

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

April 20, 2016

3:00 p.m.

Meeting Location:

San Bruno City Hall, 567 El Camino Real, Room 113, 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:** February 4, 2016, Special Meeting
- 4. Conduct of Business**
 - a. Discussion of Preparations for 2016 Audit with Novogradac & Company
- 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. Adjourn**

SAN BRUNO

Community Foundation

Audit Committee

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

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Audit Committee

February 4, 2016

4:00 p.m.

Meeting Location:

San Bruno City Hall, 567 El Camino Real, Room 113, San Bruno

- 1. Call to Order:** Committee Chair McGlothlin called the meeting to order at 4:12 p.m.
- 2. Roll Call:** Committee Members McGlothlin and Bohm, present.
- 3. Approval of Minutes:** August 31, 2015, Special Meeting and November 3, 2015, Special Meeting: Committee Member Bohm moved to approve the minutes of the August 31, 2015, Special Meeting and November 3, 2015, Special Meeting, seconded by Chair McGlothlin, passed unanimously.

3. Conduct of Business

a. Review of 2015 Audit Process

With input from Executive Director Hatamiya and Accounting Consultant Bittner (who participated by phone), the Committee discussed the 2015 audit process. The Executive Director and Accounting Consultant explained their interactions with the auditing firm, Novogradac & Company, during the audit process. Mr. Bittner pointed out that the SBCF is unique in that it has few transactions on both the income and expenditure sides. He also noted that he added in a chart of accounts after Novogradac requested it.

b. Discussion of Preparations for 2016 Audit

The Committee discussed plans for the 2016 audit. The Committee agreed to have Novogradac again conduct the Foundation's audit for another year, to meet with the Novogradac team this spring prior to the beginning of the audit to set expectations, and to get on Novogradac's calendar to begin the audit in the beginning of September. Chair McGlothlin also expressed a desire to have a mechanism in place to resolve disagreements at the committee level prior to presentation of the audit to the Board.

SAN BRUNO

Community Foundation

Audit Committee

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

4. Public Comment: None.

5. Adjourn: Committee Member Bohm moved to adjourn the meeting at 4:55 p.m., seconded by Chair McGlothlin, approved unanimously.

Respectfully submitted for approval at the Special Audit Committee Meeting of April 20, 2016,
by Audit Committee Chair John McGlothlin.

John McGlothlin, Audit Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: April 19, 2016

TO: Audit Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Discussion of Preparation for 2016 Audit

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 (commencing with Section 12586(d) of the California Government Code)." For the fiscal year 2015 audit, the Foundation's Board of Directors, at the recommendation of the Audit Committee, selected Novogradac & Company LLP, a national certified public accounting firm, to conduct an audit of the Foundation's financial statements and prepare the Foundation's annual federal and state tax returns. A team from Novogradac headed by engagement partner Lance Smith presented the audited financial statements to the Board in early November 2015.

On April 20, 2016, the Audit Committee will meet to discuss plans for the 2016 audit with the Novogradac team. In response to the Novogradac team's request, I provided Lance Smith with the attached memo summarizing the Foundation's activities and significant changes for the current fiscal year as well as the Committee's expectations for the 2016 audit. The memo will provide the starting point for the discussion.

Attachments:

1. Memo to Novogradac & Company, dated April 15, 2016

SAN BRUNO

Community Foundation

Memorandum

DATE: April 15, 2016

TO: Lance Smith, Novogradac & Company

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Summary of Activities and Significant Changes for FY 2015-2016;

In anticipation of the April 20, 2016, meeting of the San Bruno Community Foundation's Audit Committee, you asked for a summary of activities and significant changes for the current fiscal year (July 1, 2015, to June 30, 2016), as well as concerns or requests the Audit Committee has regarding the upcoming audit. We have compiled the summary below in response to this request and look forward to discussing these items with you on April 20.

Please let us know if you have any questions or seek additional information.

