Minutes
Board of Director's Meeting
November 21st, 2024
SUB 408

Attendees:	Steve Deutsch	Kevin Saunders
	Michele Halstead	Edward Curley
	Mark McFadden	Derek Rodriguez
	Corinna Caracci	Melinda Cirillo (via Zoom)
	Niza Cardona	Rose Palmeri

Recording Secretary: Kellyann Hauschildt

Call to Order: 2:02pm

Steve welcomed everyone to the meeting and confirmed that the minutes of the last meeting were approved. He then introduced Rose Palmeri, CPA, Auditor, to the meeting. **Rose P** began explaining the audit process. It is a lengthy process. It is not just numbers, it is looking at systems, it is looking at transactional information, and the environment we operate in. It then funnels its way down to the reports that are required to be issued. There is one letter that is not a requirement, but it is generated because it is helpful. It is useful to you as a body to know if there are suggestions for change. It helps keep the organization moving forward.
The first letter is a short letter that came out of the Enron era, for those people that remember Enron. At Enron, there were things that management would make agreements with and have discussions with the auditors, but the board did not know so the board was on the outside loop of knowledge not knowing what had been discussed. This letter attempts to encapsulate certain information into single correspondence. In the beginning, under that first caption of Significant Auditing Matters, there is a new accounting standard that had to be implemented this year. As a Board you may not be in the nitty gritty of accounting standards. This had to do with credit losses in Accounts Receivable. It talks about estimates that you do have in your financial statements, and they are assessed as part of the process. **Rose P** stated she had no difficulties dealing with management during the audit. It wasn't as if she was denied access or not given what was needed. It identified some significant audit adjustments that were made of which there were only two. Whether or not there were disagreements on accounting matter, none of that happened. Management, at the end of the audit, signed a management representation letter. That letter was about three to four pages and goes on to state the records given were the true and correct records for the business. The company made the estimates, as an auditor she cannot make the estimates they have to already be embodied. **Rose P** stated she tested them and assessed them. It's a series of what was provided, given the minutes, it is a lot of information. That is done with every audit. To Rose's knowledge, CAS did not obtain another Accountant to ask them how to report on the matter and likewise, **Rose P** stated she was not retained because she agreed to report in a certain manner. Other matters in the letter talked about supplementary information. There are about 17 pages of supplementary information. It is based on the same basis as the basic financial information and derived from the same data. It encapsulates everything in the one spot. This letter, if there are some of those other matters there is a lot of explanatory language, but because there was none of those issues that would give rise to explanation, the letter stays short.
The second letter is the report on Significant Deficiencies. Significant Deficiencies are matters that could result in something material happening on the financial statement that might not be corrected or detected. It does not have to have happened, but it could. There is a lot of explanatory language to explain Significant Deficiencies, to define material weaknesses. There were no material weaknesses. The item that is here is segregation of duties and in an environment if you have one person that follows the transaction from beginning to end that potentially can be a problem because if they make a mistake, they may not see it and it may not get caught by the system of internal control.

The recommendation is to continue to review your controls as you make changes and do your accounting procedures to try and put as many checks and balances in as you can. You have many instances of that. You have controls built in to try and capture any material items that will happen but there is a risk because there are certain functions that do not go through that secondary process. Management is aware, and in the review process it was in the higher-level functions you will have one person doing it and it is not going through secondary review. That is the only thing in this letter and that is common in not for profit where you do not typically have a lot of layers of people.

