

Dr. Ann Bersi, Chair
Nevada State Tax Commission

Mr. Matthew J. Ceppi
President's Designee
Cal State San Marcos

Mr. David Chang
Hampton Inn San Diego/
San Marcos

Mr. Tres Conrique
Rancho Santa Fe Technology

Dr. Linda L. Hawk
Cal State San Marcos

Mr. Brandon Losey
Student Member

Dr. Graham Oberem
Cal State San Marcos

Ms. Susan Schnepf
Attorney at Law

Dr. Camille P. Schuster
Faculty Member

Dr. Ernest E. Zomalt, Vice Chair
Community Member

Annual and Regular Meeting of the Board of Directors
September 5, 2013 - 4:00 p.m. – 5:30 p.m.
Center for Children and Families Classroom

AGENDA

- I. **Convening of the Annual Meeting**
- II. **Membership Update** (*Zomalt*)
- III. **Action Items**
 - A. Board Member Nominations (*Zomalt*) (**Attachments A**)
 - B. Board Officer Nominations 13/14 (*Zomalt*) (**Attachment B**)
 - C. Ratification of Revised Joint Audit Committee Membership for 12/13 (*Zomalt*)
 - D. Proposed Committee Membership for 13/14 (*Zomalt*) (**Attachment C**)
- IV. **Adjournment of Annual Meeting**
- V. **Convening of the Regular Board Meeting**
 - A. Consideration of Minutes May 23, 2013 Regular Meeting (**Attachment D**)
 - B. Consideration of Minutes June 26, 2013 Special Meeting (**Attachment E**)
- VI. **Special Guest Presentation**
 - A. Impact of STEP Project, Chuck De Leone, Professor of Physics, CSUSM
- VII. **University Update and Reports**
 - A. Finance & Operations Committee (*Bersi*)
 - B. Joint Audit Committee (*Chang*)
 - C. Administration
 - i. Administration Update (*Knoblock*)
 - ii. Conflict of Interest Acknowledgments (*Knoblock*) (**Attachment F**)
 - iii. Healthcare and Benefits Update (*Hinojosa*)
 - iv. UARSC Audits Update (*Svatora & Hinojosa*)
 - D. University Update (*Ceppi*)
- VIII. **Action Items**
 - A. Quarterly Financial Report 06/30/13 (*Svatora*) (**Attachment G**)
 - B. Proposed 13/14 Compensation Administration Guidelines (*Hinojosa*) (**Attachment H**)
 - C. Ratification of UARSC Operating Agreement Revision (*Knoblock*) (**Attachment I**)
 - D. Revision to current Joint Audit Committee Charge – CSUSM Auxiliaries (*Svatora*) (**Attachment J**)
 - E. Revision to new Joint Audit Committee Charge – UARSC & ASI Only, effective date tbd (*Svatora*) (**Attachment K**)
- IX. **Campus Partner Presentation**
 - A. PepsiCo, Jennifer Wood, Key Account Manager
- X. **Closed Session**
- XI. **Adjournment of Regular Meeting**

Next Meeting: November 14, 2013, 4:00 p.m., Center for Children & Families Classroom

An Auxiliary of California State University San Marcos

ATTACHMENT A

Board Member Nominations

Board Member Nominations 13/14

Board Member Terms provided for information only

Bio for New Appointment Nomination will be provided in person



BOARD MEMBER NOMINATIONS 2013/2014

Brandon Losey	Reappointment Student Member (partial term through 12/19/13)
Susan Schnepf	Reappointment Community Member (3 year term)
Sharon Whitehurst-Payne	New Appointment Community Member (3 year term)



Proposed BOARD TERMS 2013/2014

Terms expiring September 2014

Community Member(s)

Ann Bersi (*termed out*)

Faculty Member

Camille Schuster

Student Member

Brandon Losey (*partial term will end 12/19/13*)

Terms expiring September 2015

Community Member(s)

David Chang

Tres Conrique (*termed out*)

Ernest Zomalt (*termed out*)

Terms expiring September 2016

Community Member(s)

