

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
October 23, 2023**

Present: Chair David Kramer; and Trustee Trina Scott

Absent: Trustee Dennis Muchmore

Also Present: President Ora Hirsch Pescovitz; Chief of Staff and Secretary to the Board of Trustees Joshua D. Merchant; Executive Vice President for Academic Affairs and Provost Britt Rios-Ellis; Vice President for Enrollment Management Dawn M. Aubry; Vice President for Legal Affairs and General Counsel Boyd C. Farnam; Vice President for Finance and Administration and Treasurer to the Board of Trustees Stephen W. Mackey; Senior Vice President for Student Affairs and Chief Diversity Officer Glenn McIntosh; Director of Athletics Steven C. Waterfield; and Vice President for University Advancement Michael J. Westfall

Also Present: External Auditors Dana Coomes, Plante Moran; Director of Internal Audit David Vartanian; and Senior Internal Auditor Lisa Hutchins

A. Call to Order

Chair David Kramer called the meeting to order at 3:04 p.m. via Zoom.

B. New Items for Consideration

1. Approval of Minutes of the Audit Committee Meeting of April 20, 2023

Chair Kramer seconded by Trustee Scott moved approval of the Minutes of the Audit Committee Meeting of April 20, 2023 and the motion was unanimously approved by those present.

2. Draft Financial Statements, June 30, 2023 and 2022

3. Schedule of Expenditures of Federal Awards, Year Ended June 30, 2023

Vice President Mackey shared that Plante Moran has been our external auditor for the Board for the last seven years. He provided an update of the financial highlights and started by reminding the Committee of the scope of the audit work conducted by the firm. They have completed the annual audit of FY23 financial statements and also the Schedule of Expenditures of Federal Awards, also known as the single audit.

Additionally, their scope was to assist the University and review our crosswalk to the State of Michigan's financial statements, the NCAA-Agreed Upon Procedures and review of IRS Form 990T, which is the UBIT tax return. Financial statements are prepared by the University and audited by Plante Moran.

Vice President Mackey provided some of the highlights from the financial statements for the year. As of June 30, the University's endowment was valued at approximately \$137M, which is about a \$12M increase over last year. The increase was due primarily to favorable market conditions. The endowment investment pool is well diversified and has a strong track record of positive investment performance. During FY23, a total of \$4.2M was distributed from the endowment for scholarships and other endowed purposes according to the wishes of Oakland's donors and endowment agreements. Investment income for the fiscal year totaled \$26M primarily due to financial outcomes in the market with the endowment returns being at 13.7% net of fees and working capital at 3.6% net of fees. These investment income returns account for the majority of the near \$12M in wealth of the endowment for FY23. The University's investment advisors will be presenting their annual report at the Board's Formal Session coming up in December and last year, December of 2022, the University refunded our Series 2013A Bonds, which resulted in a debt service savings of approximately \$4.8M over the remaining 20 years of the bonds. As a side note, the true interest on that bond series is 3.93%, which given today's market that's a very, very attractive rate. Moving into our net position, the University increased by \$34.9M for 2023. This is primarily due to the investment income. The University had \$7.6M of capital appropriations for South Foundation Hall and \$4.7M increase in the state appropriations and another \$1.7M of additions to the permanent endowments. These increases were offset with a minor decline in net tuition revenue of \$1.7M.

Vice President Mackey introduced the Plante Moran partner on the engagement, Dana Coomes. Ms. Coomes provided an unmodified or clean opinion. That's the best opinion the University can receive from the auditors; meaning the financial statements are free of material error. In addition, Plante Moran did not identify any audit adjustments as a result of the audit and did not identify any compliance findings as a result of the audit. That is rare and not something seen on every engagement. Ms. Coomes further noted that Plante Moran provides an opinion on the financial statements, however the financial statements are the responsibility of management. Nothing was identified. She reminded the Committee that when they met in advance of the audit back in April 2023 and discussed the planned scope and timing, that nothing had changed since that meeting. The audit went as planned and had full cooperation from management. The University did adopt one new accounting pronouncement this year, GASB 96.

Plante Moran will receive a management representative letter when they issue the financial statements of the University and that's just management representing that they've provided all of the information needed to complete our audit. The last page of the letter includes upcoming changes that they wanted to present to management as well as the Audit Committee. The first one being new auditing standards that will have to be implemented next year around the University's controls, including IT controls and additional audit documentation on those controls. The second is the continuing

changes for student financial aid, the compliance requirements around the student financial aid cluster, and the federal funds that are received. As auditors they are required to test. There are two areas this year that were new and tested for, incentive compensation and certain banking arrangements with financial institutions. Plante Moran did not identify any findings as a result of those new procedures. The last item was related to an upcoming accounting pronouncement for 2025. There is an additional compensated absence which could record an additional liability on the University's financial statements as a result of that accounting pronouncement.

Also included in the packet was the University single audit report for any of the federal funding that the University receives. It's included in the report and there are certain guidelines as to what the auditors are required to test. This year, the only program required to test was student financial aid. Of the University's total federal dollars of the \$116M, student financial aid was \$105M of it. Plante Moran went through and do a number of different audit tests, select samples, look at student files and make sure things are being reported accurately and as a result of those procedures. Plante Moran did not identify any findings.

Overall, it was a fantastic year, fantastic audit and great results for all of the hard work that went into preparing for our audit procedures.

Trustees were then asked if they had any questions.

Trustee Scott commented that it was great to read through the report and see that there weren't any significant findings. Congratulations to everyone. Trustee Kramer echoed that sentiment. No further questions were presented.

Vice President Mackey also praised the team.

Trustee Kramer asked for a motion to approve the Financial Statements as presented. Moved by Trustee Scott and supported by Trustee Kramer.

Trustee Kramer asked for a motion to approve the Schedule of Expenditures of Federal Awards as presented. Moved by Trustee Scott and supported by Trustee Kramer.

Trustee Kramer moved to move the meeting into executive session and invited Trustee Scott, President Pescovitz, Chief of Staff and Secretary Merchant, Director of Internal Audit Vartanian and the Auditors to stay. Trustee Scott supported the motion.

The regular meeting was adjourned into executive session.

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

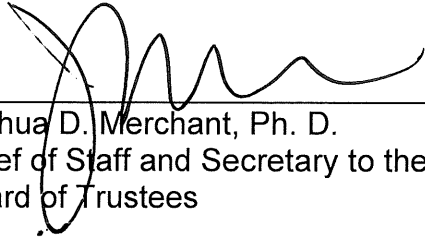
There were no other items for consideration presented to the Committee.

D. Adjournment

The meeting adjourned into closed session at 3:19 p.m.

Respectfully submitted,

Approved,



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

David Kramer
Chair of the Audit Committee of the
Board of Trustees