

**Cabrillo College Foundation
Audit Committee Meeting
Minutes of October 12, 2016**

Present: Pegi Ard, Carrie Birkhofer, Lee Duffus, David Heald, Laurel Jones, Norman Schwartz and Karen Semingson

Absent: Blaine Brokaw and Barbara Scherer

Staff: Eileen Hill and Nancy Machado

Guests: Terri Montgomery, Vavrinek, Trine, Day & Co., LLP

Call to Order:

C. Birkhofer called the meeting to order at 10:03 a.m.

Approval of Agenda

Motion: MSC: L. Duffus/D. Heald. The committee voted unanimously to approve the Audit Committee agenda.

Public Comment Opportunity

There were no members of the public in attendance.

Approve Audit Committee Minutes:

Motion: MSC: D. Heald/L. Jones to approve Audit Committee Minutes of May 25, 2016.

The following Audit Committee members voted to approve the minutes, Carrie Birkhofer, David Heald and Laurel Jones.

The following Audit Committee abstained, Lee Duffus, Norman Schwartz and Karen Semingson. The following Audit Committee members were absent, Pegi Ard, Blaine Brokaw and Barbara Scherer.

Review Audit Committee meeting follow-up item:

Issue #1:

The Audit Committee wants to make sure that endowment investment returns are sufficient over time to meet the spending policy requirements total of 5 1/2% (4.0% payout and 1.5% management fee).

Status:

The Cabrillo College Foundation staff and the Finance Committee have several tools to safeguard following the payout policy and to help them monitor performance of the

investment portfolio.

A. Investment Activity Reports: These reports are received monthly and show aggregate investment results for the latest quarter, fiscal year to date, year to date, three years, five years and since inception date of April 30, 1999.

B. The Finance Committee meets with Brian Sharpes of UBS Advisory Group twice per year to discuss trends, the payout percentage, and portfolio performance. Mr. Sharpes also reviews the Statement of Investment Policy and annual payout percentage.

Issue #2:

The Audit Committee asked to confirm that 4% is paid out annually.

Status:

A. Staff performs an annual allocation in the accounting that calculates 4% of the fund balance for the previous 12 trailing quarters for each individual endowment. The allocation will be saved and the report parameters reviewed by the CPA for the Cabrillo College Foundation.

B. Staff performs an annual report that checks each endowment to ensure that the 4% payout does not exceed invading corpus more than 20%.

C. Birkhofer recommended staff e-mail a confirmation of accuracy and review to be saved electronically.

Cabrillo College Report:

Eileen Hill reported enrollment is holding steady and growing in Distance Education and concurrent high school enrollment. Laurel Jones reported that in the next 3 or 4 months, there will be 6 community forums to discuss Cabrillo's mission, vision and community expectations.

Review 2015-16 Audit Draft

Board Communication letter:

Ms. Montgomery reviewed the Board Communication Letter and expressed that there were no difficulties encountered during the audit.

Audit differences:

Audit differences are those adjustments made by the auditor not chosen to be recorded by the Cabrillo College Foundation. There were no unadjusted differences for 2015-16 to discount the time value of money for long term promises (2 to 5 years). The remaining large pledge payments are all due within 1 year.

Independent Auditors Report:

The Independent Auditors report was reviewed. Ms. Montgomery indicated the June 30, 2016 statements are presented fairly and expressed an unmodified opinion.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cabrillo College Foundation
Aptos, California

We have audited the accompanying financial statements of Cabrillo College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cabrillo College Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Cabrillo College Foundation's 2015 financial statements, and our report dated November 10, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vavrinek, Trine, Day & Co., LLP
Pleasanton, California
_____2016

Audit Committee discussion and acceptance:

The Statement of Financial Position for 2015-16 reflects net assets of \$29.6M as compared to \$28.1M for 2014-15.

The Statement of Activities for 2015-16 notes a change in net assets of \$1M due to increased contributions over 2014-15.

The Statement of Functional Expenses for 2015-16 shows expenses \$200K over prior year due to \$193,089 in bond campaign support and \$35,000 for the bond feasibility study.

Motion: MSC: N. Schwartz/L. Duffus to accept and recommend the 2015-16 Audit Draft to the Cabrillo College Foundation Executive Committee.

Report by Ad Hoc Audit Selection Committee:

D. Heald reported the Ad Hoc Audit Selection Committee met to review the results of the RFP for audit services and make a recommendation to the Audit Committee.

Unanimously, David Heald, Pegi Ard and Leola Lapidés voted to recommend the Audit Committee retain Vavrinek, Trine, Day & Co., LLP as the Cabrillo College Foundation auditor for 2016-19.

Approval of Auditors for 2016-19

Motion: MSC: N. Schwartz/D. Heald approve Vavrinek, Trine, Day & Co., LLP as the

Cabrillo College Foundation auditor for 2016-19 with yearly review of working relationship.


Committee Calendar & Roster

C. Birkhofer reviewed the Committee Calendar and Roster

Adjournment

The meeting was adjourned at 11:05 am

Respectfully submitted,



Nancy Machado
Accounting & Human Resources Manager

Next Meeting:

**Cabrillo College, Sesnon House room 1824
Friday, June 9, 2017 10:00 am to 11:00 am**