

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
October 8, 2020**

TO COMPORT WITH STATE OF MICHIGAN MANDATES TO CONTROL THE IMPACT OF THE CORONAVIRUS, THE BOARD OF TRUSTEES AUDIT COMMITTEE MEETING WAS CONDUCTED ELECTRONICALLY CONSISTENT WITH THE OCTOBER 5, 2020 MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES EMERGENCY ORDER LIMITING IN-PERSON WORK AND GATHERING SIZES, IN EFFECT AT THE TIME OF THE MEETING. THE BOARD OF TRUSTEES AUDIT COMMITTEE MEETING WAS OPEN TO THE GENERAL PUBLIC ELECTRONICALLY VIA WEBEX AND A DIAL-IN NUMBER. THE GENERAL PUBLIC WAS ALSO ABLE TO PARTICIPATE BY SENDING QUESTIONS OR COMMENTS TO ZAMBARDI@OAKLAND.EDU TO BE SHARED WITH THE BOARD OF TRUSTEES DURING THE AUDIT COMMITTEE MEETING. NO MEMBERS OF THE GENERAL PUBLIC PROVIDED QUESTIONS OR COMMENTS DURING THE BOARD OF TRUSTEES FORMAL SESSION

Present: Chair Melissa Stolicker; and Trustee Dennis Muchmore

Also Present: Trustee Robert Schostak

Also Present: President Ora Hirsch Pescovitz; Chief of Staff Joshua Merchant; Vice President for Finance and Administration and Treasurer to the Board of Trustees John W. Beaghan; Senior Vice President for Student Affairs and Chief Diversity Officer Glenn McIntosh; Interim Executive Vice President for Academic Affairs and Provost C. Michelle Piskulich; Vice President for University Advancement Michael J. Westfall; Vice President for Legal Affairs, General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaisons Benjamin Byrne and Amanda Wewer

Also Present: External Auditors Dana Coomes and Stephen Bondar, Plante Moran; and Director of Internal Audit David Vartanian

A. Call to Order

Chair Melissa Stolicker called the meeting to order at 9:11 a.m. via WebEx.

B. New Items for Consideration

1. Approval of Minutes of the Audit Committee Meeting of April 2, 2020

Chair Stolicker seconded by Trustee Muchmore moved approval of the Minutes of the Audit Committee Meeting of April 2, 2020 and the motion was unanimously approved by those present.

2. Draft Financial Statements, June 30, 2020 and 2019

Mr. Beaghan preceded the audit findings by sharing his review of the Financial Statements and noted that this is Oakland University's fourth year of engagement with Plante Moran as the Board's external auditor. Plante Moran has completed and are presenting to the Committee the annual Financial Statement audit. Additional scope is either in progress or yet to be started and those items include the Schedule of Expenditures of Federal Awards, as Plante Moran awaits on guidance from the Office of Management and Budget related to the Cares Act Funding and audit requirements, a review of the crosswalks to the State of Michigan's financial statements, NCAA agreed upon procedures, and review of IRS Form 990T Exempt Organization Business Income Tax return. The Financial Statements are prepared by and are the responsibility of Oakland University management. Plante Moran's responsibility is to audit management's Financial Statements.

Mr. Beaghan noted a number of disclosures and non-typical financial transactions that are impacting the Financial Statements this year. The State of Michigan passed Senate Bill SB 373, which reduced FY2020 appropriation by 11% or almost \$6 million. The state replaced these funds with federal Coronavirus Relief Funds. However, due to the fact that the Senate Bill was not passed and put in place until after June 30, revenue cannot be recognized until FY2021.

Coronavirus Relief Funds are restricted for COVID-19 related expenditures only. Allowable COVID-19 related expenditures from FY2020 for which Coronavirus Relief Funds can be used have been identified, keeping the University whole over the two-year period of FY2020 and FY2021. The FY2021 \$6 million appropriation will be used to cover some FY2020 \$6 million COVID-19 related expenditures. The COVID-19 pandemic is also mentioned in the Audit Opinion Letter on page 1, Management's Discussion and Analysis page 4 and in the footnotes page 23 and 24.

As to the Financial Statements, as of June 30, 2020, Oakland University's endowment was valued at approximately \$109 million. As of the morning of October 8, 2020, the University's endowment was valued at approximately \$117 million. For perspective, 15 years ago in 2005 the endowment value was \$31 million. According to the annual National Association of College and University Business Officers endowment survey, Oakland University endowment returns outperform the average of its peers for one, three, five, and ten year survey periods.

