

**BOARD OF DIRECTORS MEETING**

Tuesday, September 19, 2023 – 3:00 to 4:30 p.m.

**Zoom link:** <https://csudh.zoom.us/j/85443604078>**Or Dial-in:** (669) 900-6833 **Meeting ID:** 854 4360 4078**MEETING MINUTES**

**Members Present:** Tranitra Avery; Jeremy Brown; William Franklin, Ph.D.; Fran Fulton, David Gamboa; Nicole Harper Rawlins; Del Huff; Rama Malladi, Ph.D.; Thomas Norman, Ph.D.; Edgar Mejia-Alezano; Sheree Schrager, Ph.D.; Deborah Wallace; Sherri Repp-Loadsman; Myla Rahman; Michael Spagna, Ph.D.; Thomas Parham, Ph.D.;

**Members Absent:** Gilbert Ivey; Pat West;

**Staff and Guests:** Kelvin Blunt; Amanda Dodd; Martha Rafael-Sepulveda; Jonathan Canton; Bill Chang (Board Liaison); Eduardo Fimbres; Gillian Fischer; Lawrence Kimaara; Lea Medina; John Pulido; Edgar Mejia-Alezano; Yancey Modesto; Bobbie Porter, Ph.D.; Tony Jake, Ed.D. (Board Liaison); Justin Gammage Ph.D.; Nicole Stan (CohnReznick); Jackie Richman (CohnReznick); Myla Edmond; Mason Stockstill; Dakota Hughes

I. Call to Order – Chair Nicole Harper Rawlins

Meeting called to order at 3:03 p.m.

II. Roll Call

The meeting was held via Zoom virtual platform. Members and guests could be heard clearly. Quorum met.

III. Approval of Meeting Agenda

Norman moved, and Gamboa seconded. Motion carried.

IV. Approval of Minutes of Previous Meetings

A. June 15, 2023

Brown moved, and Norman seconded. Motion carried.

B. June 29, 2023 (Ad hoc meeting)

Norman moved, and Schrager seconded. Motion carried.

V. Public Comment

No comments from members of the public.

VI. Audit Committee Report – Dr. Tony Jake

Jake shared that the Audit and Advisory Services division undertakes annual audit planning each year to create a comprehensive, risk-based audit plan that addresses both systemwide and campus-specific risks. This year, in late May, CSUDH was notified by the Chancellor's Office that the campus would be subject to a routine Property, Equipment, and Inventory audit, which was conducted over the summer. Following this, in late August, we received a summary of the audit's observations, which were subsequently distributed to the Board last Thursday.

Jake also shared that in response to these observations, CSUDH and TAP are actively working with the Chancellor's Office to address the key points raised and to determine the necessary next steps. This collaboration included an asset module training session for the

DH team, hosted by the Chancellor's Office on September 8th. Additionally, TAP has committed to regularly updating the Board members on any CSU or external audits that pertain to CSUDH and TAP. During our meeting, a moment was allotted for any questions regarding the Property, Equipment, and Inventory audit, with Tranitra fielding these queries on behalf of TAP.

## VII. Audit Report – FY 2022-2023

### A. Financial Statements and Independent Auditor's Report – CohnReznick, LLC

Stan shared, at a high level, CohnReznick has been engaged to perform an audit for the fiscal year ending June 30, 2023. The auditors need to ensure that the financial statements have been properly disclosed. The auditors did not take an absolute approach in testing, but rather a reasonable one, which involves sampling. In the samples taken so far, the auditors haven't found any issues. Issuing a clean, unqualified opinion, which is the highest level of assurance we can give.

Regarding assets, there was an increase of approximately 4.3 million due to changes in investments, employee retention credits, and receivables from grants and contracts. Liabilities remained consistent, with minor changes in the forgiveness of PPP loans. Operating revenues increased, mainly due to increased grants and contracts, as did operating expenses, which aligned with the revenue increase.

Cash balances remain healthy, with details provided in the notes. We also covered the types of investments held. In terms of PPP loans, there were no major changes other than their forgiveness and payments on notes payable. The auditors assessed the design and implementation of controls and found no material deficiencies or significant issues that would impact the financial statements.

In response to Malladi's inquiry concerning the results of the Property, Equipment, and Inventory audit impact of the findings on the financial statements, Stan that in cases where control failures are identified, they may not always have a material impact on the financial statements due to the materiality threshold used in their audit. However, if the board deems certain areas as significant and expresses interest in a more detailed examination of these areas, the auditors are willing to adjust their audit procedures accordingly. Even if these areas are not material to the financial statements, if they are important to the board, the auditors are prepared to incorporate additional procedures into their audit process to address these concerns.