Susan Schnepf

Sharon Whitehurst-Payne

Alumni Member Vacant

Currently recruiting

Designated Members (voting)

University President or Designee,
Vice President for Academic Affairs,
Vice President for Finance & Administrative
Services

ATTACHMENT B

Board Officer Nominations 13/14



Proposed BOARD OFFICERS 2013/2014

Chair	Ann Bersi
Vice Chair	Ernie Zomalt
Secretary	Dora Knoblock
Treasurer	Greg Svatora

ATTACHMENT C

Proposed Committee Membership for 13/14



PROPOSED BOARD COMMITTEES 2013/2014

<p><u>EXECUTIVE COMPENSATION COMMITTEE</u> Karen Haynes Ann Bersi, <i>Chair</i></p> <p><u>NOMINATING AND GOVERNANCE COMMITTEE</u> Ann Bersi, <i>Chair</i> Ernie Zomalt, <i>Vice Chair</i></p> <p><i>UARSC Staff (non-voting):</i> Dora Knoblock</p> <p><u>FINANCE AND OPERATIONS COMMITTEE</u> Ann Bersi, <i>Chair</i> Tres Conrique, <i>Vice Chair</i> Linda Hawk Sharon Whitehurst-Payne</p> <p><i>UARSC Staff (non-voting):</i> Dora Knoblock Greg Svatora</p> <p><u>SPONSORED PROJECTS COMMITTEE</u> Ann Bersi, <i>Chair</i> Matt Ceppi Camille Schuster</p> <p><i>Non-UARSC Board Members (voting):</i> Chuck DeLeone (<i>Faculty Representative</i>) Gerardo Gonzalez, <i>Vice Chair (AVP for Research)</i> Dora Knoblock (<i>Executive Director, UARSC</i>)</p> <p><i>UARSC Staff (non-voting):</i> Grant Hubbard</p>	<p><u>JOINT AUDIT COMMITTEE of CSUSM</u></p> <p><u>Auxiliaries:</u> UARSC, Associated Students, Inc., CSUSM Foundation, San Marcos University Corporation <i>Chair Vacancy</i></p> <p><i>UARSC Board Members (voting)</i> David Chang Brandon Losey</p> <p><i>Non-UARSC Board Members (voting):</i> Roger Arnold, <i>San Marcos University Corporation</i> Cipriano Vargas, <i>ASI</i> <i>Vacancy, CSUSM Foundation</i></p> <p><i>Membership for Joint Audit Committee (JAC) through 12/31/13 or until new separate auxiliary audit committees are staffed and approved; After new committees are established, JAC will consist of the UARSC and ASI auxiliaries only. Each auxiliary will approve its membership representatives for the committee.</i></p>
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ATTACHMENT D

Minutes of the May 23, 2013 Regular Meeting



DRAFT

Regular Meeting of the Board of Directors

May 23, 2013

Center for Children and Families Classroom

Attendees:

- Members:** Ann Bersi (Chair), Matthew J. Ceppi, Brandon Losey, Colleen Moss, Graham Oberem, Russell Powell, Ernest Zomalt (Vice Chair)
- Absent:** David Chang, Tres Conrique, Ken Green, Linda Hawk, Susan Schnepf, Camille Shuster
- Staff:** Sarah Derho, Michelle Hinojosa, Grant Hubbard, Dora Knoblock, Tipper Phillips, Greg Svatora

Convening of the Regular Meeting

A quorum being present, Chair Bersi called the meeting to order at 4:01 p.m. Congratulations were given to Dr. Graham Oberem on his new appointment as Provost and Vice President for Academic Affairs.

Changes to Agenda

Action Item C was removed.

Minutes of the February 28, 2013 Regular Meeting

A motion was made and seconded (Zomalt/Losey) to approve the February 28, 2013 regular meeting minutes. Motion carried.

Minutes of the March 21, 2013 Special Meeting

A motion was made and seconded (Ceppi/Moss) to approve the March 21, 2013 special meeting minutes. Motion carried.

