

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 14, 2016**

I. Call to Order

The meeting was called to order by Chair, Ron Clouse at 10:02 a.m.

II. Roll Call

Present	Absent	Staff/Guests
Ron Clouse, Committee Chair (voting)	Deborah Durodola, Student Representative (voting)	Michael Good, Partner, CohnReznick
Sharon Eichten, University Representative (voting)	Lusine Zeitountsian, Student Representative (voting)	Georgina Harris, Senior Manager, CohnReznick
Debra Hammond, Executive Director (non-voting)		Tina Jensen Kronqvist, Student Administrative Assistant
Joseph Illuminate, Executive Secretary (non-voting)		Jonathan Navarro, Accounting Manager
Nicole Lai, Student Representative (voting)		

Debra Hammond arrived at 10:15 a.m.

III. Approval of Agenda

M/S/P (S. Eichten/N. Lai) Motion to approve the agenda for September 14, 2016

Motion passes by general consensus

IV. Approval of Minutes

M/S/P (N. Lai/S. Eichten) Motion to approve the minutes from May 03, 2016.

Motion passes by general consensus

V. Chair's Report

None

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VI. Action Items

A. 2015-16 Audit Report

M/S/P (N. Lai/S. Eichten) Motion to accept the 2015-16 Financial Audit Report prepared by CohnReznick LLP.

Georgina Harris and Michael Good from CohnReznick reviewed the Independent Auditor's Report financial statements, and notes to the financial statements with the committee. The USU received an unmodified opinion which is the best opinion that an audit firm can issue. There were no negative findings reported.

Joe Illuminate addressed some of the items that had changed significantly from the prior audit:

1. Short-term investment assets increased from \$1,500,003 in 2015 to \$3,264,023 in 2016 because the USU moved funds from money market accounts to the System Wide Investment Fund Trust (SWIFT) in order to earn a higher rate of return.
2. The amounts paid by the University to the USU decreased from \$1,217,831 in 2015 to \$421,865 in 2016 due the bankruptcy of the campus's janitorial service provider. The USU agreed to add the campus onto its janitorial service contract with Metro. This arrangement necessitated the USU paying Metro for the service provided to the campus. The campus reimbursed the USU for this cost. This arrangement ended in 2015.
3. The liability for postretirement benefit payable increased from \$1,501,882 in 2015 to \$2,013,047 in 2016 because the discount rate for postretirement benefits decreased from 4.60% in 2015 to 3.75% in 2016. A lower discount rate signifies that the USU pays a greater portion of retiree postretirement health benefits because there are less investment earnings to fund these benefits due to the lower discount rate.

CohnReznick then reviewed the Required Communications with those Charged with Governance letter which describes the responsibilities for an audit; significant accounting policies; unusual transactions; management judgments; and accounting estimates and audit adjustments. There were no unusual transactions and no audit adjustments.

Next, CohnReznick reviewed the Communicating Internal Control Related Matters Identified in an Audit letter. No internal control deficiencies, material weaknesses, or significant deficiencies were noted.

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Georgina Harris then brought the committee up to date on accounting and auditing matters that will take effect in 2019:

- a. Changes in presentation of audited financial statements for not-for-profit entities.
- b. Changes to accounting for finance and operating leases.
- c. Changes on how to recognize revenue from contracts with customers.

The changes to the accounting for operating leases will have the most direct impact on the USU.

Main motion passes 2-0-0

VII. Discussion Items

A. Unrelated Business Income Tax (UBIT) Analysis

The USU used fifteen free hours of consulting included in CohnReznick's original agreement with the USU to do an updated analysis of unrelated business income tax of the USU's revenue streams. The following was determined as a result of the analysis:

1. All Student Recreation Center-related revenue streams from alumni, sponsored adults, and community members must be reported as UBIT.
2. It is no longer necessary to report income from room rentals to off campus groups as UBIT because the IRS allows an income exclusion for rental of real property.

VIII. Announcements

Ron Clouse thanked Georgina Harris and Michael Good for a well-prepared audit report with clear language, and the USU Accounting & Finance staff for the clean audit and for all their hard work.

IX. Adjournment

The meeting was adjourned by Chair, Ron Clouse at 10:47 a.m.

Respectfully submitted by,

Joseph Illuminate
Associate Director, USU Accounting & Finance