CI, UNIVERSITY AUXILIARY SERVICES, INC. BOARD OF DIRECTORS Audit Exit Meeting Minutes
Thursday, September 18, 2025 10:00 AM - 11:00 AM
In person in the Islands Kitchen Private Dining Room as well as on Zoom

University Auxiliary Services Audit Subcommittee Members Present: David Press (Audit Committee Chair), Bill Robe

Staff Present: Stephanie Bracamontes, Jeff Kim, Leo Cervantes, John Lazarus, Dottie Patten, Christina Sotelo

Independent Auditors Present: Nicole Stan and Jennifer Burrola with CohnReznick LLP

1. Audit Chairperson called the meeting to order at 10:05 AM

2. **ACTION ITEM**: Request the Audit Committee to approve the Audited Financial Statements.

Motion was made by Bill Robe to accept the audit for the fiscal year ended June 30, 2025. The motion was seconded by Bill Robe and carried unanimously by roll-call vote.

3. **ACTION ITEM:** Request approval of May 6, 2025 Audit Entrance Meeting Minutes

Motion was made by Bill Robe to approve the May 6, 2025 Audit Entrance Meeting Minutes. The motion was seconded by Bill Robe and carried unanimously by roll-call vote.

4. Nicole Stan reviewed the required auditor communications and outlined the responsibilities of management and of the auditors. She explained that the audit was conducted as planned and that management provided information in a timely manner throughout the process, allowing the audit to proceed without delays. Ms. Stan stated that the auditors maintained their independence throughout the engagement.

   Management override of controls and revenue recognition were identified as standard audit risk areas. Additional testing was performed, and no issues were identified. Ms. Stan stated that while the transition to Chartwells represented a significant operational change during the year, it was not considered a significant audit risk. A question was asked regarding the auditors' discussion of management override of controls and revenue recognition. Ms. Stan explained that these are standard audit risk areas assessed during the audit. Additional testing was performed, and no issues, deficiencies, or weaknesses were identified. A question was asked regarding whether additional personnel may be needed to mitigate future risks. Ms. Stan stated that the auditors did not identify any staffing-related concerns, noting that reconciliations were completed and no significant errors were identified during the audit. Stephanie Bracamontes stated that although vacancies remain a challenge, the campus has maintained support through cross-training and shared resources while recruiting for an Auxiliary Financial Manager. She also highlighted CSU systemwide initiatives to improve efficiency, streamline processes, and strengthen internal controls.

   Nicole Stan reported that a new accounting pronouncement related to compensated absences was implemented during the year and did not have a material impact on the financial statements. She stated that significant accounting estimates and disclosures were found to be appropriate and that the financial statements were presented fairly and clearly. Ms. Stan further reported that no significant unusual transactions, fraud, audit adjustments, disagreements with management, or difficulties were identified during the audit. She noted that management provided information in a timely manner throughout the audit process. No consultations with other accountants occurred, and there were no issues affecting auditor independence. Ms. Stan concluded that the auditors expect to issue clean, unqualified opinions on the financial statements.

Nicole Stan reviewed the Statement of Net Position and noted that changes from the prior year were largely attributable to the transition of dining operations to Chartwells. Current assets decreased primarily due to dining-related operating losses and a prepaid advance to Chartwells that will be recognized over future periods. Capital assets increased because of improvements funded by Chartwells. Liabilities increased primarily due to deferred revenue associated with the Chartwells agreement, which will be recognized over time. Despite these changes, Ms. Stan noted that the organization maintains sufficient current assets to cover current liabilities and reported no concerns regarding liquidity or the organization's ability to meet its short-term obligations. Nicole then reviewed the Statement of Revenues, Expenses, and Changes in Net Position, noting that the transition to Chartwells resulted in significant decreases in both food service revenues and expenses. Nonoperating revenues remained relatively stable overall, although cost recovery revenue decreased and contributions to CSUCI increased compared to the prior year. Ms. Stan reported that the decrease in net position was larger than the prior year, primarily due to the transition of dining operations to Chartwells. Despite the decline, the organization continues to maintain a positive net position. She noted that operating cash decreased during the year; however, the organization ended the year with approximately $2.2 million in cash and cash equivalents and sufficient liquidity to meet its obligations.

5. The internal controls letter was reviewed, confirming that no control issues, deficiencies, or weaknesses were identified. No compliance matters or other reportable issues were noted during the audit.

6. In response to a question regarding organizational strengths and weaknesses, Nicole Stan stated that the auditors did not identify any concerns related to staffing, internal controls, or the timeliness of financial reporting. She noted that the Chartwells transition remains an area to monitor due to its significant impact on operations and financial results. In response to a question regarding the organization's financial sustainability, she stated that current assets exceed current liabilities and that the auditors identified no going-concern issues for the coming year. She noted that future financial performance, including the ongoing impact of the Chartwells agreement, should continue to be monitored. Stephanie Bracamontes noted that auxiliary organizations are not permitted to operate in a deficit position and that management closely monitors financial performance and potential going-concern risks. She stated that the finance and operations teams regularly review the Chartwells agreement and financial results to ensure compliance and address any emerging concerns.

7. Nicole Stan reported that the audit was completed within the agreed-upon fee budget and that no additional fees were incurred beyond those outlined in the engagement letter.

8. No executive session was requested.

9. Nicole Stan suggested coordinating a future cybersecurity awareness presentation for the Board to provide information on emerging risks and governance considerations.

10. The meeting was adjourned at 11:02 AM.