

THE CSU, CHICO RESEARCH FOUNDATION

California State University, Chico

Minutes for the Finance & Investment Committee

Monday, February 25, 2019 1:30 – 3:30 pm

Arts 228

Committee Members Present: Bob Kittredge, Tod Kimmelshue

Members Absent: None

Other Board Members Present: David Stachura

Also Present: Jessica Bourne, Stacie Corona, Michele Flowerdew, Jennifer Morgan, Amie Riesen, Jason Schwenkler, Annabel Grimm, Jeni Kitchell, David Hassenzahl

1. **Call to Order** – Kittredge called the meeting to order at 1:35 pm and asked for introductions.
2. **Approval of minutes from August 27, 2018 – Action Item**

Motion to approve the minutes from August 27, 2018

(Kittredge/Kimmelshue)

(2/0/0)

3. **Public Comments** – Bourne announced that the Research Foundation's Controller, Amanda Bullock, will be vacating her position on March 8th. A new position will be posted soon and her tasks will be picked up in the interim.

4. **Reports**

- a. **Executive Director Report** – Bourne shared the philanthropic success of the Wildcats Rise fundraising efforts to support students, faculty and staff affected by the Camp Fire.

Since August of 2018, there have been 2 critical tickets outstanding with regards to the One Solution system. Both are in final testing stages and appear to be fixed. The Research Foundation will continue to work with Central Square on the outstanding scope but will likely revise the scope and contract with Koa Hills to finish the project. The current implementation timeline will be revised once work begins with Koa Hills.

- b. **Financial Report** – Bourne reviewed the financial reports through December 31, 2018. In reviewing the financial reports, it was clear that issues remain around negative cash balances in the Sponsored Programs fund. The negative cash balance of \$2.2M is concerning, and in addition, \$2.15M has been paid to the RF by grant funders in advance of work on those grants occurring. Therefore, the Sponsored Programs fund is actually in a negative cash position of approximately \$4.3M. It has been noted by the financial auditors for the Research Foundation for the previous two fiscal years that cash management needs to be evaluated and addressed. This directly relates to accounts receivable processes of the Research Foundation.

Kittredge stressed the importance of this issue and expressed concern about the Research Foundation's ability to address this issue by June 30. Kitchell echoed these concerns and suggested exploring applying additional resources to this effort. Hassenzahl shared that he is committed to working on this and will report progress back to the FIC at the next meeting.

Revenue of the Sponsored Programs fund is estimated to be understated by at least \$4.5M at December 31, 2018, due to timing of billing funders and recording revenue.

The RF transferred its investments in Wells Fargo CDs to the Charles Schwab Strategic Reserve Account managed in partnership with the University Foundation. This transfer occurred in January 2019, fortunately avoiding negative returns in December 2018.

The Sponsored Programs fund has maintained a net position exceeding \$3M. The RF anticipates this net position will decrease as these accumulated funds are subject to the RF Surplus Policy.

The RF General Fund is on track at December 31, 2018 with its fiscal year budget. Timing issues are evident in the recognition of revenue and expenses, making it challenging to understand the current budget to actual position. Moving forward, the RF will work to accrue revenue and expense items to improve the value of the financial reporting.

Bourne reviewed outstanding internal loans, which are secured by funding through the Dean or VP sponsoring the activity. The committee briefly discussed issues with collectability of these loans, and referred back to the commitment of the Dean or VP to provide recourse.

Fringe benefits balances were reviewed and continue to be monitored; surpluses have been accumulated and reported to the Department of Health and Human Services who approves the RF fringe rates. The RF expects rates to decline over the next two years, and rates should level at approximately 50-52% and 6-7%, for benefited and non-benefited employees respectively.

The Board Designated Fund was reviewed, and it was discussed that there are accounts within this fund for which the board does not directly have spending discretion. The RF will evaluate placement of these accounts, will reclassify appropriately, and will report back to FIC in May.

- c. **RESP Report** – Flowerdew shared that a committee will be reviewing quotes on Friday from 3 vendors offering pre-award software and hope to have the software implemented in June or July.

5. Business Items

- a. **Finance & Investment Committee membership** – Bourne shared that due to Hassenzahl's interim position with RESP, he will be stepping away from the Board for the time being. Annabel Grimm and David Stachura volunteered to participate on the committee and their membership will be voted on at the next Board meeting. Bourne

offered to seek out additional members as well.

- b. 25/35 Main financial position and cost allocation** – Bourne asked the Committee for feedback on cost allocations for the 25/35 Main buildings. Her goal is to create an intentional, transparent and consistent cost allocation plan moving forward in addition to possible review of prior years. Historically, the majority of the occupants of 25/35 Main have not paid rent directly and it is assumed that the Research Foundation will fund the buildings and maintenance with the indirect cost recovery. However, this cost recovery has not been sufficient and with \$7M in deferred maintenance, an intentional and consistent methodology needs to be implemented. Bourne suggested charging occupants actual cost allocation for 25/35 Main, less indirect cost recovery in excess of the 18.5% off-campus rate. The committee requested additional information to help understand the financial impact of implementing the proposed model. After further discussion, it was decided that this subject will be addressed with the Board at the next meeting.
- c. FY2017-18 Audited Financial Statements** – Bourne discussed the FY2017-18 audited financial statements and recognized that there were no findings, however, there were material weaknesses noted.

 - i. Auditor finding/recommendation follow-up** – The weaknesses noted included (1) revenue recognition (specifically unbilled revenue); (2) the lack of correlation of Passages and NSPR to Campus activities; and (3) late submittal of reimbursement requests. These items are being addressed and work is being done to make corrections.
- d. Capital replacement reserve projects** – Due to a lack of management previously expending Capital Replacement Reserves, Bourne requested committee approval to use funds in the capital replacement reserve to replace the carpet in the NSPR office space and install a potable water system at the BCCER. These funds were part of the approved budget and therefore expendable at the discretion of the Executive Director without Board approval.
- e. IT Security Audit** – There was an IT audit report issued by the Chancellor’s Office in August that had 2 findings that related to the Research Foundation; workstation security management and contract compliance. With help from Campus, these issues are being addressed.

6. Closed Session – 3:47 PM

7. Adjournment – 4:15 PM

Respectfully submitted,



Jessica Bourne