



Minutes
AUDIT COMMITTEE
Research Corporation of the University of Hawai'i
Thursday, October 28, 2021
Virtual Meeting

PRESENT

Audit Committee members: Chair Ken Hayashida, Gene Bal, Michael Maberry, Wally Chin (ad hoc member). Excused: Joseph Pickard

RCUH Staff: Leonard Gouveia, Glenn Yee, Maile Brooks, Kaylee Hull

N&K CPAs: Dwayne Takeno, Christian Hara

CALL TO ORDER

The meeting was called to order at 9:02 a.m. by Chair Hayashida.

PUBLIC COMMENT PERIOD (IF APPLICABLE)

No written or oral testimony was received.

APPROVAL OF MINUTES

The minutes of the March 2, 2021 meeting were approved as circulated. Committee Member Chin abstained from voting since he was not present at the meeting.

OVERVIEW OF AUDIT COMMITTEE RESPONSIBILITIES

Chair Hayashida explained that the Audit Committee was established for the purpose of establishing that RCUH's financial, internal controls, and audit processes are in accordance with generally-accepted U.S. auditing standards and are in compliance with policies, statutes, and regulations. The committee is also responsible for recommending the engagement of an external auditor, reviewing all external audit findings and reports, and ensuring that appropriate action is taken.

N&K PRESENTATION OF AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2021

Dwayne Takeno introduced himself as an Audit Principal and Christian Hara as an Audit Manager at N&K CPAs. He noted that this is N&K's second year completing RCUH's audit during a pandemic and recognized that they received a lot of assistance from management.

Mr. Hara provided a high-level financial overview of RCUH's Fiscal Year (FY) 2021 audit report. He stated that N&K provided an unmodified opinion and that there were no material weaknesses identified or significant deficiencies reported. He explained that the increase in current assets and the decrease in noncurrent assets is primarily due to the reclassification of Time Certificates of Deposit (TCDs) in FY 2021. Other aspects of the financial position remained relatively consistent.

When reviewing the income statement, Mr. Hara pointed out that the decrease in revenues is due to the decrease in UH management fees, which is driven by RCUH's operational expenses. Non-operating revenues consists primarily of interest income, also decreased from the previous year. In terms of cash flow, operating activities increased due to the change in year-to-year project expenditures and cost reimbursements, likely due to timing. RCUH also reported decreases in the cash outflows for capital and related financing activities.

Mr. Takeno stated that there were no adoption or changes in application of accounting principles, all significant transactions were recognized in the proper period, and there were no transactions noted that were not based on authoritative guidance. He added that auditors did experience some difficulty in obtaining certain information in a timely manner, but were still able to complete the audit by the deadline. Mr. Takeno added that they found two misstatements in the financial statement and reported on one unrecorded misstatement that related to a reversal of the previous year's accrual for fringe benefits on compensated absences, however management has determined that this is not significant to the financial statements taken as a whole, and N&K agree with their assessment.

Mr. Yee noted that the amount of legislative requests affected RCUH's ability to respond in a timely manner, but thanked N&K for being understanding with the delays. When referring to the corrected misstatements, Mr. Yee reported that the accounts receivable correction will be a reoccurring issue as it is a challenge to rely on UH personnel (i.e., Principal Investigators and Fiscal Administrators) to conduct a search of their project's unrecorded liabilities and report it to RCUH every fiscal year.

***Additional Note from Auditors:**

Mr. Takeno informed the committee that one of the disclosures in the financial statements relate to new accounting standards that will be implemented in this fiscal year (FY 22). He announced that the accounting for leases is changing with the operating lease concept being repealed and all leases being treated as right to use assets. Mr. Yee explained that RCUH engages in leases on behalf of projects (e.g., office space, warehouse space, equipment) and stated that RCUH will need to coordinate with UH on how liabilities and assets will be recorded in each entity's financial statements.

In closing, Mr. Takeno recognized Mr. Yee and Ms. Brooks for their efforts and shared that they do a great job in helping the auditors by drafting financial statements and reviewing disclosures.

ACCEPTANCE OF AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2021

Upon motion made (Maberry), seconded (Chin), the Committee accepted the audited financial statement for the 2021 fiscal year, in accordance with its board-delegated authority.

ADJOURNMENT

The meeting adjourned at 9:20 a.m.

/s/ Kaylee Hull

Kaylee Hull
Executive Administrator

NOTE: Unless otherwise noted in minutes, all motions were passed unanimously.