University Update and Committee Reports

Finance and Operations Committee

Bersi reported that the Finance and Operations Committee met on May 14, 2013. The Committee received a report on the fuel cell project and Chancellor's Office Audit. The Quarterly Financials and 13/14 Operating Budget were also reviewed and will come before the Board as action items later in the meeting.

Sponsored Project Committee

Bersi reported. The Sponsored Projects Committee met today. The shareback to the campus was \$450,000, which included a one-time contribution of \$48,000 to help cover

the shortfall on administrative fees not recovered on student support grants due to the revision of the IDC Policy last year. Proposals submitted through April 30, 2013 are at \$23.7 million and are expected to finish the fiscal year at \$27.5 million. Contracts awarded through April 30, 2013 are at \$6.4 million and are expected to reach \$7.6 million by fiscal year end. Bersi turned the meeting over to Hubbard who shared the details of the two preliminary findings in the recently completed Chancellor's Office Audit which related to the Sponsored Projects area; students traveling by air and close-out procedures on equipment. The findings are being addressed and procedures are being updated. Hubbard stated that the student travel finding was due to a misinterpretation of an executive order regarding foreign vs. domestic flights. He also stated that the close-out procedures for equipment are being amended and formalized for clarification, but emphasized that no UARSC projects have ended with equipment not transferred to the University. The example cited by the auditors included a piece of equipment on the RISE program that has been renewed multiple times and is still ongoing. Bersi reported on the Sponsored Project forecast for 13/14 with awards at \$7.1 million. The drop in expected awards is due to the continuing resolution and sequester causing NIH to cut funding by \$182,000 and the Department of Education by \$92,000. The resolution cuts may be restored based on the passing of the federal budget.

Administration Update

Knoblock reported that UARSC continues to successfully adapt to the organizational changes that began last year. She reported on the Accounting team's move to campus, the effects on staff at the UARSC Central Office, and some resulting operational improvements to processes and paper flow. An additional process improvement to switch to automatic signatures on checks is being explored. Knoblock continues to meet with AVP Hinchman on a monthly basis regarding these transitions. She thanked Board members of the sample group that participated in the organizational effectiveness assessment survey performed by consultant Kent Gibson. VP Hawk recently received the report and Knoblock should have more information to share at the next meeting.

Knoblock reported that with the help of the Procurement Services Director, the Sodexo Agreement has been finalized. Sodexo worked with the campus and UARSC to renegotiate the draft contract once the mandatory meal plan was taken off the table. The major changes to the contract included an extension of the contract out to 20 years, UARSC is now responsible to cover utilities at the USU and a portion of the equipment maintenance costs estimated at \$39,000 annually, and the first commissions to UARSC will be delayed to fiscal year 19/20. Voluntary meal plans will continue to be offered. Knoblock reported on the new food concepts that are in their design phase, which include the much desired Panda Express and an express Jamba Juice station. Starbucks and Campus Coffee will remain at their current locations and the current convenience store and dining services in the Dome will be closed once the new locations in the USU open. Knoblock reported that Sodexo recently launched a new Catering menu, Flavours, and their online ordering system, CaterTrax. Sodexo also recently completed a

customer satisfaction survey which resulted in great feedback. The catering service to campus continues to be refined.

Knoblock reported on the fuel cell license and power purchase agreement project. All three necessary agreements have been executed and the funding piece is moving forward. The project entered into the design phase with a kick-off meeting yesterday. Ed Johnson will be invited to present again at a future Board meeting.

Knoblock reported on the timeline and process of the recently completed Chancellor's Office audit. The informal exit interview was held on May 2, 2013 with the University and the four auxiliaries. She reported two findings for UARSC discussed earlier in the meeting and the findings for the new Foundation. UARSC is preparing its responses and updating its procedures. A preliminary draft report will be provided to the campus prior to the formal exit conference and the final public report.

UARSC is now gearing up to begin its annual Financial Audit with McGladrey & Pullen and a first-time audit by the EDD which will take place in June. Hinojosa provided additional information on the EDD Unemployment Tax audit. She feels confident that UARSC will do well with this audit due to the thorough processes that the Human Resources and Payroll Services Department have in place.