A. Transaction Activity from July 1, 2015 to April 12, 2016 (9.4 mos.)

1. Accounts Payable

- **82 Checks Used** – including 9 checks voided due to printing mistakes. Average of just under 8 checks per month actually issued. Only one reimbursement to City of San Bruno (\$4,651) made around mid-year.

2. Credit Card

- **69 Purchases Made** – during 9 months for an average just under 8 per month. 3 months exceeded \$1,000 in charges with two of those exceeding \$2,000. Typical usage included internet based services & software, office supplies, meeting expenses, and telecommunications.

3. Payroll & Benefits

- **1 Employee** – Executive Director same as previous fiscal year. No change in compensation.
- **403(b) Plan newly launched** – in October of current fiscal year. Both employer and employee contributions are remitted simultaneously and electronically on or near to semi-monthly payday. Form 5500 will be prepared by accounting consultant and signed by the Executive Director.
- **Life Insurance and Paid Time Off** – remain only other fringe benefits.

SAN BRUNO

Community Foundation

Memorandum

4. Legal

- **3 Law Firms/Attorneys retained** – not including legal fees reimbursed to City of San Bruno. No pending or threatened litigation. One of the attorney (David F. Crutcher) was hired only to draft the 403(b) plan.

5. Other

- One-year **Office Lease**, effective April 1, remains only contractual obligation/financial commitment.
- New **Contracts for Services** for Technology Services (on-going) and Investment Consulting (short term).
- Selection of Investment Firm will result in **3 Investment Accounts**.
- Fiscal Policies & Procedures Manual was revised, with additional revision expected to document Investment related procedures and controls.

B. Expected New Activity from April 12, 2016 to June 30, 2016 (2.6 mos.)

1. Receipt of Restitution Funds

On April 6, the SBCF Board approved the Foundation's Investment Policy Statement, which, per the Bylaws, will go before the San Bruno City Council on April 26 for approval. The same day, the City Council will consider the Foundation's request to transfer the remaining balance of restitution funds (approximately \$69.7 million) from two custodial accounts of the City's to the Foundation. The Foundation expects to receive the restitution funds in May. Per the IPS, they will be deposited into the Foundation's liquidity pool account at Fidelity, with \$15 million to be transferred to a quasi-endowment pool account and approximately \$54 million to be transferred to a strategic pool account, both also at Fidelity. In March, the SBCF Board selected Sand Hill Global Advisors to be the Foundation's investment adviser, with an annual asset-based fee schedule (28 basis points fee for funds in the quasi-endowment and strategic pools and 15 basis points for funds in the liquidity pool).

2. Crestmoor Neighborhood Memorial Scholarship Program

In February, the SBCF Board approved the creation of the Crestmoor Neighborhood Memorial Scholarship Program with a 2016 program budget of \$100,000. The Foundation expects to announce scholarship awards totaling \$100,000 in late April/early May (actual payments to the students are dependent on proof of college enrollment for the fall 2016 term and may not be disbursed until the next fiscal year). As of now, it's likely that the Selection Panel will award seven multi-year scholarships (four to be paid out over four years and three to be paid out over two years; to receive subsequent year

SAN BRUNO

Community Foundation

Memorandum

payments, the students will have to provide proof of enrollment and status as a student in good standing each summer).

3. Strategic Grants

The SBCF Board has proposed to the City of San Bruno four strategic grant proposals totaling \$700,000: \$30,000 for a Community Day sponsorship, \$300,000 to fund a Community Facilities Vision Plan, \$300,000 to fund the development of a new park at 324 Florida Avenue, and \$170,000 for pedestrian safety improvements. So far, the City has agreed to the \$30,000 Community Day grant and \$25,000 of the Community Facilities Vision Plan grant (to fund a pre-planning process that will soon be concluded), and the Foundation plans to disburse these grant payments once it receives the balance of restitution funds. The City is interested in pursuing the remaining proposals but is still determining its plans. Formal agreement on the park grant, the pedestrian safety grant, and the balance of the Community Facilities Vision Plan grant may or may not occur by the end of this fiscal year.