The last letter is a Management Letter to the Board. These are the other matters. These are things that do not meet the level of significant deficiencies but are just things that are noted. Some of these, for people who have been on the Board, may have seen some of these before, there are some things that came out of this letter that you may have seen there in the past so this letter cycles. Management deals with them, corrects them, and they come out. The administrative guidelines for having written policies and procedures, a lot of things have been put to writing there are just a few cycles left that have to be written out as to how the cycle flows through the organization. So that is in process. So that is the first one. Agency account guidelines, if you remember in the past, there was a whole day thing about Agency account guidelines about what is required and what must be in writing. Those procedures were all developed and written up and implemented. There is just the one piece that is missing now and just getting in policies for inactive accounts because if an Agency account sits idle there is supposed to be a process with how you handle that going forward. Generally, it is reaching out and finding out what is going to happen. If there is no intent or use for that money, then that money should be redistributed. That just needs to be committed into that policy. Cash disbursements, controls, checks over $10,000.00 threshold takes two signatures. **Rose P** recommended that both signatures be wet signatures. The idea of having that is not having one of the signatures be a stamped signature because that is the same as one person. That happened during the year and got changed. It was hit during early testing because the testing encompasses the whole year.

Cash concentrations, you have FDIC coverage up to the FDIC threshold. You have money in basically two financial institutions. One of them pledges collateral against the balances. So, if the bank should go under there is collateral pledged. One of them does not. Monitoring is needed with that second financial institution to try and keep that balance near the FDIC threshold without going above because should the bank collapse you do not want to suffer the loss from that. That is just a monitoring thing and to assess whether that account is even necessary anymore. It is something to look at. It was used for certain purposes and that is why it existed because the other bank could not handle certain transactions.

Service agreements; CAS does work for the college for parking, gym memberships, and also does oversight for the Children's Center. There are no written agreements specifying what the duties are that are being performed, when they get performed, outlining what the process is, and an agreement between the parties. **Rose P** recommended that those two areas get put to writing.

Rose P then went on to Agency Account testing. A large sample is done in the Agency Account. Agency funds are an asset and a liability, so you do not see revenue and expense. The way to test it is by a transactional test. Large samples of receipts and disbursements are tested to see if all the policies and procedures are being followed. There are certain approval thresholds and there are certain names that have to appear on certain documents. **Rose P** stated she outlined the results and there are a lot of one instance results.

For example, one instance where the supporting documents were not sufficient. It is not a lot of information. It is little stuff that happens because this is a large population of transactions. It is also very manual. It would be nice if this process could be automated in some way. This is a hard area when you look at it and it is just little details that happen and that is why it is not a significant deficiency. The documents are there but they are either missing an approval or signature. There are signature cards. As an auditor, you have to look at signature cards because only certain people can approve for certain organizations. A lot of times you cannot read the people's signatures. They sign the signature cards nicely and then that is not how they approve the dispersing orders. An automated process for approvals might help. **Melinda C** comments that CAS does have an MOU for the Children's Center, and she will forward it to Rose. The second thing is Bill Clark recommended speaking with Ashley Walker about getting Agency and Programming funds through Engage. **Rose P** responded that it will be an easier system for everyone to work with.

Steve asked if instead of disbursing orders you would use Engage. **Rose P** responded that you would go through Engage but there is a cover sheet. The Student Association has a cover sheet disbursing order that is signed by several people but all the approvals, the documents, get uploaded without having to send it across campus to people. They log in and have the ability to authorize a transaction. It works well in the Student Association. It shows when a document gets approved, the date, and the movement of the document from person to person so you know where it is in the staging. It would probably make a lot of people happy because the Agency documents go back and forth. **Melinda C** stated that she agrees with Rose but that it will be a cumbersome process to build the first time because there is so much across campus, but it is being worked on. **Rose P** then stated that when you see in the financial statements what is in the Agency fund, the amount of money that flows through the Agency and who really ends up with money at the end of the year, really, a good portion of the balance winds up in two Agency funds but they all have a lot of activity. So, there are a lot of smaller dollar transactions. **Rose P** asked if there were any questions on the letters. These are the three written reports that were issued.