There was discussion regarding student feedback on the Mandatory Meal Plan proposal, current CSUSM Housing, and the Voluntary meal plans that will continue to be offered and refined and have been highly successful at other campuses.

University Update

Ceppi provided the University Report. He reported on a highly successful commencement, with no issues being reported. The campus received a half a million dollar gift from Price charities to launch a new program called Alliance which will be run through the Community Engagement Department. The program will entail formalizing the individual MOUs with the various school districts under one agreement. He shared the success of the current SMUSD Pace Program that has been in place for the past three years. The campus is hopeful that the Alliance program will become a model in the national system.

The May budget revise is expected to hold which will mean \$25 million for the CSU. Ceppi reported on his recent trip to Sacramento and shared that there is much more optimism regarding higher education funding than in the past. The CSU is also asking for \$54 million to fund 15,000 additional students in 13/14. It is not clear whether it will be granted as one-time funding or ongoing revenue. If funding is granted, CSUSM has been given a 4.67% growth target versus the whole CSU system which is at 1.4%. This takes into account the area and the expected increase in veterans at CSUSM during the national troop draw down. Legislature would like to tie higher education funding to performance outcomes for the next three years. There have been discussions regarding

a six-year versus a four-year graduation rate for these performance outcomes as most of the regional student population are also employed full-time and/or have dependents. Ceppi reported that construction on the new Student Union is about 50 days off schedule and there is discussion regarding pushing back both the soft and grand openings. He reported on the upcoming Annual Gala "Mad About CSUSM" which will include a cocktail reception, dinner and dancing, silent and live auctions and great entertainment. Ceppi responded to questions regarding the Master Plan for Higher Education and the regulations on units in degree programs. The Governor has provided \$10 million for online programs and the Chancellor has directed \$7 million to provide for bottlenecked courses, student support services and online programs. Ceppi provided information about tuition discounting versus institutional aid.

Action Items

Quarterly Financial Report 3/31/13

Svatora reviewed the highlights of the financial summary provided. There were no significant changes in liabilities and assets over the prior quarter. He reviewed program revenue activity and reported that grants and contracts are approximately 3% below budget. Bookstore revenues exceeded expectations with fiscal year-end revenues projected at close to \$400,000. Food services revenues were significantly below budget due to transition costs to Sodexo, the unexpected costs absorbed by UARSC as a result of the delayed transition, the renegotiation of zero commissions to UARSC and an unplanned mandatory upgrade to Starbucks equipment. There was discussion regarding the child care center operations and the expected state appropriation funds that will allow UARSC to recover the childcare costs by the end of this fiscal year as well as ongoing childcare costs. He reviewed the various revenue activities which are expected to pick up by the end of the year. Bersi called for questions/discussion. *A motion comes moved and seconded from the Finance and Operations Committee to approve the Quarterly Financial Report ended 03/31/13 as presented. Motion carried.*

13/14 UARSC Operating Budget

Svatora reviewed the proposed 13/14 Operating Budget. Through March 2013, UARSC is under budget at (\$266,000). UARSC is projected to end the year at (\$192,000) versus the budget of \$8,000. Grants and contracts are expected to remain level for 13/14 though the Sponsored Projects Department will be working to increase the award base. He reported on shareback to the University of \$402,000 based on excess IDC revenues collected over the expected administrative costs of \$758,000. UARSC will begin to analyze the costs of all the services that are provided to the campus and identify agreements that need to be updated. He reported on the bookstore commission rate which is contracted to increase when revenues exceed \$4 million annually. The food services agreement with Sodexo will not generate commissions until fiscal year 19/20. UARSC is responsible to cover the utilities costs and some of the equipment maintenance costs in the new USU estimated at \$39,000 annually. Svatora reported on other minor food service/contract revenues received by UARSC and investment income projected at a rate of return of 1¼%. UARSC will also look into additional ways to

increase revenues, other fees that have not been generated in the past, as well as assess current fee agreements. There was discussion regarding possibly changing the way scholarship and endowment administrative fees are collected. This will be brought before the Finance and Operations Committee for consideration as a change to UARSC Policy. He reported an FTE budget reduction to 13.55 from 14.60, with a salary reduction of \$79,868. Operating expenses have also been reduced by \$9,671, primarily in payroll, bank and audit fees. Total operating expenses for 13/14 are budgeted at \$1,546,026. Svatora responded to questions. He stated that there were many extraneous and unexpected one-time expenses that occurred in 12/13 and UARSC is optimistic that the 13/14 budget will fare better. *A motion comes moved and seconded from the Finance and Operations Committee to approve the 13/14 UARSC Operating Budget as presented. Motion carried.*