C. Other Changes (July 1, 2015 to June 30, 2016)

1. Amended and Restated Articles of Incorporation and Bylaws

In October 2015, the Foundation Board and the City Council approved Amended and Restated Articles of Incorporation. The major change was to state that the Foundation supports a *class* of supported organizations that benefit the San Bruno community, including but not limited to the City of San Bruno; previously, the Foundation supported the City of San Bruno only. Because the intent from the beginning has been for the Foundation to support community organizations working in San Bruno and not just the City, outside counsel advised us to make this change. The Articles were filed with the California Secretary of State's office.

As the Board committee charged with creating a community grants program began to do its work, we realized that the change made in October extended the class of supported organizations only to Section 509(a)(1) and (a)(2) organizations that benefit the San Bruno community, while a number of active organizations in San Bruno that the Foundation may want to fund include exempt organizations that are tax-exempt but not 501(c)(3)s. After consulting with nonprofit counsel, we decided to expand the class of supported organizations to include, as provided by the law, 501(c)(4), (5), and (6) organizations that also meet the 509(a)(2) public support requirements. This change has been approved by the SBCF Board and will be considered by the City Council on April 26. Assuming approval by the City Council, the Foundation will submit the Amended and Restated Articles to the California Secretary of State's office.

SAN BRUNO

Community Foundation

Memorandum

As part of its corporate governance work, the SBCF Board has also approved Amended and Restated Bylaws to conform with the new purpose statement in the Articles, to reflect the Foundation's current operations, and to clean up the document (e.g., correcting misspellings, making capitalization of terms and usage of numbers consistent, clarifying vague language, and adding in proper legal code references). The City Council will consider the Amended and Restated Bylaws on April 26.

2. Adoption of Program Strategy Framework

Last fall, the SBCF Board and the City Council approved the Foundation's Program Strategy Framework, which provides the structure and outline of the Foundation's charitable programs and serves as the guiding document for accomplishing the Foundation's mission.

3. Hiring of Investment Adviser and Adoption of Investment Policy Statement

As stated above, the SBCF Board selected Sand Hill Global Advisors to be the Foundation's investment adviser, with an annual asset-based fee schedule (28 basis points fee for funds in the quasi-endowment and strategic pools and 15 basis points for funds in the liquidity pool). In addition, in early April the SBCF Board approved the Foundation's Investment Policy Statement, which the City Council will consider on April 26.

4. Creation of Community Grants Program

In the next two months, the Foundation is planning to create a Community Grants Program – a responsive grantmaking program that would allow local community groups to apply for grant funding to support new or existing programs that benefit the San Bruno community in one of the 11 focus areas identified in the Foundation's Program Strategy Framework. Although the Board is likely to approve creation of the program with a \$200,000 program disbursement budget by the end of the fiscal year, the application period will launch in June at the earliest, with grant decisions likely made in the middle of the fiscal year (probably December).

D. Audit Committee Requests for FY2016 Audit

To ensure an efficient and productive audit process for the FY2016 financial statements, the Audit Committee requests the following:

1. Pre-Audit Meeting Between the Audit Committee and the Novogradac Team

The April 20 Audit Committee serves to fulfill this request.

SAN BRUNO

Community Foundation

Memorandum

2. Audit Timeline

The Audit Committee would like the audit process to begin at the beginning of September 2016, which will provide sufficient time for the Foundation's accounting consultant to finish the fiscal year books, and be completed by the end of October 2016. We would like the audit team to present the audited financial statements to the SBCF Board at its regular November 2, 2016, meeting, which means that the audited financial statements are ready for inclusion in the Board meeting packet by October 27. The Committee would also like a final draft of the Foundation's federal and state tax returns prepared by November 1, so that the Board can review the document prior to submission by the November 15 deadline.

3. Closing Audit Committee Meeting

The Audit Committee would like to do a final meeting with the Novogradac team in late October, prior to the November Board meeting presentation, to discuss and resolve any issues with the audit.