During FY2020, \$3 million was expended from the endowment on scholarships and other endowed purposes according to the wishes and direction of the donors. Total investment income for the year was \$11.6 million with endowment returns at 4.3% net of fees and working capital returns at 2.2% net of fees.

In June 2016, Oakland University issued \$134 million in tax-exempt bonds to fund Hillcrest Hall, the Oakland Center expansion, and other capital projects. Through June 30, 2020, \$128 million of the bond proceeds were expended on these projects. The expenditures are reflected in the audited Financial Statements and are also included in the Construction Report as part of the Treasurer's Report. The majority of the remaining funds are allocated to the Wilson Hall Expansion Project.

The 2019 tax exempt bonds closed in September of 2019 for \$98 million. The 2019 bonds are intended to provide funding for \$90 million of projects, including South Foundation Hall, Varner Hall, Student Athlete Development Center, the High Temp Hot Water Infrastructure Project, Dodge Hall Renovations, and the Wilson Hall Expansion. So, the \$90 million of projects plus \$8 million in interest costs during construction and issuance costs makes up the total value of the \$98 million bond.

Oakland University's net position increased by \$2.5 million in FY2020 primarily due to investment income, gifts, permanent endowments, the decrease in the state appropriation by \$6 million, auxiliary income related to housing in particular, scholarship allowance, and depreciation.

Ms. Dana Coomes, Plante Moran's engagement partner on the Oakland University audit this year and Mr. Stephen Bondar, the engagement manager, presented to the Audit Committee the opinions on the Financial Statements and an end of audit letter.

As to the Financial Statements, this year as in past years, Oakland received a clean unmodified opinion. The only change relates to Emphasis of Matter paragraph, which identifies a disclosure in Note 1 that discusses the pandemic and the financial impact of the pandemic on the University. Once federal guidelines are published, est. November 2020, on how CARES Act funds should be audited, Plante Moran will complete its procedures and opine on the single audit.

CARES Act funds and student financial aid are required tests this year. No findings were identified as a result of the student financial aid audit. The Generally Accepted Government Auditing Standards (GAGAS) letter was required due to the fact that the Financial Statements and single audit will not be issued concurrently this year. The GAGAS letter indicates no material weaknesses or significant deficiencies for the University audit.

Upon inquiry from President Pescovitz, Ms. Coomes explained that the Department of Education will provide the auditing rules relating to the CARES Act students funds, and the Office of Management and Budget will provide the auditing rules relating to the CARES Act University funds. Ms. Coomes further advised that there is no due date for the single audit.

Mr. Bondar presented the end of audit letter, noting no unusual or other significant findings. Included in the end of audit letter is additional discussion regarding the Financial Statement disclosure that management has included in the Financial Statements, highlighting the impact of the COVID-19 pandemic on the University's financial results and the related uncertainty regarding future results. Recommendations included relate to upcoming accounting guidance to assess the impact in the Financial Statements as required in future periods.

Chair Stolicker inquired on the outlook for 2021 state appropriations and federal grants. Mr. Beaghan advised that the state has finalized its budget as of September 30. FY2021 appropriation came approximately \$1 million higher than what the University had budgeted for.

Ms. Coomes reported that there is no implication that implementation of GASB 84 will be extended, and most institutions are moving forward as if they have to implement next fiscal year. GASB 84 requirements continue to be analyzed for material effect on Oakland University.

Chair Stolicker seconded by Trustee Muchmore moved approval to accept the Financial Statements and the motion was unanimously approved by those present.

Chair Stolicker called for an executive session prior to the closed session with the internal auditor.

C. Other Items for Consideration that May Come Before the Committee

There were no other items for consideration presented to the Committee.

D. Adjournment

The meeting adjourned into executive and closed sessions at 9:36 a.m.

Respectfully submitted,

Approved,

Joshua D. Merchant, Ph. D.¹
Chief of Staff and Secretary to the
Board of Trustees

Melissa Stolicker
Chair of the Audit Committee of the
Board of Trustees

¹ Note that on the date of the Audit Committee Meeting, October 8, 2020, Victor A. Zambardi served as the Secretary to the Board of Trustees