

**BOARD OF GOVERNORS**

**AUDIT Committee**

Tuesday, September 19, 2023

8:30 a.m. to 10:00 a.m.

Remote via Zoom



California State University **Chico**  
University Foundation

Approved October 13, 2023

*Committee Members Present:* Glen Thomas, Chair; Michael Prime; Doug Guerrero; Bob Kittredge  
**Absent:** Nick Webber

*Staff:* Pam Hollis, University Advancement; Vance Kelly, Laura Haskill, CSE

*Guest:* Bobby LaCour, CPA, Aldrich Advisors

**MINUTES**

Audit committee chair Glen Thomas called the meeting to order at 8:32 a.m. It was noted that the minutes from the previous meeting were approved at the meeting of the full board on October 7, 2022.

LaCour reviewed the Report to the Audit Committee for the board of the University Foundation (UF) noting that the audit had been completed and that it was in accordance with the engagement letter and an unmodified opinion was rendered on the June 30, 2023 financial statements. The auditors did not identify any conditions they considered to be material weaknesses or significant deficiencies in internal controls. The internal control structure has not changed dramatically and no issues were found. Although the auditors are not required to present an internal control letter, they do so as a matter of course.

Regarding required communications to this committee, LaCour said that a new a new standard was enacted this year but it applies to leases and this foundation does not have any significant leases affected. LaCour identified items that are estimated, noting that Present Value adjustments are made to reflect the uncertainty of pledges committed, CRT values may be subject to the life expectancy of donors and the Fair Value Measurement addresses the estimated values of some private investments or others whose value may be difficult to assess.

They had no difficulties performing the audit and management was fully cooperative. The Financial Statement has supplemental information that they are not auditing, but they affirm it agrees with the Financial Statement. The supplemental information is a requirement of the CSU Chancellor's Office.

Summarizing the independent auditor's report, LaCour said he was confident the UF would be solvent for many years. The biggest change of the year is in the value of the investments. 2022 was a horrible year for investments and 2023 was greatly improved. The change in investment returns was \$24 million between the two years. LaCour noted that Chico's fundraising was solid, maintaining fairly consistent giving when many other comparable campuses were not maintaining giving levels post-pandemic. This was a testament to a solid fundraising program. Chico's UF is well-positioned to give back to the campus. It does not have significant operating expenses and maintains strong assets and liquidity. It maintains approximately \$1.8 million to run the daily operations of the foundation while maintaining a high level of giving and of giving back to campus. This is extraordinary.

Bob Kittredge noted that the financial statement has been consistent over the past several years. The statement looks clean and streamlined. LaCour said that the foundation did a good job of eliminating ancillary operations. Glen Thomas remarked that in medicine it is good if you get "unremarkable"

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results. The same is true for these financial statements. He added that the market helped with the improved results, but the work of the philanthropy team has really paid off in the past five years. LaCour added that the stewardship the leadership team put in place five years ago is paying off now.

Kittredge asked about a \$3.2 million fixed asset which was a gift intended to pass through to the university, wondering why it was still on the financial statement. Vance Kelly replied saying that the property in question was a gift for the Butte Creek Ecological Preserve, held by Chico State Enterprises (CSE). The transfer of ownership from the UF to CSE is underway and is expected to be approved by the Board of Governors at their October meeting.

Bob Kittredge asked LaCour if the UF's 4% distribution was standard compared to other CSUs. LaCour replied that the UF applies 4% based on a three-year moving average which is typical and helps normalize the good vs. bad years. The 4% is pretty typical. Outliers are in the 3 – 5% range. Four percent is very sustainable, anything much higher becomes unrealistic.

Kittredge asked if the financial statements were ready to be approved. Kelly replied that two minor changes had been identified. On page 13 the word "operations" was dropped, and on page 19 clarification was needed on the Satisfaction of Purpose Restrictions. Neither would affect the numbers in any way, just the breakdown.

Kittredge moved to accept and approve the financial statements with the changes indicated. Doug Guerrero seconded the motions and the committee voted unanimously to approve and accept the June 30, 2023 Financial Statement.

Bob Kittredge asked the auditor if he felt the staffing increases at CSE had reached a point where the organization was better able to meet the growth in both CSE and the UF. LaCour said that he felt the team was in a better place than it was a year ago.

Glen Thomas asked for a status report on the Request for Proposal for Audit that they talked about last year. Vance Kelly replied that he anticipates releasing the RFP in October and having a decision complete by the end of the year.

Kittredge noted that it is the job of the Audit Committee to select the Auditor, so a meeting will need to be called early next year to make that decision.

Chair Thomas adjourned the meeting at 9:30 a.m.