

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

I. Call to Order

The meeting was called to order by Chair, Sharon Eichten at 3:02 P.M.

II. Roll Call

Present	Absent	Staff/Guests
Sharon Eichten, Committee Chair	Lana Khanou Student Representative (voting)	Ron Clouse, Former Audit Committee Chair
Debra Hammond, Executive Director (non- voting)		Michael Goode, CohnReznick, Partner
Joseph Illuminate, Executive Secretary (non- voting)		Kristen Guzman, Aldrich CPAs Senior Manager,
Elad Mashiah, Student Representative (voting)		Jasmine Medina, Student Administrative Support Assistant, Accounting & Finance
Isaac Shafa, Student Representative (voting)		Jonathan Navarro Accounting Manager
Dr. Edith Winterhalter, University Representative		Jackie Richman, CohnReznick, Manager

- *Michael Goode left at 3:50 p.m.*
- *Jackie Richman left at 3:50 p.m.*
- *Kristen Guzman arrived at 3:50 p.m.*
- *Kristen Guzman left at 4:00 p.m.*

III. Approval of Agenda

M/S/P (I. Shafa/E. Mashiah) Motion to approve the agenda for September 10, 2020.

Motion passes by General Consensus

IV. Approval of Minutes

M/S/P (I. Shafa/E. Mashiah) Motion to approve the minutes of May 04, 2020.

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

Motion passes by General Consensus

V. Chair's Report

Chair, Sharon Eichten introduced the new student members of the Audit Committee and introduced the new University Representative, Dr. Edith Winterhalter. S. Eichten requested that the members provide a short introduction about themselves.

VI. Action Items

A. 2019-20 Financial Audit Report

M/S/P (I. Shafa/E. Mashiah) Motion to accept the 2019-20 Financial Audit Report prepared by CohnReznick LLP.

The Audit was done virtually. CohnReznick did not perform the audit in person.

Michael Good, CohnReznick Partner, led the committee in the discussion of the SAS 115 Letter, SAS 114 Letter, and the Draft Audit Report.

SAS 115 Letter Communicating Internal Control Related Matters Identified in the Audit

- The purpose of the SAS 115 Letter is to make management aware of any significant or material weaknesses in regard to internal control.
- The USU did not have any deficiencies or weaknesses for the 2019-20 audit.

SAS 114 Letter Required Communications with Those Charged with Governance.

- Those Charged with Governance are the Audit Committee and the University Student Union Board of Directors.
- The purpose of the letter is to ensure those charged with governance

“receive sufficient information regarding the scope of the audit that they may provide them with timely observations arising from the audit that are relevant to their responsibilities in overseeing the financial process for which management is responsible”.

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

SAS 114: Responsibility for an Audit

- The objective of the audit is the expression of an opinion on the financial statements.
- USU management is responsible for combined financial statements and maintaining internal controls.
- The audit is designed to obtain reasonable, but not absolute assurance of detecting errors.
- The audit was conducted in accordance with audited standards generally accepted in the United States.

SAS 114: Significant Accounting Policies and Unusual Transactions

- In June 2020, the Financial Accounting Standards issued Accounting Standards Update 2020-05 providing a 1-year deferral of the effective date of ASU No 2014-09 – *Revenue from Contracts with Customers* (“Topic 606”). In June 2020, the USU elected to defer its implementation of Topic 606 which will now be effective for the annual period beginning after December 15, 2019.
- In June 2020, the USU adopted the Financial Accounting Standards Board’s ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The effect of the adoption of the pronouncement is identified in Note 1 of the financial statements.
- In 2020, the USU adopted Financial Accounting Standards Board’s ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The effect of the adoption of the pronouncement is identified in Note 1 of the financial statements.