Adjournment

Bersi announced the next meeting will be held on September 5, 2013, 4:00 p.m. in the Center for Children and Families classroom.

The meeting adjourned by acclamation at 5:28 p.m.

*Respectfully submitted,
Sarah Derho*

I, Dora Knoblock, Secretary, hereby certify that the above Minutes were approved by the University Auxiliary and Research Services Corporation Board of Directors at a regular meeting held on September 6, 2013, at San Marcos, California.

Secretary

Date

ATTACHMENT E

Minutes of the June 26, 2013 Special Meeting



DRAFT

Special Meeting of the Board of Directors

June 26, 2013, 3:30 p.m.

Via Teleconference; Physical Location UARSC Conference Room

Attendees:

Members: Ann Bersi, Chair (via phone), Matthew J. Ceppi (via phone), David Chang (via phone), Tres Conrique (via phone), Linda Hawk (via phone), Colleen Moss (via phone), Graham Oberem (via phone), Camille Schuster (via phone), Ernest Zomalt, Vice Chair (via phone)

Absent: Ken Green, Brandon Losey, Russell Powell, Susan Schnepf

Staff: Sarah Derho (in person), Michelle Hinojosa (in person), Grant Hubbard (via phone), Dora Knoblock (in person), Greg Svatora (in person)

Convening of the Special Meeting

Derho took roll call. A quorum being present, Chair Bersi called the meeting to order at 3:33 p.m.

Action Item

University Funding Requests

Bersi turned the meeting over to Knoblock. Knoblock stated that the auxiliary is here to serve and support the campus. She referenced the summary memo regarding the University funding requests provided prior to the meeting and turned the meeting over to Hawk to provide the details of the request. Hawk stated that on behalf of the President and as Chief Financial Officer of the University, the campus is asking the UARSC Board to approve two funding requests. Since FY 10/11, CSUSM has had its base budget reduced by \$15.4 million, or approximately 15% of the University's total budget. Funding from the state has not kept pace with the needs of a growing campus. For the FY 12/13 budget, the campus looked at a number of one-time resources to cover unfunded programs such as deferred maintenance, employee benefits, the Common Management System, repairs or replacement of furniture in classrooms and technology updates and to reinvest in strategic priorities such as serving students (high demand courses, tutors, etc.) and seed requests.

The first funding request for UARSC Board consideration is in the form of a loan of \$250,000, payable as interest only for the first three years and the principle paid off over a five year period. This loan would be used to help fully fund operational commitments in the current fiscal year and to provide reinvestment funding for strategic priorities as identified by the divisions and recommended by the University Budget Committee to the President. Another campus auxiliary, the San Marcos University Corporation, is also providing a loan to the campus to assist with the severe funding reductions.

The second funding request is a one-time \$75,000 contribution from UARSC out of its working capital reserve to cover the FY 13/14 Campus and Community Relations (CCR) funds. CCR funds have traditionally been provided to the divisions and are used to support campus activities that cannot be funded with state money. Hawk cited employee recognition and professional development events as examples. In prior years, the CCR funds have been provided from the President’s discretionary funds. The campus would like to redirect those discretionary funds this year for the upcoming capital campaign and other university advancement activities. Hawk called for questions.