Rose P moved on to the financial statements. On page one is the opinion. This is the part of the financial that is where my opinion is rendered on the financial statement. The second paragraph under the opinion; these statements are fairly presented in all material respects. This is the opinion you want on the financial statements. It is the clean opinion or what is called the unqualified opinion. The rest just talks about your responsibilities for the financial statement and Rose's responsibilities for the financial statement. The following of auditing standards is on the second page, when they did this a couple of years ago, they added this extra section with the bullets of all the responsibilities to follow ethical guidelines. It was always in there; it just was not spelled out in words, but it has always been part of the process. **Rose P** proceeded to page 3 of the financial statements. It is the balance sheet or Statement of Financial Position. This is a snapshot on May 31st, what you have and what you owe out under liabilities and what is left over. The areas to highlight is the cash balance went up significantly but if you look at liabilities, the first line Accounts Payable, that line went up significantly. It was the timing of cash payments. It depended on when bills got paid near the end of the year so there were some large bills that got delayed over into the next year that the expenses in the financial statement, but the cash had not been released. The investment portfolio went up and you will see a better view of that on the next page. Other than that, the numbers were fairly consistent and deposits for Agency Fund are up. Those are the big areas that have changed. Other than that, the year for the balance sheet, what happens is that meal plan monies are collected and generally not a big receivable at the end of the year. So, year to year that number stays pretty close.

On page 4, Statement of Activities; these are the revenues and expenses summarized. What this shows is what took place. The food service net number, it is the revenue net of the actual cost of the food service. It actually came down a little bit. While there were more meal plans and meal plan pricing changes year to year the costs were high, the food costs were high. So as that is escalating it cuts into the revenue stream. The Total Net Revenue for Operations; the number is fairly flat from the year before. The next grouping with the Operating Expenses, some of the operating expenses went down when the depreciation decreased.

When you have fixed assets and they depreciate each year, a portion of them gets written off. There was a year when you had a lot of additions back five to seven years ago, those are now all fully depreciated so there is no depreciation expense for that grouping therefore the expense went down. Plus, there were not as many repair projects due to the pending project with the dining hall. Projects that might have been done as normal maintenance were deferred off. That is where you see the swings. Under Campus Store, you will notice the expense went up. There was an allowance established for the receivable for the commissions due for the campus store. It was a long process of timing of receipts but there has been a lag in payments so it becomes a risk of will payments come in; is there a chance you are not going to recover 100% of your receivable. In doing the allowance for bad debts, that number has to be projected now that the money is technically earned; will all the money come in and if not what percentage will not come in. That is all part of the estimate and projection of the Allowance for Bad Debts.

Under Non-Operating Revenue, just above the Non-Operating revenue there is a total excess of revenue over expenses for operations. It was slightly down from last year. That is the operating portion of how CAS works. Then there is the Non-Operating Expenses.

This can create very strange numbers year to year because there is the investment information. So, there is interest and dividends, realized gains and losses, and unrealized gains and losses. You will notice that unrealized gain this year, last year was a loss, this year was a gain. That is an $800,000 dollar swing. However, it is paper, it is not real, it is based on the market on May 31st. June 1st can be totally different. It is required to show unrealized gains and losses, but you must be careful looking at that. That unrealized number, just be mindful that is a hard number to look at because you did not actually collect anything from that. But in the end, it was a positive bottom line that went into Fund Balance at the end of the year.

The next page is just a different presentation of the expenses. On the previous page, expenses were by function. This page gives you a natural expense breakdown of what is in each function. It is the major categories, Salary, Depreciation, Rent. It gives you an idea. Looking at year to year, it is almost identical that 80% of the cost is for Contract Services. That stays fairly consistent year to year. But this is just a requirement that breaks it down. A couple of years ago, it was made a requirement for all not for profits. Next page is a statement of cash flows. This shows cash flow versus accrual basis. Cash going in and cash going out in the top section and then investing activity, which there are big proceeds from sales of investments and maturities versus purchases of investments. It is the rebalancing of the portfolio. The portfolio is monitored, it is a managed fund, so it gets balanced to keep it in line with where the market is. It shows a cash increase, and that is cash for both Agency and CAS unrestricted cash. The next group of pages are policy notes. This is how items are accounted. Someone can pick up your statement and see how the investments and fixed assets are presented.

