

Approved September 9, 2020

**MINUTES**

- Governors present: Mike Prime – Chair; Doug Guerrero; Dr. Marcia Moore;
- Governors absent: Jay Gilbert; Tom Martin; Glen Thomas
- Support Staff: Pam Hollis, Executive Director of Finance & Administration, University Advancement  
Vance Kelly, Controller, Chico State Enterprises
- Guest: Bobby LaCour, CPA, Aldrich Advisors

Chair Michael Prime called the meeting to order at 9:05 am. Marcia Moore motioned to approve the minutes from the September 14, 2018 meeting. Doug Guerrero seconded the motion and the committee approved the minutes.

Prime turned the meeting over to the Auditor, Bobby LaCour who walked the group through the Report to the Audit Committee for year end June 30, 2019. LaCour noted that generally his group was able to work through the audit quickly, and that the only substantial changes this year were due to new accounting policies that were adopted in compliance with ASU 2016-14. Generally, these changes required the reclassification of assets in order to provide a clearer picture of the financial position to the reader of the financial statement. Although assets are classified differently after the changes, there is no change in the total amounts or valuation. The current statement is draft, minor final adjustments are being made.

LaCour said it was important to note that the auditors rendered an unmodified opinion on the June 30, 2019 financials, which is the highest level. He noted that there were no conditions which they considered to be material weaknesses, no deficiencies in internal controls and that all prior year issues had been cleaned up. Moving forward the financial statements are clean and easy to read.

Explanation/Comments on notes to the financials:

**Note 3 – Investments**

The point is to give the reader of the financial statement an understanding of the composition of investments; what the UF is invested in and the attendant risk. The investments are displayed in a table identifying risk levels 1,2,3 and NAV. Level 1 investments are the most liquid, NAV (Net Asset Value) investments are those where the foundation has an ownership stake in a particular asset and is assigned a proportionate share of its current value. Prime asked if the ratio of funds invested in NAV were high. LaCour advised that in fact they were appropriate for the long-term investments necessary for endowment sustainability and common for philanthropic organizations.

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Prime asked for an update on the situation with potential fines for non-filing of the 990Ts in past years. LaCour said that he is waiting to hear from the legal representation (Boutin Jones), and it is still in limbo. There is no statute of limitations.

Regarding the Independent Auditor's report, LaCour said that there would be changes from the draft under "opinion" referencing the new standards regarding asset classes.

Prime noted that the receivables and current assets reflected a drastic change from 2018 to 2019. LaCour explained that the investment firm had liquidated a substantial asset, shown in flux at this point on the financial. These kinds of transactions occur under the purview of our investment advisor and in accordance with our investment policy guidelines.

LaCour explained that new reporting standards changed the way asset classes are reported. Previously there were three classes "Restricted, Temporarily Restricted, and Non-restricted". The new classes are just two; "Restricted and Non-restricted". Note 6 provides more clarification.

Statement of Activity:

LaCour said the foundation saw growth in revenue due to increases in investment return and that the statement of cash flows is trending in the right direction.

On pages six and seven, he pointed out new pieces to the financial statement this year which are tied to the new standards implementation. More detail is included in the classification of expenditures. Again, the goal was to make the financial statements more informative for the reader.

Dr. Moore questioned the line item for Community and Donor relations and LaCour confirmed that those expenditures were going to the foundation's dedicated causes.

LaCour went through the notes to the financials explaining that #11 addresses the student loans which were transferred to the state books. In note #1, under Functional Expense Allocations, more explanation is provided about how the expenses are allocated, and under Future Accounting Standards, more revenue detail will be reported beginning with the 6/30/20 financial statement. LaCour pointed out Note #2 as another important new disclosure that looks at the ability of liquid assets to meet current obligations, adding that it showed that the foundation's cash flow position is strong.

**BOARD OF GOVERNORS**  
**Audit Committee**  
25 Main Conference Room  
Monday, September 09, 2019  
9:00 a.m. – 10:30 a.m.



Note #6 is new this year and gives readers more information about the two new asset classifications including details about the composition of the assets with and without donor restrictions.

Note #7 describes the breakdown of endowments as board-designated and donor restricted, noting that the foundation has a very healthy balance.

Dr. Moore moved to approve the financial statement as presented. Doug Guerrero seconded the motion and the committee approved the financial statement.

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