Discussion ensued regarding due diligence on the part of Board members for these type of requests and the level of prioritization, how the CCR funds will be funded in subsequent years, anticipation of future funding requests by the University, where the loan funds would come from in the UARSC budget, the loan amount provided by the San Marcos University Corporation and what those funds will be used for, and how the loan amount requests were determined. Hawk noted that the campus reviewed all of its expenditures and available sources of revenue and the loan amounts requested was the total deficit identified (\$1.6 million). San Marcos University Corporation has larger reserves than UARSC due to its student housing operations and has sufficient cash to support a larger loan. There was additional discussion about the expectation of future state funding. *Schuster joined the teleconference at 3:50 p.m. Hawk recused herself from the vote and exited the call at 3:51 p.m.*

A motion was made and seconded (Zomalt/Moss) to approve the \$250,000 University loan request with the repayment schedule and interest details identified in the June 25, 2013 memo to the Board of Directors from Executive Director Knoblock. Bersi called for further discussion. None opposed. Motion carried.

A motion was made and seconded (Oberem/Conrique) to approve the University’s reserve allocation request of \$75,000 for FY 13/14 CCR funds as outlined in the June 25, 2013 memo to the Board of Directors from Executive Director Knoblock. Bersi called for further discussion. None opposed. Motion carried.

Adjournment

Bersi announced the next meeting will be held on September 5, 4:00 p.m. at the Center for Children and Families classroom.

The meeting adjourned by acclamation at 3:54 p.m.

*Respectfully submitted,
Sarah Derho*

I, Dora Knoblock, Secretary, hereby certify that the above Minutes were approved by the University Auxiliary and Research Services Corporation Board of Directors at a regular meeting held on September 5, 2013, at San Marcos, California.

Secretary

Date

ATTACHMENT F


Conflict of Interest Acknowledgments

Hard copy to sign will be made available

MEMORANDUM

DATE: August 26, 2013

TO: Board of Directors
University Auxiliary and Research Services Corporation

FROM: Dora Knoblock 
Executive Director

SUBJECT: Conflict of Interest Acknowledgement

As you may know, the California Education Code addresses the monitoring of potential conflicts of interest between UARSC and its Board of Directors. As a result, UARSC has adopted the practice of annually updating its files with regard to this matter.

In accordance with the conflict of interest provisions set forth in Education Code Sections 89906-89909, the only relationships that are specifically deemed **not** permissible are as follows:

- (a) Any contract, other than an employment contract, directly between the UARSC and a UARSC Director.
- (b) Any contracts between UARSC and a partnership or unincorporated association in which a UARSC Director is a partner, or owner, or holder, directly or indirectly, of a proprietorship interest.
- (c) Any contract between UARSC and a for-profit corporation in which a UARSC Director is the owner or holder, directly or indirectly, of 5 percent or more of the outstanding common stock.

Therefore, I would appreciate it if you would review the above and if appropriate, sign and date the acknowledgement below. Statements may be turned in at the first Board meeting of the fiscal year or returned to my office.

I am not now financially interested in any contract or other transaction entered into by the Board of Directors of the University Auxiliary and Research Services Corporation.

Signature

Date

Print Name

CALIFORNIA EDUCATION CODE 89906-89909

89906. FINANCIAL INTEREST PROHIBITION. No member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he is a member, and any contract or transaction entered into in violation of this section is void.

89907. EXCEPTION. No contract or other transaction entered into by the governing board of an auxiliary organization is void under the provisions of Section 89906, nor shall any member of such board be disqualified or deemed guilty of misconduct in office under said provisions, if the circumstances specified in the following subdivisions exist:

- (a) The fact of such financial interest is disclosed or known to the governing board and noted in the minutes, and the governing board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members, and
- (b) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

89908. OTHER PROHIBITED FINANCIAL INTERESTS. The provisions of Section 89907 shall not be applicable if the circumstances specified in any of the following subdivisions exist:

- (a) The contract or transaction is between an auxiliary organization and a member of the governing board of that auxiliary organization.
- (b) The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the governing board of that auxiliary organization is a partner or in which he is the owner or holder, directly or indirectly, of a proprietorship interest.
- (c) The contract or transaction is between an auxiliary organization and a corporation in which any member of the governing board of that auxiliary organization is the owner or holder, directly or indirectly, of five (5) percent or more of the outstanding common stock.
- (d) A member of the governing board of an auxiliary organization is interested in a contract or transaction within the meaning of Section 89906, and without first disclosing such interest to the governing board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction.