On page 9, where the first paragraph under Accounting Standards update, states the credit loss standard that had to be implemented. Only the allowance for bad debts will relate to you. It was a very broad standard and applied to all industries but critically important in banking and financing, not critically important in other entities. This is just for the Accounts Receivable and the Allowance. It states last year you implemented the lease standard because of the comparative statements that stayed there. Then there are notes that are required, a liquidity note that states what is the liquidity to meet the needs. There is also a breakdown of the investments to show the composition of the portfolio and the level within the fair value hierarchy that it falls and a little explanation of what the different types of investments are. Page 11, top-off with Fixed Assets, Furniture and Equipment and the balance of what is owed. Then there are discussions about net assets, you are required to have certain reserves of the net assets, you have met those reserves. They are actually presented in the Statement of Financial Position. The required pension note that states you have a retirement plan for the employees and the expenses. The next page has the Programming Expenses detailed out. It is relatively consistent with the year before. The note starts with commitment, so it is the relationship between the University and CAS and the rent and utilities. The top of the next page shows the subcontracted operations and the main contract provisions.

The commissions and how much commissions to look at and how the revenue is derived. There is a discussion about the food service contract because that has some other provisions in it. The food service contract has in it an unamortized amount. They give you money to do certain projects that you are doing to your food service and things on campus, but should the contract end early there is money owed back to them because it is amortized. Lease Commitment is a big footnote about refrigerator leases. The new lease standard has a lot of language, but it is the operating leases for the refrigerators provided in the residence halls. That is the only operating lease you have at the moment. Then a note about risks and uncertainties because they do exist, you have money invested in the market and that is always subject to risk. The subsequent event states the commitment made for the project that is coming up. As of this point, when the statement was written that was the commitment that was made.

Page15 is the opinion on the Supplemental Information which is the next 17 pages. It is just more detail of what was on the front. On pages 32 and 33 are the details of the Agency funds. There was $947,000 that came in and $788,000 go out of Agency funds during the year. That is a lot of transactions flowing through the Agency funds. At the end of the year, 65% of the balance was made up of International programs. That is a huge program with a lot of volume and that is where there are the biggest numbers. It is a very active program. This is a high-volume area. There are policies and procedures and Agency fund agreements. There is an agreement with every one of these organizations and states where they get their money from and what they use their money for and who has to sign for it. It is an involved process.

Rose P asked if there were any questions. **Kevin S** asked if there are any assets that are in the dining hall that we would have to account for the depreciation costs that might be scrapped as a result of the project. **Rose P** responded by stating there will be some and that list had not yet been determined when the audit was conducted. It was discussed by Melinda and Rose as to what can be repurposed before you know what will be disposed of. A lot of items will be written off, a lot of them are old and fully depreciated so you will get rid of assets and accumulated depreciation together. But the list was not known yet as to what would be repurposed and what will not be used. The question of, is there an opportunity to sell some of these assets. There may be other campuses that are in need. There may be a provision for that. That will be a large number. **Melinda C** responded to Kevin by stating that we are billing out two locations with repurposing the equipment. The machine that we are looking to sell because it is one of the newest and most costly will be the flight machine, which is the dish machine that is in PDH right now. That machine cannot be repurposed because it is too big for the smaller footprint in the SUB. Sodexo will keep a running list of what they will be using and getting rid of when the dining hall goes down. **Kevin S** asked a question to Michele about how do we as a Board and you, as the President of the Board, hold Steve and Melinda and the rest of CAS accountable for making some of the recommendations that Rose has given. We hear this year after year, I would like to see us make progress. It sounded like there has been progress in some instances, but I would like to check in on this again and make sure we as a Board are taking those recommendations seriously and holding the employees accountable. **Michele H** responded with absolutely, we can discuss in the meetings, but I meet with Steve regularly, and Melinda is always getting in touch with me stating what Rose has recommended. As Rose spoke of before, one of the challenges that we had previously is that there was no MOU for the Children's Center and the work that Melinda and her team do for that separate 501C3. We now have that, so we do make progress quietly. **Rose P** stated information cycles and things will come out of the letter and new things will come in because new things happen. Changes in the accounting, because unfortunately the accounting world is not static either. Then you have to adapt your internal procedures to the new standards. One of the first things done, is to review the Management letter with management. **Michele H** asked if there was a Budgetary Subcommittee or an Audit Committee. We could form one of those, but it would take time out of people's schedules because it is going over complex financial data, and it would also take a certain amount of financial savvy to understand what you are looking at. So, it is definitely something that we should do to go through these books. The Children's Center is easy compared to this. **Rose P** responded by saying because there is one stream of revenue coming in primarily.

