

ASC BOARD OF DIRECTORS

Minutes – Regular Meeting
via Zoom Meeting ID: 004 1617 9936
8:00 am :: September 24, 2020

- Present:** Ted Bremner, Christopher Carlsen, Amir Dabirian, Rosalina Davis, David Forgues, Nicole Gillespie, Bob Hall, Theresa Harvey, Danny Kim, Chuck Kissel, Marcia Lucas, Gia Ly, Tonantzin Oseguera, Marcus Revelus, Greg Saks, Teresa Saldivar, Bey-ling Sha, Steve Stambough, Carolyn Thomas, Justin Tucker, Fram Virjee, Sean Walker.
- Staff:** Kim Ball, Rosario Borromeo, Raul Castaneda, Sydney Dawes, Ann Ehl, Danielle Garcia, Hee Joon Kang, Bertha Leon, Tony Lynch, Mike Marcinkevicz.
- Guests:** Deborah Diep (CDR), Andy Maffia (Aldrich)

- I. CALL TO ORDER
Chair Bob Hall called the meeting to order at 8:01am. Quorum was present.
- II. APPROVAL OF MINUTES
Ms. Harvey moved to accept the minutes with a correction to show the start time as 4:00 pm, Mr. Bremner seconded and motion carried to approve the minutes of the June 25, 2020 ASC Board of Directors regular meeting. VP Oseguera, Dean Sha and VP Thomas abstained.
- III. PUBLIC COMMENT
There was no public comment.
- IV. PRESIDENT’S REPORT
Pres Virjee reported that the parking structure of 1900 spaces was completed, with energy efficient lighting and solar canopy. Next month, we’ll break ground on the baseball/softball complex and the new residence halls. The second floor of McCarthy Hall was completely gutted; new visual arts complex will begin soon; while the south library tower was completed including the marquee sixth floor center for oral and public history. We are obtaining RFPs for a new swimming pool complex.

We graduated nearly 12,000 students, with more than half first time college grads in their family. We graduated more Latinx, Latinx women, and underrepresented students with their Bachelor’s; and more underrepresented women earned their Master’s than any other time in CSUF history. We also significantly dropped our equity gap for first-time freshman by 70%, from 5.5 % to record low of 1.5%. Our four-year graduation rates for first-time freshman went from 29% to over 32% in one year. We are #1 in California and #2 in US for graduating underrepresented students.

In these unprecedented times, he reminded us to practice kindness while we keep focused with our second objective of the five-year strategic plan, with its four commitments

(transformative Titan experience, student success & completion, faculty & staff diversity, constant improvement of our learning experience). Our final and third objective is our focus on diversity, equity and inclusion; particularly to stand with those affected by systemic racism.

V. EXECUTIVE DIRECTOR'S & FINANCIAL REPORTS

Mr. Kissel reported that Titan Shops revenue was \$4.2m for July and August, which was budget at \$3.9m and 8% increase (down from LY). Campus Dining revenue for August \$2k against a budget of \$79k. Overall, commercial operations combined is up \$223k ahead of budget. ASC furloughed most of campus dining staff 100% as it closed most of its venues. As Carl's Jr and the Library Starbucks reopened in August, some staff were brought back. For the fall semester, all other ASC staff will be furloughed 10%. With the furlough, staff will be able to keep health insurance and other benefits. Campus Dining staff furloughed 100% were still responsible for paying their share of any health benefits. We plan to keep staff furloughed at 10% thru June 2021. Our general merchandise at Titan Shops remains soft so we'll focus on adding all of our products online (from 20-30% to 100%). We should be positioned to meet budget over the next couple months. If spring semester was any indication, we should capture 30% of sales.

Regarding Banting, we instructed our broker to relist 1 Banting at \$21m with the terms subject to CSUF. Mr. Kissel has been with ASC for 27 years and in this current position for almost three. One of his focuses in this role is compliance issues with campus program accounts. ASC conducted two reviews on internal controls which resulted in 69 recommendations, focusing on administration of these campus programs. We've realigned administration from finance to sponsored programs and have closed 25 recommendations and expect the remainder to be closed by the next Board meeting.

A board member asked if ASC received any CARES Act funding; Mr. Kissel replied that we applied twice (and denied once due to having more than 500 employees, ASC has about 1900) and received no funding. We reapplied when other CSU auxiliaries received funding, but did not receive funding. We did apply to administer OC Board of Supervisors funding, but was not awarded.

