help the reader understand what exactly conducting an audit entailed. Huey said an audit was a verification of the financial statements that management had put together. As such, he and his team did not look 100% at everything but instead based their assessment on where they thought the risk areas were as well as a sampling of some of the transactions to verify that they existed, were properly recorded (in the right period) and followed the correct account and guidance.

Huey reviewed the Statement of Net position (Balance Sheet). He said, overall, investments decreased from the prior year because of market decline. He said the Foundation's payables were consistent with prior year and were not material. He said the biggest liability was a payable to UCorp for normal transactions. Huey proceeded to discuss the Statement of Revenues, Expenses, and Change in Net Position. He said the statement listed the Foundation's operating and non-operating revenues and expenses for the fiscal year. Huey said the Foundation's operating revenue was derived from administrative fees charged for managing the endowment funds and as market values went down, so did the administrative fees (revenues). He said investment income in the prior year was about \$41 million due mainly to strong market performance. He said investment earnings went in the opposite direction for the current year with a loss of about \$19.6 million.

Ridgell added that the decrease in administrative fees in FY 2022 was attributed more to the implementation of Fundriver and how investment fees were being recorded. She said fees were now recorded directly to the individual endowment funds instead of flowing through the operations account. Huey then moved on to the Statement of Cash Flows. He said the statement included operating activities, financing activities (non-capital financing and capital and related financing) and investing activities. Huey said the statement provided a reconciliation to show the use of and the change in cash from the beginning of the year to the end of the year. He said the Foundation's change in cash was about \$70,000, which was not a whole lot of change between the year.

Finally, Huey discussed the last piece of the audited package – the supplementary financial information. He said it was presented in a format prescribed by the Chancellor's Office to allow them to easily roll up all the CSU campuses into one big report that went to the State of California.