Steve stated that we could form an Audit Committee at a certain point of year. He then asked Rose what a good time of year would be. **Rose P** responded with the Spring semester because it is presented to the board and CAS has had the recommendations in September and then you start making changes. **Steve** stated we can make this a regular function of the April Board meeting.

We will do it every year to make sure we are staying on top of things. **Rose P** stated as staffing changes then you must reevaluate. It takes some time to onboard and then reevaluate again who is doing what. The segregation of duties is a constant moving target.

Steve stated that this is the last audit that Rose is doing. **Rose P** responded by stating she is retiring for private practice. A conclusion was reached that this was the time in the schedule and in my work history where I should wind down and retire. The decision was not easy. It has been my privilege to work with CAS. It has been a lot of years, and they have been good years. **Michele H** stated that what you do not know is that behind the scenes when we read Rose's Management letters, she also offers great insight of how we can fix these things. She has been super supportive as we have changed over directors for the Children's Center, she points us in the right direction and we really appreciate it.

The first part of the meeting concluded at 2:38pm.

The meeting resumed at 3:09pm. **Mark M** asked if someone has an overdue container where does the $5.00 dollar money go. **Steve** responded by stating that it is a great question. **Melinda C** stated that it is charged by the container company. **Steve** asked where the money goes. **Melinda C** responded at the end of this, the company may be going to send a refund. Nancy would know the answer to that. **Mark M** stated that with the clunky rollout, there may be some forgiveness in order. **Steve** responded with we did a lot of forgiving. There may only be a few refunds. **Melinda C** stated that we have reversed a lot already. **Steve** asked Edward if he heard of a lot of charges. **Edward C** responded with not necessarily. He knows people did not realize that they could text the number, but Hungry Hawks posted so there has been some information that has been out. I do not know if it has been posted to the general population or not because not a lot of people are scrolling through Instagram staring at Hungry Hawks page. **Niza C** stated that the emails are nice, and the text messages are very nice because my grandson threw hers away, so she owes $5.00 dollars. **Steve** stated that it is obvious that we do not want the money. It is just so people return the containers. If there are any fees, they should be put towards something fun or given back to the students. It is just about collecting the container. But I will get you the statistics because it would be good to know. **Steve** asked if there was anything else. **Niza C** asked if all the committees are chosen. **Steve** responded with yes, but we could do a program review. We have not reviewed the programming funds in a long time. So, in the Spring we should review the programming funds. **Melinda C** stated that she agreed with it because there is programming money spent that is questionable in her opinion. **Edward C** asked if there is an update on the dining hall and when that would be. **Steve** responded by stating he spoke with Megan Smailer from Facilities. There are two things, one is the renovation at Peregrine Dining Hall, and what dining is going to look like for the next three years. I have been waiting to communicate until things are settled. Peregrine is settled. It is going to be a little while until we figure out what is going to happen. So, we are going to start disseminating information about Peregrine very soon. The drawings are done, the renderings are done. We are going to start advertising it and putting it on our website and getting that word out by the end of the semester. We are still in negotiations with Sodexo about meal plans and the service. We are 80% to 90% completed with Sodexo. We have been asking about food trucks, pop up locations, but that work requires negotiations because if they are going to do pop ups locations Then where are they going to do them and who to talk to on campus to determine if they can be in residence halls or academic buildings. All that will not finalize until the Spring semester, but we can get the information about Peregrine Dining Hall as soon as possible. **Michele H** stated that the President wanted to meet to talk about this project. He has some ideas about what we might infuse in the next three years. I do not know if they will work but we will see. The meeting was adjourned.

Meeting adjourned: 3:15