Mr. Saks asked how often does the interest rate change with respect to LAIF; Mr. Kissel replied that daily, if not monthly, and that it is not FDIC-insured. LAIF is tied to the State of California and so if the state went bankrupt, LAIF would be at risk. We may consider putting LAIF funds into CDs.

Regarding financials, ASC will finalize the closing of FY19/20 after the approval of the fiscal year financial audit. Thus far, as of 06/30/2020, ASC's revenues totaled \$65.2M and expenses \$64.2M, with a total net surplus of \$983K. The net deficit for General, Buildings and Enterprises is (\$135K) and net surplus for other activities is \$1,1M. ASC's total net surplus is \$983K (\$1.1M above budget). In light of COVID-19, ASC has sustained its cash position with furloughs. Revenue loss estimates \$5M through June 2020 with an additional \$2M through August 2020. Revenue thru June is \$65M, down \$5M in the last quarter due to cancellation of commencement.

VI. RESOLUTION, APPROVAL OF FY 2019-20 AUDIT

Mr. Bremner moved, VP Saks seconded and motion carried to unanimously approve the FY 2019-29 Audit.

Mr. Kissel reported that the audit committee approved the audit at their meeting earlier this week, but changes were made since then. We acknowledge ASC staff members Hee Joon Kang and Raul Castaneda for their work; and particularly Ms. Kang for her long hours, working thru nights and weekends, to meet this goal. He then introduced Andy Maffia, CPA with Aldrich.

Mr. Maffia reported that typically the Chancellor's Office timeframe for completion is mid-September. There were a couple new auditing standards enacted and unique transactions related to refinancing bonds. As your auditors, we provide an opinion on financial statements. Opinions we are providing are unmodified which is the highest assurance we can give. Part of the process is understanding the internal controls, such as how cash enters and leaves the organization, and reviewing payroll and journal entries. We design our audit to review & strengthen internal controls. We did not identify any material weaknesses. Approach we take is risk-based; we look at things that are most significant to a reader of financial statements. We received full cooperation from management; which was never contentious or combative and everyone worked efficiently and cooperatively to get it done.

Mr. Carlsen asked about the error related to inventory (p19, 21) and the \$141K in other direct costs. Mr. Maffia replied that as part of any audit, they'll run tests and analyses, making minor adjustments need to be corrected. We perform certain calculations and we don't look at every transaction; adjustments below a certain dollar amount do not need to be included. However, what you see there is what was passed on; in aggregate, it added up to an amount that was necessary to be posted.

Mr. Carlsen asked about assets (p29) and why there is \$7M more in cash and \$6M more in investments between this year and last. Mr. Kissel replied that was campus' prepaid \$8M cash rent in June for the upcoming year. Those funds were then put into LAIF (investments). Mr. Maffia added that this was mostly timing and these are snapshots of monies in June; you'll see a direct correlation with those accounts and accrued expenses.

Mr. Carlsen asked about the \$12M in work in progress and the changes in leasehold improvements; Mr. Kissel replied that was related to the completion of Titan Hall (TH), which was \$12M that was moved into depreciation when campus took over TH. He also asked about non-current liabilities and how \$5M in unearned income was made. Mr. Maffia replied that this was related to refinancing of the bonds and capital lease (from an accounting perspective is similar to a sale of a building if it meets certain criteria). It's essentially an accounting entry that is directly related to the 30-year lease and the refinancing that occurred.

Last question was related party transactions and why the differing amounts billed by ASC from \$25M in 2020 compared to \$13M in 2019; Mr. Maffia explained that related party transactions is usually a timing point issue. Mr. Kissel clarified that is likely the university's prepayment of rent.

Mr. Hall, on behalf of the Executive Committee, acknowledged the hard work of the ASC finance staff on this year's audit.

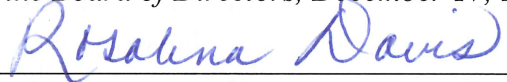
VII. REMINDERS

- Next Board meeting: Proposed for Thu 12/17/20, 3:30 pm.

VIII. ADJOURNMENT

Mr. Hall adjourned the meeting at 9:35 am.

Approved by the Board of Directors, December 17, 2020.



Rosalina Davis, Secretary