Financial statements continued to be reviewed in detail with a follow-up question from Malladi if there were any concerns following the audit. Stan described their evaluation method, referred to as a "trifecta", for assessing a company's financial health. This approach considers three key factors: the combination of losses, the cash used in operations (if it's larger than expected), and the excess cash available for the next year. For instance, this year, the company used \$380,000 in operations, while having \$7 million available, not including investments. The auditor emphasized that for the company to be in financial trouble, it would need to use the entire \$7 million, which is unlikely as management would likely reduce spending (including possible layoffs) if revenues were to decrease. This evaluation method helps in determining when to issue a note of warning in the financial statements, indicating potential survival concerns unless certain actions are taken by management.

Stan highlighted several key qualitative aspects of the company's accounting practices and the overall audit process. The auditors noted that the company's significant accounting policies, as detailed in Note One, were found to be both appropriate and adequately detailed. The judgments made by management in these accounting areas were considered reasonable. In terms of the financial statement disclosures, they were evaluated as complete, clear, and consistent, with no significant or unusual transactions detected. Importantly, the auditor did not identify or suspect any instances of fraud, nor were any such instances reported by the management.

The audit process itself encountered some delays, but the team was commended for working diligently to provide all the necessary information. No material uncorrected or corrected statements were discovered during the audit, and the auditors found no disagreements with the cooperative management team. There were no circumstances identified that might affect the form or content of the audit report. This includes any disagreements over accounting practices or concerns about the company's ability to continue operating (going concerns). The final step in the audit process involves the auditor requesting a written presentation from the management, after which the financial statements will be officially issued.

The auditor noted the single audit for grants and contracts required additional materials to complete.

B. Action Item: Approval of Audit Report and Financial Statements to Chancellor's Office

Mejia-Alezano moved, Norman seconded. Motion carried.

Schrager motioned to defer the discussion of the single audit for approval to the Audit Committee. Seconded by Malladi. Motion carried.

#### VIII. Financial Update

A. Statement of Operations, as of July 31, 2023

Pulido presented the financials sharing the revenue transfers in and expenditures for this fiscal year.

B. Operating Budget – FY 2022-2023 (Actuals)

Medina presented the fiscal year-to-date actual operating statement. It was noted TAP has not reached the \$250,000 deficit threshold set during the previous board meeting.

C. Operating Budget – FY 2023-2024 (Proposed)

Avery presented the proposed operating budget for the fiscal year 2023-2024. The budget shared an operating deficit. Avery noted the organization was currently undergoing negotiations with campus partners which could have a significant impact and the operating budget.

Wallace proposed that the Finance & Investment Committee review the numbers closely, noting the delay mentioned by CohnReznick of the impact a change to the single audit might have on the financial statements.

#### IX. Action Item

A. Resolution FY2324-01: Approval of Operating Budget and Reserve Projections

Norman moved, no second motion. Approval failed.

Schrager motioned that the Finance & Investment Committee review the numbers closely, noting the delay mentioned by CohnReznick of the impact a change to the single audit might have on the financial statements and extend the calendar deadline for the \$250,000 deficit cap. Wallace seconded the motion. Motion carried.

X. University President's Report – President Parham

President Parham expressed gratitude for the efforts in supporting the Toro Auxiliary Partners Enterprise, acknowledging the challenges and joys involved in managing this endeavor. He emphasized the importance of the enterprise in meeting the transactional and broader needs of the campus while generating resources for strategic priorities. He expressed a desire for growth and improvement in this area.

Discussing the broader university context, he expressed excitement about recent achievements, including significant accreditations and a substantial donation, which have raised the university's profile and enhanced the quality of education. However, he also highlighted challenges, such as contentious labor negotiations and the possibility of a faculty and staff strike. He expressed hope for fair compensation for staff and faculty, balanced with budgetary constraints and the absence of state financial support.

President Parham mentioned a 6% tuition increase approved by trustees, explaining its necessity due to reliance on state revenues and tuition. He detailed a new formula to allocate one-third of tuition revenues to support students in need. Additionally, he discussed the establishment of a task force focused on Black student success within the California State University system and its operationalization across campuses.

President Parham discussed the university's priorities including retention, addressing enrollment challenges, enhancing digital sophistication, and operationalizing commitments to diversity, equity, and social justice. He underscored the need for cultural change within the university and the Toro Auxiliary Partners Enterprise to meet future needs.

Lastly, he introduced financial aid and affordability as a new priority, emphasizing the role of the board in addressing these issues. He stressed the importance of ensuring that students understand the costs of attendance and receive the necessary support, thereby preventing them from silently departing due to financial constraints.

XI. Officer and Committee Reports

A. Chair of the Board – Nicole Harper Rawlins – postponed due to limited time

B. Executive Director – Tranitra Avery - postponed due to limited time

XII. Other Items – No items

XIII. Adjournment

Mallidi moved, and Wallace seconded. Motion carried.

Meeting adjourned at 4:59 p.m.