CHICO STATE ENTERPRISES
California State University, Chico
Minutes for the Finance and Investment Committee
Tuesday, April 28, 2020, 11:00am – 1:00 pm
https://csuchico.zoom.us/j/91622758639

Committee Members Present: Bob Kittredge, Annabel Grimm, David Stachura, Tod Kimmelshue

Members Absent:

Other Board Members Present: Debra Larson, Ann Sherman

Also Present: Vance Kelly, Mary Sidney, Natalie Carter, Michele Flowerdew

1. **Call to Order –** Kimmelshue called the meeting to Order at 11:04am.

2. **Approval of Minutes from December 4, 2019** – **Action Item**

   Motion to approve the minutes with suggested changes from December 4, 2019 (Kittredge/Grimm)
   (4/0/0)

3. **Public comments** – **None**

4. **Reports**

   a. **Financial reports –** Kelly shared about the impacts of the COVID-19 pandemic on the CSE investment portfolio. He shared that there have been losses in the bond market, and that the portfolio is down by approx. 15 percent from the beginning of the year, wiping out recent gains. He continued CSE's cash position has increased from the beginning of the year. Compared to balances from Fall 2019, it is clear that the increase in the cash position is directly related to a decrease in accounts receivable and unbilled revenue. Receivables had been identified as an issue in the audit. Aging reports and increased collection efforts have helped in reducing outstanding balances. Down from 15.3 million on June 30, 2019 to 11 million at the end last quarter.

   We are ahead of schedule for our year-to-date indirect cost recovery, although a slow down is anticipated due to COVID-19. Kelly shared that on the financial reports the cash flow is adjusted to ensure the cash on hand matched with the unearned revenue for Sponsored Programs. Kittredge asked about a discrepancy between "Due from other funds" and "Due to other funds" in the Statement of Net Position. Kelly shared that there is likely an internal outstanding balance from University Foundation in the "Due from".

   Grimm asked what the anticipated unbilled revenue was for the year end. Kelly shared that he was working with the team to resolve unbilled revenue. Kelly shared about how the financial statements relate to each other. He shared plans to review the statements in greater detail at a future meeting. Larson asked for clarification relating to unearned and unbilled revenue. Kelly explained that unearned revenue consists of funds received for a specific task that has not yet been completed, while the unearned revenue must contain adequate funds to meet the obligation. Unbilled revenue is essentially the

amount of accounts receivable, where the funder has not been formally billed. Larson clarified that the goal was to reduce the unbilled revenue by managing billing activities each quarter. Grimm commented that the unbilled revenue currently is only about a million dollars less that June 30, 2019 and asked about the plan to catch up. Kelly clarified that the unbilled revenue is being collected on a more frequent basis, and shared a preference to bill on the last day of the quarter rather than the first day. Currently billing takes place after the end of the quarter. Grimm asked about the aging of the billing. Kelly shared that new contracts will allow for more frequent billing, but that some existing contracts have longer periods (i.e. semi-annually, quarterly) before we are able to bill. The unbilled revenue balance will likely remain relatively high until the current contracts are no longer in effect. Flowerdew added that the month closes the 15th of the following month, which is when invoicing occurs and that results in funds appearing in unbilled at the end of the month) Sidney shared that changing billing terms, as well as the timing of the F&A charges and close will allow for a timelier alignment of the financial reporting.

Kelly shared an example that there had been two outstanding invoices, well beyond 120 days totaling more than $150,000. After much research, it was ultimately determined that billing had not been sent. Staff was ultimately able to collect from the funder. Kelly also shared that collection is time consuming, and that staff must prioritize resources by the amount outstanding and likelihood of collection.

b. **FY2019-20 RF General Fund budget –** Kelly shared about the Budget to Actual report. Kelly explained that for fiscal year 18/19 the percentage used had been changed to the actual variance, and that for fiscal year 19/20 the percentage used was changed to remaining compared to budget. Sherman expressed her appreciation, and her perspective that this change will allow for improved detection of anomalies.

Vance shared that this fiscal year's budget had unknown costs associated with the reorganization. There has been a focus on the staffing expenses and expenses seem to be on target. He continues that we still have a pending dividend from the insurance company which is why the insurance expense is currently so high. Sidney added that she and Kelly have been working to present the budget detail in a more easily understandable format. She discussed that personnel is the largest piece, and her goal to develop a forecast and reconciliation with the ability to person by person, benefit by benefit. She added that a recently renewed arrangement with KoaHills for OneSolution implementation support, will help by creating reports that are able to extract and forecast the desired information. Sidney shared about personnel vacancies further impacting year end totals. She continued, that overall the budget is in balance and F&A revenue is slightly ahead which will allow for a cushion as programs shift to remote operation and are impacted by COVID-19. Larson asked about changes in F&A from the Agency side. Flowerdew shared that there have been several no-cost time extensions offered by funders. Contracts activity has maintained steady, and many funders are allowing for electronic signatures at this time.

c. **Update on AR/billing efforts –** (see above) Grimm requested a statement of cash flows and an AR aging report in future packets to enhance understanding of how funds are moving.

d. **J.P. Morgan Chase Revolving Line of Credit Terms –** Kelly shared about his research on securing an uncollateralized 1 to 5 million dollar line of credit. He shared that the interest rate is relatively low, but upfront costs and fees on unused funds would make the line of credit costly. Kelly shared his perspective that securing a line of credit be a last/worst-case scenario. Larson asked about how quickly a line of credit could be secured in the future. Kelly shared that it could take 4-7 weeks for a line of credit.

Larson expressed concern about the turnaround being too long, if an issue were to arise. Kelly shared that cash management has been improved and he was not concerned about cash flow at this time.

Sherman asked about resources that may be available as part of the stimulus. Sidney shared plans to evaluate potential resources in the coming weeks. She shared about some potential funding opportunities. Sherman asked if small business financing might be available. Sidney shared that Auxiliaries are lobbying for consideration to modify language identifying eligibility requirements. Sherman added that separate awards may be possible, by identifying operating units individually for funding.

Sidney shared about ongoing recruitment efforts, currently the finance department is slowed by vacancies, and the ongoing implementation of OneSolution. She added that the team is generally keeping up with day-to-day business, but that everything is not current. Kelly shared that priorities for the implementation of OneSolution had been identified, and he is optimistic about future reporting capabilities. He agreed that understaffing was one of the biggest challenges. Kittredge asked about staff vacancies impacting operations relating to the end of the fiscal year, which is typically a busy time of year. Sidney shared that year-end deadlines were being explored for flexibility. Kelly expressed confidence in the team and shared about the benefits of improved communication between accounting and sponsored programs. He added that a consultant has been assisting with audit preparation. He continued by sharing plans for the audit to be performed remotely, anticipating potential challenges, and ensuring that the outcomes this year are improved from the last year. Sherman asked for a plan to complete the audit. Kelly was tasked with identifying the elements needed for a plan. Kittredge added that the auditor needs to collaborate on a plan. Sherman reminded the group that because it was a high-risk audit there would be a greater need for detail.

Larson recognized the progress that is being made, sharing that the financials were presented in a more understandable way and shared her appreciation for the accomplishments of the staff to improve systems and operations, as well as the overall positive impacts of the reorganization.

5. **Next meeting - TBD – to be scheduled for mid-late May**

6. **Adjournment –** Meeting adjourned at 12:23pm.

Respectfully submitted,

Mary Sidney

_____

Mary Sidney, Secretary