89909. UNLAWFUL TO UTILIZE NON-PUBLIC INFORMATION FOR PERSONAL PECUNIARY GAIN. It is unlawful for any person to utilize any information, not a matter of public record, which is received by him by reason of his membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized.

ATTACHMENT G

Quarterly Financial Report 06/30/13

University Auxiliary and Research Services Corporation
Summary of 6/30/13 Financial Statements

Statement of Financial Position (pg 1) and Net Asset Summary (pg 2)

- **Assets:** Total assets at 6/30/13 were \$19,363,261, down approximately \$2.4 million from the 3/31/13 balance of \$21,756,112. Most of the decrease was due to the decrease in cash of \$2.9 million. This was the result of paying down \$1.6 million of the \$3.0 million in A/P liability that existed at 3/31/13; transferring \$860k of ALCI funds to campus at the end of the June quarter, and issuing a \$250k loan to campus which appears as a Notes Receivable on the balance sheet. There was an increase of cash held on behalf of CSUSM Foundation during the quarter of about \$239k to end the quarter at \$7,527,922.
- **Liabilities:** Total liabilities decreased by about \$1.3 million as a result of paying down \$1.6 million in accounts payable as mentioned above and having an increase in the amount of cash due to CSUSM Foundation of \$238k as mentioned above.
- **Net Assets:** Page 2 of the financial statements provides a breakout of the Net Assets shown on Page 1, the Statement of Financial Position. Campus Programs net assets decreased \$691k primarily due to the final close out of ALCI funds transfer to campus. Current year-to-date net operating revenues are (\$260,480) remained at the same level as the 3/31/13 amount of (\$266,069).

Program Revenue Activity Summary (pg 3)

- **Total Grants and Contracts** activity of \$7.5mill from Jul 2012 to Jun 2013, came in slightly below the budget \$7.7 mill for the fiscal year.
- **Campus and Designated Programs** gross revenue activity at Jun 2013 ended at \$2.2 mill for the year vs budget amount of \$3.5 mill. At the end of the year, ALCI revenues received by UARSC during the year of about \$1.5 mill were netted against the expense transfers to the campus per accounting guidelines for financial reporting.
- **The Bookstore and Food Service Operations:** Follett Higher Education Group, the bookstore operator, completed their second year of operating the bookstore and ended the year with \$3.1 mill in gross sales and provided UARSC with a net commission of \$385k vs a budgeted amount of \$344k.

Sodexo, the food service operator, began operating the food services in mid August of 2012 under an interim operating agreement until negotiations on the service contract were finalized. The contract has now been finalized and commissions to UARSC will not begin until FY19/20 in order for Sodexo to recoup their investment of approx. \$1.4 million of tenant improvement costs in the new Student Union building.

Net Operating Revenue Summary (pg 4)

- Net administrative fee recovery from Grants and Contracts came in at the end of the year at \$705k vs a budgeted amount of \$861k. The \$705k matched last year's total, however the budget amount of \$861k did not factor in the federal sequester that occurred during the year and subsequent reductions on some multi-year funded grants.
- Except for food services and investment income, the other service activities providing administrative fee revenues are at or above budget.
- Food Service – Net Operating Revenue. The net revenue of \$(118)k as of June 2013 is the result of not receiving commissions as initially planned of approx. \$33k, a Starbucks equipment upgrade of \$30k, and utilities and other transition costs of approx. \$40k. Going forward, UARSC will be obligated to cover utilities and a portion of equipment maintenance costs that is being estimated at \$39k annually.
- Food Service – Net Contract Revenue represent revenues from our other food service partners, notably Campus Coffee and Pepsi. The revenues of \$117k exceeded the budget amount of \$80k.
- Investment Income of \$6,150 for the year ending June 2013 is net of the market valuation adjustments of the CD and short-term bond investments. Because of the increase in fixed-income interest rates that began in March, the market values of the UARSC CD's and bonds (\$5 million), needed to be adjusted to market by about \$31k during the quarter ended 6/30/13.
- UARSC Operations As of June 2013, UARSC is showing total administrative expenses of \$1,704k, about \$68k over budget due to increased audit fees and organizational transition costs.
- Net Operating Revenues for the year 2013, were (\$260k) vs a budgeted amount of \$8k and is shown on the Statement of Financial Position and Net Asset Summary.

