

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
October 11, 2021**

Present: Chair Melissa Stolicker; and Trustees Dennis Muchmore and Trina Scott

Also Present: President Ora Hirsch Pescovitz; Chief of Staff and Secretary to the Board of Trustees Joshua Merchant; Vice President for Finance and Administration and Treasurer to the Board of Trustees John W. Beaghan; Interim Vice President for Legal Affairs and Interim General Counsel Boyd C. Farnam; Senior Vice President for Student Affairs and Chief Diversity Officer Glenn McIntosh; Athletics Director Steven C. Waterfield; and Student Liaisons Ethan Bradley 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 12:31 p.m. in Banquet Room A of the Oakland Center.

B. New Items for Consideration

1. Approval of Minutes of the Audit Committee Meeting of April 12, 2021

Chair Stolicker seconded by Trustee Muchmore moved approval of the Minutes of the Audit Committee Meeting of April 12, 2021 and the motion was unanimously approved by those present.

2. Draft Financial Statements, June 30, 2021 and 2020

Vice President Beaghan provided introductory comments prior to Plante Moran's presentation of the Audited Financial Statements.

- Due to the pandemic, there are a number of disclosures and non-typical financial transactions that are impacting the Financial Statements. For example, Oakland University received federal funding to support students and offset the impact of costs and revenue losses incurred by Oakland for FY20 and FY21 due to the disruption caused by Covid-19. The grants were primarily from higher education relief funds, HEERF, awarded by the US Department of Education. The

University was allocated HEERF grants totaling \$75.6 million with \$33.6 million earmarked for direct student support. The remaining \$42 million was granted to the University to defray expense and lost revenues associated with the pandemic. As of June 30, we distributed \$13.8 million to students in the form of emergency grants. To date, the total distribution is \$28.9 million with the remaining student support funding being distributed later this fall. Of the \$42 million institutional portion, \$11.2 million was expended primarily for personal protective equipment, pandemic related training, IT, air handling unit upgrades and enhanced campus cleaning protocols. The remainder \$30.8 million has been used in FY21 and FY22 to offset loss revenues, primarily tuition and auxiliary operations.

- As of June 30, the University's endowment was valued at approximately \$147 million. The endowment's current value is \$149 million. For perspective, 16 years ago in 2005, the endowment value was \$31 million. Per the annual NACUBO endowment study, Oakland University's endowment returns continue to outperform the average of our peers for the one, three, five, ten, fifteen, and twenty-year survey periods. During FY21, a total of \$4.6 million was expended from the endowment on scholarships and other endowed purposes according to the wishes of Oakland's donors and the endowment agreements. Investment income for the fiscal year totaled over \$50 million due to favorable outcomes in the market with endowment returns at 30.7% net of fees and working capital returns at 6.8% net of fees. These investment income returns account for the majority of the nearly \$40 million growth in the endowment during FY21.
- Additionally, in September 2019, the University issued \$98 million in tax exempt bonds to fund renovations for Dodge Hall, South Foundation Hall, Varner Hall, Wilson Hall, an off-campus research facility, central heating infrastructure and other capital projects. Through June 30, \$17.5 million of the bond's proceeds were expended on these projects. All of the projects are proceeding and are on budget.
- The University's net position increased by \$71.6 million in FY21, primarily due to investment income of \$50 million, gifts of nearly \$8 million, additions to permanent endowments \$9 million, capital gifts and grants \$4 million and an increase in state appropriations which was a direct offset to a prior year appropriation decrease of \$6 million. These increases in net position were reduced primarily by a decrease in tuition revenue of \$7 million. A decline in auxiliary activities revenue \$9 million primarily due to the pandemic was largely offset by a reduction in auxiliary operating expenses of \$8 million.

Vice President Beaghan introduced the Plante Moran partners, Dana Coomes and Senior Manager, Stephen Bondar, who presented the results of their audit.

OU received a clean, unmodified opinion on the Financial Statements. That is the best opinion the University could receive and one that would indicate that OU's Financial

Statements are free of material error. Mr. Bondar presented the audit letter noting no unusual or other significant findings.

Chair Stolicker inquired about auxiliary activities, specifically Housing. Vice President Beahgan noted that Housing is the vast majority of our auxiliary operation. Other auxiliaries are for instance Meadow Brook Hall, Golf and Learning Center, those operations. They all have been hurt by the pandemic, with the exception of golf. Meadow Brook Hall was very challenged relative to cancellation of weddings and lots of lost revenues there.

With campus being reopened, Chair Stolicker further inquired about Housing occupancy and demand. Vice President McIntosh responded that there is still demand, but it is undersubscribed. Currently, there are roughly 2,000 students in the residence halls which matches a 60% budget target.

Trustee Muchmore acknowledged that the audit reaffirms the University's management of our finances as being very well done. Ms. Coomes and Mr. Bondar agreed. Chair Stolicker echoed Trustee Muchmore's comments and asked for a motion to approve.

Trustee Muchmore seconded by Trustee Scott moved to approve the Draft Financial Statements and the motion was unanimously approved.

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

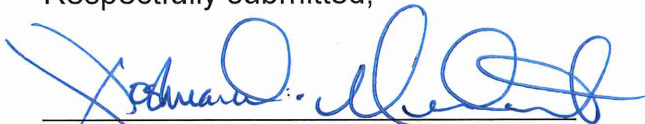
There were no other items for consideration presented to the Committee.

D. Adjournment

Trustee Scott seconded by Trustee Muchmore moved to adjourn the meeting. The motion was unanimously approved.

The meeting adjourned into closed session at 12:56 p.m.

Respectfully submitted,



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

Approved,

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