

SAN BRUNO

Community Foundation

Audit Committee

John P. McGlothlin, *Chair* • Patricia Bohm, *Member*
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Audit Committee

October 23, 2018

4:00 p.m.

Meeting Location:

San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:** October 23, 2017, Special Meeting
- 4. Conduct of Business**
 - a. Review Report from Novogradac & Company LLP on Audited Financial Statements for Year Ended June 30, 2018
- 5. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendized pursuant to State Law.
- 6. Committee Member Comments**
- 7. Adjourn**

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Audit Committee

October 23, 2017

4:00 p.m.

Meeting Location:

San Bruno City Hall, 567 El Camino Real, Room 101, San Bruno

- 1. Call to Order:** Committee Chair McGlothlin called the meeting to order at 4:05 p.m.
- 2. Roll Call:** Committee Members McGlothlin and Bohm, present.
- 3. Approval of Minutes:** October 25, 2016, Special Meeting: Committee Member Bohm moved to approve the minutes of the October 25, 2016, Special Meeting, seconded by Chair McGlothlin, passed unanimously.
- 4. Conduct of Business**
 - a. Review Report from Novogradac & Company LLP on Audited Financial Statements for Year Ended June 30, 2017

The Committee discussed the Audited Financial Statements for the Year Ended June 30, 2017, that were prepared by the team of auditors from Novogradac & Company LLP headed by Lance Smith, CPA. Participating by teleconference, Mr. Smith thanked Executive Director Leslie Hatamiya and Accounting Consultant Frank Bittner for their work preparing for the audit and said his firm is planning to issue an unqualified, clean opinion of the Foundation's financial statements. He noted a positive change in assets based on investment income, an increase in program expenses corresponding with an increase in program activity, and relatively flat administrative expenses. He noted that this year's statements show, in a change from the previous year's statements, investment fees as a debit against investment returns and reported that in 2018 a new accounting rule will take effect requiring that all direct and indirect investment expenses be netted against investment returns. The Foundation is already netting investment fees against investment returns, and it will also need to track additional investment expenses, if any, and also net them against investment returns. He also reported that under the new

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accounting rules, greater disclosure regarding the Foundation's liquidity position and the statement of functional expense (which is already included in the Foundation's financial statements) will be required. Mr. Smith said that Novogradac would issue its standard letter (AU-260) to accompany the audited financials, reported good communication with Foundation staff during the audit process, and noted that his team had not identified any issues with internal controls or fraud. He said that his team intends to have a draft of the Foundation's tax returns prepared by the end of the week and confirmed that he would be at the November 1 Foundation Board meeting.

5. Public Comment: None.

6. Adjourn: Committee Member Bohm moved to adjourn the meeting at 4:30 p.m., seconded by Chair McGlothlin, approved unanimously.

Respectfully submitted for approval at the Special Audit Committee Meeting of October 23, 2018, by
Audit Committee Chair John McGlothlin.

John McGlothlin, Audit Committee Chair

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Memorandum

DATE: October 19, 2018

TO: Audit Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Review of Report from Novogradac and Company LLP on Audited Financial Statements for Year Ended June 30, 2018

Article XIII, Section 4, of the San Bruno Community Foundation's Bylaws states that the Foundation "shall retain an independent auditor and conduct annual independent audits in accordance with the applicable provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (commencing with Section 12586 of the California Government Code)." As authorized by the Board on March 7, 2018, the Foundation is using Novogradac & Company LLP to conduct the audit of the Foundation's financial statements for the year ended June 30, 2018, and to prepare the Foundation's annual federal and state tax returns. Engagement partner Lance Smith is again heading up the Novogradac team assigned to the Foundation.

In July, Accounting Consultant Frank Bittner and I began preparing the financial reports and documentation Novogradac requested to begin work on the audit. We submitted all of the requested materials by August 24, a week and a half prior to the September 4 deadline. Since then, the Novogradac team has examined the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls. Mr. Bittner and I have responded to several follow-up requests for additional information from the Novogradac team.

The Novogradac team provided a draft of the audited financials on October 18, which Mr. Bittner and I reviewed. We are reviewing the draft financials and sharing our comments with the Novogradac team; we expect to receive a new draft by early next week.

On October 23, the Committee will meet to discuss the draft financials with the Novogradac team including Mr. Smith, who will participate by telephone. The Committee will also speak with Mr. Smith about his preparations for presenting the audited financials to the Board at its November 7, 2018, meeting, and inquire about the firm's progress on preparing the Foundation's tax returns.