

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
October 14, 2019**

Present: Chair Melissa Stolicker; Trustees Marianne Fey and Dennis Muchmore

Also Present: President Ora Hirsch Pescovitz; Vice President for Finance and Administration and Treasurer to the Board of Trustees John W. Beaghan; Vice President for Legal Affairs, General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaison Chris Russell

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 15, 2019

Trustee Muchmore seconded by Trustee Fey moved approval of the Minutes of the Audit Committee Meeting of April 15, 2019 and the motion was unanimously approved by those present.

2. Draft Financial Statements, June 30, 2019 and 2018

Mr. Beaghan preceded the audit findings by sharing his review of the Financial Statements and began by noting that this is Oakland University's third 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 Statements and the Schedule of Expenditures of Federal Awards. Additional scope that is either in progress or yet to be started includes review of the crosswalks to the State of Michigan's financial statements, NCAA agreed-upon procedures and review of the 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.

As to the Financial Statements, as of June 30, 2019, the University's endowment was valued at approximately \$106.5 million. For perspective, 14 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 FY2019, \$2.8 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 \$21 million with endowment returns at 6.5% net of fees and working capital returns at 5.9% net of fees.

In June 2016, the University issued \$134 million in tax-exempt bonds to fund Hillcrest Hall, the Oakland Center expansion, and other capital projects. Through June 30, 2019, over \$127 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 most recent bond issue, the 2019 bonds, closed in September and is only noted in the subsequent events in the Financial Statements as that was a transaction that took place after June 30. This activity will be recorded in the FY2020 Financial Statements. The 2019 bonds will provide funding for \$90 million in projects, all of which will come to the Board for approval and an additional \$8 million in interest costs during construction and the issuance costs.

The University's net position increased by \$18.6 million in FY2019, primarily due to investment income, gifts, and additions to permanent endowments lessened by an offset by an increase in scholarship allowances and interest expense.

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

For the Financial Statements, this year as in past years, Oakland received a clean unmodified opinion, which is the best opinion one can receive from external auditors. Significant aspects of the accounting this year relate asset retirement obligations and additional debt disclosures.

Upcoming accounting pronouncements were presented. The first related to accounting for fiduciary activities (GASB 84). New GASB 84 guidelines require Oakland University's 403(b) plans to be included in Financial Statements starting

next year due to the fact that no separate governing body oversees the 403(b) plans on behalf of Oakland University. The Committee discussed the magnitude of such an undertaking with partners TIAA and Fidelity, and steps to implementation.

The second accounting pronouncement related to the accounting for leases. This essentially takes University operating leases and makes them capital leases, putting them on the balance sheet.

The last accounting pronouncement discussed related to interest costs. As of next year, the University plans to adopt the practice of expensing interest costs associated with construction projects.

3. Draft Schedule of Expenditures of Federal Awards for Year Ended June 30, 2019

As to the Schedule of Expenditures of Federal Awards, federal grants and financial aid totaling \$137 million were accounted for in FY2019. Financial aid including PELL Grants, college work study, and direct loans accounted for over \$130 million.

Mr. Bondar addressed the report of Federal Expenditures. Unmodified opinions were issued on the University's Schedule of Federal Awards, Student Aid program, and the research and development cluster.

The audit considers internal controls for risk assessment purposes, but they do not provide any assurance or an opinion on the effectiveness on internal controls. If they were to identify anything that they would consider to be a deficiency in internal control, it would be communicated to the Committee as part of the report, but there were no such findings this year.

In response to a question from Trustee Muchmore on Other Postemployment Benefits (OPEB) liability, Mr. Bondar referenced a quasi-endowment where certain funds have been designated to cover this liability as benefits become due. He believes approximately \$33.3 million would be the long-term liability that's recorded within the financials.

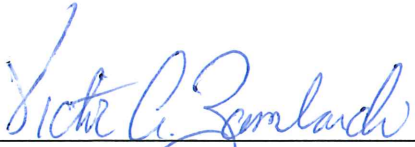
In response to a question from Trustee Stolicker, Ms. Coomes noted that deferred inflows and outflows are based on the actual gross amount, and the largest component of the University's deferred inflows and outflows is the payments after the measurement date, June 30, 2018 to the end of the year, which is an actual number.

Trustee Fey seconded by Trustee Muchmore moved approval to accept the Financial Statements and Schedule of Expenditures of Federal Award Programs and the motion was unanimously approved by those present.

The meeting adjourned into closed session at 1:03 p.m.

Respectfully submitted,

Approved,



Victor A. Zambardi
Vice President for Legal Affairs,
General Counsel and
Secretary to the Board of Trustees

Melissa Stolicker
Chair
Audit Committee of the
Board of Trustees