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

SAS 114: Management Judgements and Accounting Estimates

- The USU adopted a new functional expense methodology to allocate general and administrative expenses to programs.
- Due to the COVID-19 outbreak in the United States, the campus of California State University, Northridge and the University Student union transitioned to virtual learning and programming in late March 2020. Student Union fee revenue was not impacted because all student fees for the fiscal year ended June 30, 2020 were received. While the disruption currently is expected to be temporary, there is uncertainty about what the long-term financial and operational impact of governmental initiatives will be on the USU.

SAS 114: Other Required Communications

- CohnReznick did not have any disagreements with USU management.
- The USU hired Aldrich CPAs & Advisors to develop and update the USU's functional expense allocation methodology and to review the supplementary schedules.

2019-20 Draft Audit Report Opinion

M. Good reported that the USU received an **unmodified opinion** which is the highest level of opinion an audit firm can bestow on its client. The definition of an "unmodified opinion" is "*the financial statements present fairly, in all material respects the financial position of the USU as of June 30, 2020*".

Statement of Financial Position

As of June 30, 2020, the USU had total assets of \$7,400,987, total liabilities of \$3,495,735, and total net assets of \$2,612,067. M. Goode explained in the Statement of Activities that there was no reduction in Student Fees.

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

Statement of Activities

Student Activity Fees did not decrease due to the transition to virtual programs and services. However, there was a decrease in the other operating revenue as a result of the transition. In addition, there was a corresponding decrease in operating expenses.

Statement of Cash Flows

There was a \$2,135,591 cash increase during the fiscal year.

Notes to the Financial Statements

- It was pointed out that the emergence of COVID-19 could have an impact on the USU's liquidity (Note 2 – Liquidity). The USU regularly monitors liquidity required to meet its operating needs and other contractual commitments. There are various sources of liquidity at its disposal, including cash and cash equivalents, short term-investments, and accounts receivable.
- Two Coronavirus footnotes were added to the notes to the financial statements.
 - The first note (Coronavirus) discussed the potential financial impact of COVID-19.
 - The second note (Legal Matters) explained that in the opinion of the USU, there are sufficient financial and insurance resources to cover any legal claims.

Motion passes 3-0-0

VII. Discussion Items

A. Functional Expense Consulting Project

The USU hired Aldrich CPAs & Advisors to review the functional expense methodology of allocating general and administrative expenses because the computation for allocation of expenses is not user friendly. Aldrich CPA's &

**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

Advisors has extensive experience as the audit firm for several CSU student unions. The following are the principal results that were made to the allocation methodology as a result of Aldrich's review:

1. A clearer understanding of the definition of program costs and general and administrative expenses (G&A) costs in accordance with professional accounting standards:
 - a. The Marketing department is a G&A department, not a programming department.
 - b. The Board of Directors is both a G&A and programming department, not a 100% programming department. The Board of Directors department is allocated to programs based on the percentage of total Program Costs to total expenditures.
2. Programming services are now classified into useful categories: Diversity & Inclusion, Fitness & Wellness, General Programs, and Rental.
3. The expenditure categories used in the functional expense analysis are now in agreement with the expenditure categories used for internal financial reporting.

The current USU expense allocation percentage of G&A to programs is more in line with other CSU student unions. The average percentage for CSU student unions from June 30, 2015 to June 30, 2017 was 62%-65%.

- a. The USU allocation percentage for fiscal years 2017-18 and 201819 were 91% and 86% respectively. The allocation percentage for 201920 is now 72%.
4. Aldrich created a user-friendly Excel workbook that is a template which will be used to generate future functional expense allocations.

VIII. Announcements

Chair, S. Eichten, encouraged committee members to attend the presentation of the Audit Report at the upcoming Board of Directors Meeting on Monday, September 21st at 12:30 p.m.


**UNIVERSITY STUDENT UNION
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE
AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2020**

The next Audit Committee Meeting will occur sometime in January or February 2021 to review the Form 990.

IX. Adjournment

The meeting was adjourned by Chair, Sharon Eichten at 4:05 p.m.

Respectfully submitted by,


Joseph Illuminate

Associate Director, Accounting & Finance