

**STUDENT UNION BOARD OF DIRECTORS
AUDIT COMMITTEE**

**Meeting Minutes
September 9, 2022
11:00 AM - 12:00 PM**

**This is a hybrid meeting.
In-person: Student Union Inc. Building, Conference Room 6**

Telecommute meeting by Zoom Video Conference.

This meeting is being facilitated in person and through an online Zoom format.

Voting Members Present: Rishabh Pandey, Ninh Pham-Hi, Aarushi Sharma
Voting Members Absent: Nina Chuang, Jeet Parekh
Updated Attendance: Nina Chuang was updated to present at 11:16 AM
Non-Voting Members Present: Tamsen Burke
Guests: David Alves, Kristan Livingston (RSM), Garren McKay (RSM),
Marc Sewell (RSM)

I. CALL TO ORDER

Director Sharma called the meeting to order at 11:06 p.m.

II. ROLL CALL

Director Sharma asked Kelly Goldsmith to take roll. Kelly Goldsmith completed a verbal roll call.

III. APPROVAL OF SEPTEMBER 9, 2022 AGENDA

Director Sharma asked for a motion to approve the agenda.

Mr. Director Pham-Hi motioned to approve the agenda; Director Pandey seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

IV. APPROVAL OF APRIL 19, 2022 MEETING MINUTES

Director Sharma asked for a motion to approve the meeting minutes.

Mr. Pham-Hi motioned to approve the April 19, 2022 minutes as presented; Director Pandey seconded the motion.

Vote on the Motion: 3-0-0 Motion Passed

V. DISCUSSION/ACTION ITEM

A. Review and Approve the June 30, 2022 Financial Audit Draft by RSM US LLP

- 1. Required Communications and Audit Results- Fiscal Year 2022 Audit**
- 2. Questions & Answers Session**

Current assets are down sharply from the prior year. A notation was made to acknowledge that Student Union took approximately \$8 million dollars during the fiscal 2022 period to fund its own operating expenses. This year there was no Student Union fee funding from the University so there was a draw against the

reserve. The income statement showed that the revenues had a sharp decline in excess of \$10 million dollars prior year, and current year of \$4 million dollars for a drop of \$6.5 million dollars which was related to the significant drop off in mandatory student fee revenue distributed to Student Union. Out of the \$4 million dollars, only \$2.5 million dollars was accrued at the very end of 2022. Operating expenses went up slightly due to reopening of the Student Union building and Spartan Recreation and Aquatics Center. In the absence of an Operating Agreement, the University did not disperse mandatory student fee revenue to the Student Union to support the operating expenses. Ms. Burke received the signed Operating Agreement from the University today, retro-active and effective July 1, 2021 - June 30, 2026. Moving forward, all reimbursable expenses that were recognized as revenue from Event Services, AV Services, and rentals, have been significantly reduced, if not eliminated. Those costs will only be charged to external SJSU entities that use the Event Center, Student Union building, and SRAC. All SJSU and affiliates will be able to use those facilities and receive those services, based on a cost recovery system. The biggest expense that was removed from the May 13, 2021 approved budget was the cost allocation, property insurance, and facility use fees, which was close to \$750 thousand dollars.

Ms. Burke understood from the Finance Committee meeting this week, that the Student Union has already paid operating expenses in the last draw of the long-term investment of \$1.7 million dollars. The University, as part of this fiscal year, 2022-2023 budget, will pay operating expenses starting July 1, 2022 through June 30, 2023. The CFO has indicated that he will disperse funds for July, August, and September. Those funds will also be used to true-up the reserve to \$5.25 million dollars, which will be done immediately rather than waiting until the end of the year. Ms. Burke is in final conversations with the CFO in regards to the transition of custodial maintenance to the University as per the Operating Agreement. Since Ms. Burke is still in conversation with the University, there is no reason to revisit the calculation of the accruals, and can stay with the current calculations.

Ms. Livingston and Mr. McKay reviewed the audit results including the balance sheet. Mr. Alves expressed concern that operating cash should not be used in the reserve calculation, because that money is earmarked for operational use for the one or two months following the year end. In the sense of expediency in getting the books closed for purposes of getting the audit started for audit readiness, Mr. Alves agreed with it. He did present RSM with a dissenting memo on August 5th which explained why there is this disagreement. The terminology is very clear in the Presidential memo that it is a reserve. The CFO and Vice President of Student Affairs agreed that the reserve is three months of operating the expenses, and \$750 thousand dollars in furniture and fixtures. Ms. Livingston explained that as part of the audit process, they met with the Student Union and the campus multiple times to figure out what all was included, and to try to interpret the President's guidance that came out in that memo. The terminology reserve was used in the memo, however, when it was all said and done, it was interpreted as more like surplus. RSM had confirmation from the University that validates the amount that they have agreed to and that is why RSM felt comfortable that this amount is accurate in the financial statements. The revenue recognition is being driven from the campus on this issue.

Ms. Livingston explained that the leases were moved from the Student Union to the university so there isn't any rental income listed. Ms. Burke clarified for public record that prior to the expiration of the Operating Agreement on 06/30/2021, the agreement clearly stated that the University did give the Student Union rights to lease properties. Ms. Burke explained that the Student Union has not received the Revenue Recognition Policy which this audit is being determined on and requested a copy from the University multiple times. RSM will not be going back and reevaluating what gets recorded. This was the revenue recognition at the time based on the guidance. If the revenue recognition changes next year, then RSM will address that. As a part of the audit document that will be sent to the Chancellor's office, Ms. Burke will also be attaching the memo of descent.

Mr. McKay provided an update on the audit status, and explained that there were no significant changes to the planned audit strategy. As a result of RSM's audit procedures, if they find errors in numbers that result in audit adjustments, they are required to communicate those to the Audit Committee. There were no corrected audit adjustments as part of the audit and just too small uncorrected.

Director Sharma asked for a motion to table this item due to a couple of items that are not recorded in the report.

**Director Chuang motioned to table this item; Mr. Pham-Hi seconded the motion.
Vote on the Motion: 4-0-0 Motion Passed**

VI. CLOSED SESSION ITEMS

A. Overview of Audit Concerns (as needed)

The committee determined that Closed Session was not needed.

VII. MEETING ADJOURNMENT

Director Sharma asked if there were any objections to adjourning the meeting. Hearing no objections, the meeting was adjourned at 12:27 p.m.