

BOARD OF GOVERNORS

AUDIT Committee

Friday, September 13, 2024

10:30 a.m. to 12:00 p.m.



California State University **Chico**
University Foundation

Approved October 10, 2025

Remote via Zoom

Governors Present: Jay Gilbert, Doug Guerrero, Robert Kittredge, Nicholas Webber **Absent:** Glen Thomas, Chair; David Heinsen, Mike Prime

Staff: Vance Kelly, Laura Haskill, CSE; Robin Carter, Michelle Slack, University Advancement **Absent:** Pam Hollis, University Advancement

Guest: Bobby LaCour, CPA, Aldrich Advisors

MINUTES

Doug Guerrero served as Chair of the meeting for Glen Thomas who was unable to attend. Guerrero called the meeting to order at 10:31 a.m. As Bob Kittredge had limited time to attend the meeting, Guerrero asked to switch the order of items on the agenda.

Audited Financial Statement Review: Bobby LaCour

Bobby LaCour, from Aldrich Advisors, discussed the underwater endowments under Note 7 of the audit finding. The underwater endowment is mostly due to one gift that is a non-liquid asset – Fisch land gift. The value of the gift was probably valued too high. Vance Kelly gave more background on the gift. Kelly has discussed this issue with LaCour and will work with management to correct the temporarily and permanently restricted assets. The correction would be a reclassification of the asset to better match the intent of the gift. Kelly also mentioned that the gift acceptance policy has been updated and material gifts are under more scrutiny before being accepted. Kelly stated it is unlikely that there will be a gift like this in the future. LaCour agreed with Kelly’s assessment and restated that non-traditional gifts like material assets would be unlikely to be accepted in the future based on the Foundation’s revised gift policy guidelines. Correcting this endowment will positively affect the issue of underwater endowments.

Kelly asked LaCour to align the items between the years 2023 and 2024 in Note 8 – Contributed Nonfinancial Assets. On June 30, 2024, items under Supplies/Equipment is presented before Livestock. On June 30, 2023, items under Livestock is presented before Supplies/Equipment. LaCour agreed to make the correction.

LaCour asked for additional questions and stated that Aldrich Advisors had tried several years ago to streamline the audit report. The primary driver of the financial statements is the investments. The investments performed well this year with a minimal amount of liability that is owed to the organization. From a financial health standpoint, the Foundation is in a strong financial situation. In the financial statements, the auditors spend a fair amount of time looking at liquidity and availability. They look at what money the Foundation has versus obligations and what money is not able to be spent.

The Foundation has \$3 million of liquid cash available to spend on operations, which doesn’t include endowment distributions. The Foundation is in good financial health.

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A motion was made by Nick Webber and seconded by Doug Guerrero to approve the audit report, and the committee members unanimously approved the motion.

Report to Audit Committee: LaCour

LaCour reported on the audit by reviewing the Significant Conclusions and Issues in the Executive Summary. The auditors did not identify any conditions which they consider to be material weaknesses or significant deficiencies in internal controls. They will be rendering an unmodified opinion on the June 30, 2024, financial statements, which is the highest level of assurance that Aldrich can provide. Everything went very well with the management for the audit, and they cooperated fully.

A significant portion of the Foundation's portfolio is not illiquid, but the redemption is challenging. Under the fair value hierarchy, there are \$130 million of investment assets with \$37 million valued at net asset level. Some of these assets are difficult to value and, in some cases, they are making an estimate based on information from the hedge fund managers and others. Long-term pledges are also difficult to evaluate based on today's value versus the value five years from now. Based on the assumptions, the estimates have been deemed reasonable.

LaCour did not cover the supplemental information included in the back of the audit.

Audit Committee Discussion/Q&A: Guerrero

Guerrero dismissed the staff from the meeting at 11:04 a.m. before going into a private session with the Audit Committee members and LaCour.

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