

**COLLEGE & UNIVERSITY PROFESSIONAL
ASSOCIATION FOR HUMAN RESOURCES
BUDGET & FINANCE COMMITTEE**

FIRST DRAFT OF MINUTES

The call was convened Tuesday, September 15, 2015 at 3:03 pm EDT.

Members present: Barb Carroll, Chris Byrd, Kevin Fowler, David Blake, Deb Benton, Andy Brantley, Rob Shomaker, Glee Wilson

Guest present:

Mike Parton, CPA, CGMA, CFE, FHFMA
Managing Principal
Coulter & Justus

Audit

Mike Parton reviewed the Post Auditor Communications Letter and the Financial Statements for the year ended June 30, 2015. The role of the auditor is to audit information provided by management and report to this committee. This year was a clean report. There are certain required communications included in the letter to the B&F committee:

1. Scope & timing – audit was performed on schedule with no delays.
2. Significant audit findings – if any findings, they would have been discussed with the committee before the report was issued – no new accounting policies, no issues, no unusual transactions, business as normal.
3. Evaluate internal controls – would communicate any deficiencies. There were no material weaknesses, no issues with internal control.
4. Difficulties in performing the audit – if any difficulties, the auditors would report to the committee including resolution of the issue. No difficulties were encountered.
5. Adjustments – if any, would be reported to the committee. There were none this year.
6. Disagreements with management – no disagreements to report.
7. Difficulties getting information – no problem getting information. Audit information from CUPA-HR is always very organized and very well prepared.

Mike reported that, in his opinion, a board member would want to know the following about our financial statements:

1. Should expect high liquidity & deferred revenue at year end because of our dues cycle. This is very clearly the case for CUPA-HR in that there was \$7.6 million in cash & cash equivalents with \$3 million in deferred revenue.
2. Should have a strengthening balance sheet position –assets increased over \$1.2 million from last year and have shown a record of increasing over a number of years.

3. Our unrestricted net assets should increase as the organization continues to effectively manage revenues and expense. CUPA-HR's net assets increased almost \$800,000 this year.
4. Look for a trend of revenue increases – our revenues increased \$200,000 this year, primarily from membership dues and research services.
5. As revenue increases, are expenses increasing at same rate or more? Our expenses increased about \$110,000 this year.
6. Footnotes to the audit are normal for a non-profit with no unusual or significant new information to report.

Mike closed his comments by reporting that he and his staff appreciate the seriousness that CUPA-HR management and board give to accounting issues. He commented that Glee periodically contacts his staff during the year if she has a question about internal controls or a new accounting situation. Coulter and Justus enjoys performing this audit and appreciates us as a client. He also enjoyed the in depth discussion he had with our new treasurer, Chris Byrd, and former treasurer, Jane Federowicz, during the treasurer orientation meeting in June.

David asked if there is an area that we should be cautious about going forward as we look at the trends of revenues and expenses.

Mike replied:

1. In looking at a non-profit, his first concern is economic dependence on one revenue source (for example a conference or a single donor). Since CUPA-HR does not rely on donors, but has fee driven revenue, that is not an issue. Also, since we have a broad base of members and sponsors, we are not dependent on a small number of customers.
2. Another area of caution is how you manage the operation as you evolve and offer new services to ensure that expenses do not outpace revenue. CUPA-HR has an experienced management team operating with strong financial numbers.

David asked if there is an expected revenue to expense model? Are we trending too fast?

Mike replied: One of the areas that an auditor looks for is a difference between what is expected and actual results. Is there a wide variation of operating results which indicate underlying industry issues or are the issues specific to this organization? Operating in the red is OK when introducing new products or services, but it should not be something that is continued.

Chris commented: CUPA-HR's analysis strategy is to not just review aggregate numbers, but to look at each line of business to determine profitability/return to reserve.

Mike commented that he is very impressed by how financially sound CUPA-HR is.

MOTION – Dave Blake moved and Deb Benton seconded a motion to approve the audit report and that it be sent to the full board for approval.

The motion passed unanimously.

Financial Indicators

Chris reported that 2015-16 dues collections to date are \$2,794,460 which is 101.17% of budget.

ACON registrants are at 888 and the budget is 943. Sponsorship & exhibit numbers exceed budget. Andy commented that they may look to change the date for ACON to October for years that are not contracted yet. The change in the region conference model may have a positive impact on future annual conference registrations.

Investments

Glee reported that the August market fluctuation resulted in recording an unrealized loss in the amount of \$92,211 in the month of August. Our total unrealized loss balance as of August 31 is \$37,455.

Glee explained that an unrealized loss is only a paper loss. It is the difference between the current value of the mutual funds and the original cost. The loss will become realized when the mutual funds are sold.

Wells Fargo reorganized our portfolio during August which resulted in realized gains of \$6,112.

Andy commented that Wells Fargo adjusts our portfolio periodically based on the risk tolerance that we have indicated for them to follow. We will be reviewing the investment portfolio at our next committee call.

Chris commented that mutual funds are a long term investment so looking at individual month changes should not be worrisome.

The call was adjourned at 3:45 pm EDT.

Next scheduled call/meeting

The next call will be Tuesday, October 27, 2015 3:00 pm EDT.