CSU FULLERTON
AUXILIARY SERVICES CORPORATION

AUXILIARY SERVICES EXECUTIVE COMMITTEE
Minutes - Special Meeting
Via Zoom
3:00 pm • September 29, 2023

Present: Rosalina Davis, David Forgues, Theresa Harvey, Chuck Kissel, Gia Ly, Alexander Porter, Sean Walker.

Staff: Ann Ehl, Hee Joon Kang.

Guests: Rommel Hidalgo, Arnold Holland, Bobby LaCour (Aldrich), Alan Ruelas.

I. CALL TO ORDER
Chair Theresa Harvey called the meeting to order at 3:00 pm.

II. CONSENT CALENDAR
There was no public comment.

Motion was made and carried to approve the consent calendar.

III. PUBLIC COMMENT
There was no public comment.

IV. RESOLUTION: 2022-23 ASC AUDIT ACCEPTANCE

Chuck Kissel reported that the Audit Committee met earlier this morning to review Aldrich's additional footnotes. After some discussion and clarification, the Committee agreed to recommend that the Board of Directors accept the audit. Bobby LaCour provided an executive summary of today's review with the Audit Committee to this committee.

Mr. LaCour reported that Auxiliary Services had a lease impact of $30M as a lessee and a lessor. Most of the older leases are 25 years old and do not contain information required of new leases; additionally, Auxiliary Services had nearly 100 lease agreements. Leases of 12 months or less are not held to the new lease standards. Some, due to the dollar amount, were not significant, ten or less have significant impact to the finances that have long time horizon.

There was one area that could be improved upon as a deficiency in the area of internal controls and that is leases. This is a new standard and they recommend a robust process to review and evaluate leases. This means that all necessary components are well-thought out and well-defined, with appropriate lease terms, and all relevant interest rates and parties involved are clearly identified, and how the lease will impact financial statements is reviewed before the lease is signed. This is a significant deficiency. This year's impact to the financial statements was $30M, both in lease payments received and made. There's an increase in assets of $40M, based on the implementation of new lease standards; however, year over year, the net increase is $20M. On the liabilities side, the capital lease obligations now comes under

finance lease liability. There's a $9M asset which corresponds with a contributed asset. (use of facilities) which is not liquid and will be recognized with the passage of time, until the end of each agreement.

Regarding the income statement, not much has changed. There was a prior year adjustment. Footnotes that were changed include Note 5 and Note 11. The reason for the changes stems from a new accounting standard that became applicable. The goal was to more accurately reflect all the obligations an entity would have to pay into the future, due to the intrinsic value of lease properties.

VP Forgues moved to accept Aldrich CPAs+Advisors LLP audit report of CSU Fullerton Auxiliary Services Corporation; Ms. Ly seconded and motion carried.

V. ADJOURNMENT

Ms. Harvey adjourned the meeting at 3:30 pm.

Approved by the Executive Committee, November 29, 2023.
Signed by Rosalina Davis, Secretary

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Rosalina Davis, Secretary