



DRAFT Minutes

AUDIT COMMITTEE

Research Corporation of the University of Hawai'i

Wednesday, October 26, 2022

Remote Meeting

In-Person Location: Manoa Innovation Center, 2nd Floor Boardroom;
2800 Woodlawn Drive, Honolulu, HI 96822

PRESENT

Audit Committee members: Chair Ken Hayashida, Diane Paloma, Wally Chin (ad hoc member).
Excused: Eugene Bal

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 7:34 a.m. by Chair Hayashida. Per the Sunshine Law, Chair Hayashida asked whether anyone over the age of 18 was present with members who were participating virtually. All remote participants confirmed that there was no one present in their location. In terms of public testimony, Ms. Hull indicated that no written or oral testimony was received.

OVERVIEW OF AUDIT COMMITTEE RESPONSIBILITIES

Chair Hayashida reminded attendees 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 auditing standards in the U.S. 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.

APPROVAL OF MINUTES OF THE MARCH 1, 2022 MEETING

The minutes of the March 1, 2022 meeting were approved as circulated.

N&K PRESENTATION OF THE AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2022

Mr. Hara reviewed the results of the audit and expects N&K to issue an unmodified opinion, which indicates that the financial statements are presented fairly in all material respects. He also reported that no material weaknesses were identified and no significant deficiencies were reported.

Mr. Hara highlighted some of the larger fluctuations in the financial statements. Current assets increased by approximately \$9 million, primarily due to an increase in UH receivables which fluctuates with the vendor payable balances. He reported that there were no significant fluctuations in the condensed statements of revenues, expenses and changes in net position. Mr. Hara explained that the change in investing activity is primarily because of the purchases and redemptions of Time Certificate of Deposits (TCDs).

Mr. Takeno ran through the required communications which acknowledged N&K were following Generally Accepted Auditing Standards. He recognized that RCUH adopted GASB 87 related to leases and that the corporation determined that the implementation of this standard did not have an effect on the FY 2021 or FY 2022 financial statements.

Mr. Takeno was pleased to report that the auditors experienced no significant difficulties in dealing with management in performing and completing their audit. He continued to review the summary of unrecorded misstatements, which were not material to the financial statements. Mr. Yee jumped in to provide some context on the GASB 87 issue, which had been expected to be a large item of concern for the Accounting team. The question was whether research project leases should be included in RCUH financials as well as the related liability. Mr. Yee stated that RCUH's stance was that the leases should not be included in RCUH's financials, and the auditors concurred. Mr. Takeno acknowledged that management did a good job in consulting with auditors, as well as the Governmental Accounting Standards Board (GASB) itself.

While reviewing the Summary of Corrected Misstatements and Omitted Disclosures, Mr. Yee identified the items as reclassification differences due to GASB 87 and Mr. Takeno noted that those items have been corrected.

Director Paloma asked who made the interpretation that all research project leases would not be included. Mr. Yee stated that it was management's interpretation, but it needs to be able to support that opinion. As a result, RCUH communicated directly with GASB to discuss and address the issue. Mr. Yee also inquired with the University to determine how it would handle leases for research projects, and their consensus was to include those leases in UH's financials. Mr. Takeno acknowledged that the situation is slightly unusual based on how these leases are entered into on behalf of research projects.

Mr. Yee noted that he believes UH's Chief Financial Officer created a position to address this, as UH will begin entering and signing off on lease agreements directly, rather than having RCUH enter lease agreements for UH's benefit. Mr. Gouveia asked if RCUH would have had to take on the burden of adding these leases to RCUH's financial statements if UH had not done so. Mr. Yee did not believe so since it would be UH's responsibility, but explained it would be up to UH's external financial auditors. Mr. Takeno added that there are specific provisions within GASB 87 that cover related-party issues that management had considered. Mr. Gouveia stated that RCUH will be working closely with UH on this issue and Mr. Yee acknowledged that policy changes will occur on both sides.

Mr. Takeno concluded by sharing two new accounting pronouncements that will be implemented for FY 2023: GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; and GASB Statement No. 96, Subscription-Based Information Technology Arrangement. He does not anticipate GASB 94 having a significant effect on RCUH, but believes GASB 96 may apply to RCUH's financials with respect to software. Mr. Takeno also suggested reading through the list of exclusions since some may apply to RCUH.

ACCEPTANCE OF AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDING 6/30/2022

Upon motion made (Paloma), seconded (Chin) and duly carried, the Audit Committee voted to accept the audited financial statements for FY 2022.

ADJOURNMENT

The meeting adjourned at 7:57 a.m.

Kaylee Hull
Executive Administrator

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