

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
MAY 3, 2016**

I. Call to Order

The meeting was called to order by Chair, Ron Clouse at 10:32 a.m.

II. Roll Call

Present	Absent	Staff/Guests
R. Clouse, Committee Chair (voting)		Michael Good, Partner, CohnReznick
Deborah Durodola, Student Representative (voting)		Jonathan Navarro, Accounting Manager
S. Eichten, University Representative (voting)		Jamie Wong, Senior, CohnReznick
Debra Hammond, Executive Director (non-voting)		
Joseph Illuminate, Executive Secretary (non-voting)		
Nicole Lai, Student Representative (voting)		
Lusine Zeitountsian, Student Representative (voting)		

Nicole Lai arrived at 10:40 a.m.

III. Approval of Agenda

M/S/P (L. Zeitountsian/D. Durodola) Motion to approve the agenda for May 3, 2016.

Motion passes by general consensus

IV. Approval of Minutes

M/S/P (L. Zeitountsian/D. Durodola) Motion to approve the minutes for September 10, 2015.

Motion passes by general consensus

V. Chair's Report

Chair, Ron Clouse welcomed the three new student members to their first committee meeting.

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VI. Discussion Items

A. 2015-16 Engagement Letter

J. Illuminate stated that this is the first time that the engagement letter has been presented to the committee as a discussion item so that student members have a complete understanding of the annual audit cycle.

The purpose of the engagement letter is to confirm the University Student Union's (USU's) and CohnReznick's understanding of the services to be provided for the 2015-16 audit. Partner, Michael Good, guided the committee through the highlights of the letter:

- CohnReznick will audit the financial statements, the notes to the statements, and the supplementary information.
- CohnReznick will express an opinion on the financial statements with the objective of determining if the financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP).
- Audit procedures include tests of documentary evidence supporting the transactions recorded in the general ledger.
- An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations. CohnReznick is not responsible for prevention and detection of fraud.
- The USU is responsible for maintaining internal controls; correcting material misstatements; design and implementation of programs to prevent and detect fraud; and preparation of the supplementary schedules.
- The total fee for the audit engagement including preparation of the information tax returns is \$30,000.

B. 2015-16 Audit Plan

Michael Good and Jamie Wong discussed the 2015-16 audit plan which covered some of the same points reviewed in the engagement letter. The audit plan discussion including the following topics:

1. Summer of 2016 services
2. Management's responsibilities
3. Engagement objectives
 - a. Identify and communicate the best business practices
 - b. Consult regarding accounting and internal control matters as needed
 - c. Issue the financial statements by the deadline
 - d. Ensure the Audit Committee is informed of the organization's financial reporting matters
4. Audit strategy
 - a. Focusing resources on higher risk areas
 - i. Revenue recognition

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- ii. Classification of net assets
 - iii. Internal controls and governance
 - iv. Estimates.
5. Audit Timeline
- a. June/July – audit design, planning, and preliminary testing
 - b. August – audit field work
 - c. Mid-September – present a draft of the financial statement and the Management Letter and required communications to the Audit Committee
 - d. Before the End of September – issue the final audit report and present it to the committee
 - e. November – file Form 990 and related returns
6. Accounting and Auditing Updates
- a. The three existing net asset classes (permanently restricted, temporarily restricted, and unrestricted) would be replaced with two new asset classes – net assets with donor restrictions and net assets without donor restrictions.
 - b. The direct method of reporting cash flows for operating activities would be required.
 - c. Not for Profit Organizations (NFPs) would be required to provide quantitative and qualitative information useful in assessing liquidity.
 - d. NFPs would be required to present an intermediate operating measure.
 - e. All NFPs would be required to report expenses by both nature and function.
 - f. A net presentation of investment expenses against investment return would be required on the face of the statement of activities.
 - g. NFPs would be required to use the placed-in-service approach for the treatment of expiration of restrictions related to long-lived assets.

VII. Action Items

A. None

VIII. Announcements

J. Illuminate informed the committee that CohnReznick would be conducting an unrelated business income tax (UBIT) review of the USU's revenue streams. This will be done using fifteen free consulting hours agreed upon as part of the contract when CohnReznick was selected to be the USU's audit and preparation firm. The review will be coordinated with the University UBIT representative. An Audit Committee meeting is to be scheduled in the summer to review the findings of the UBIT analysis.

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IX. Adjournment

The meeting was adjourned by Chair, Ron Clouse at 11:01 a.m.

Respectfully submitted by,

Joseph Illuminate
Associate Director, Finance & Business Services