UARSC
Statement of Financial Position
June 30, 2013

	Balance 06/30/13	Balance 03/31/13	Quarter Increase/ (Decrease)	Fiscal Year Increase/ (Decrease)
Assets				
Cash and Short-Term Investments-(UARSC)	\$ 4,398,617	\$ 7,285,674	\$ (2,887,057)	\$ (2,159,081)
Cash and Short-Term Investments-(CSUSMF)	7,527,922	7,289,111	238,811	(648,721)
Accts Receivable-Sponsored Programs	985,878	1,055,230	(69,352)	(4,101)
Other Receivables	326,138	95,482	230,655	283,624
Notes Receivables	250,000	-	250,000	250,000
Inventory - Bookstore	-	-	-	-
Inventory - Food Service	-	-	-	(29,326)
Other Assets	94,147	123,423	(29,277)	(7,084)
CCF-Bldg & Fixtures (Net)	5,557,281	5,648,322	(91,041)	(364,164)
Property & Equipment (Net)	223,278	258,869	(35,591)	(99,616)
Total Assets	\$ 19,363,261	\$ 21,756,112	\$ (2,392,852)	\$ (2,778,470)
Liabilities & Net Assets				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 1,414,897	\$ 3,018,093	\$ (1,603,196)	\$ 109,134
Due to CSUSMF - Cash and Short-Term Invest's	7,527,922	7,289,111	238,811	(648,721)
Deferred Revenue	375,604	417,614	(42,010)	(414,767)
Post-Retiree Health Benefit Accrual	1,483,247	1,413,752	69,495	277,979
Total Liabilities	\$ 10,801,670	\$ 12,138,571	\$ (1,336,900)	\$ (676,375)
Net Assets:				
Unrestricted:				
Operating Reserves	\$ 1,373,194	\$ 1,475,890	\$ (102,696)	\$ (185,773)
Designated Programs	648,062	789,210	(141,147)	19,354
Campus Programs	1,020,256	1,711,318	(691,064)	(1,327,475)
Current Year Net Asset Activity	(260,480)	(266,069)	5,588	(144,421)
CCF-Bldg & Fixtures	5,557,281	5,648,322	(91,041)	(364,164)
Equipment	223,278	258,869	(35,591)	(99,616)
Total Unrestricted Net Assets	\$ 8,561,591	\$ 9,617,541	\$ (1,055,951)	\$ (2,102,095)
Temporarily Restricted	-	-	-	-
Permanently Restricted	-	-	-	-
Total Net Assets	\$ 8,561,591	\$ 9,617,541	\$ (1,055,951)	\$ (2,102,095)
Total Liabilities & Net Assets	\$ 19,363,261	\$ 21,756,112	\$ (2,392,852)	\$ (2,778,470)

UARSC
Net Asset Summary Detail
June 30, 2013

Unrestricted Net Assets	Balance 6/30/13	Balance 3/31/13	Quarter Increase/ (Decrease)	Fiscal Year Increase/ (Decrease)
Operating Reserves				
Audit Disallowance	\$ 350,000	\$ 350,000	\$ -	\$ (159,168)
Commercial Operations	200,000	200,000	-	3,968
Capital Equipment Replacement	-	-	-	(75,001)
Lease/Loan Contingency	-	-	-	(45,001)
Working Capital	467,266	510,031	(42,765)	43,722
Capital Development	355,928	415,859	(59,931)	45,705
Total Operating Reserves	\$ 1,373,194	\$ 1,475,890	\$ (102,695)	\$ (185,773)
Designated Programs				
Inventories-Food Service	-	-	-	(29,326)
Other Designated Programs	648,062	789,210	(141,148)	48,681
Total Designated Programs	\$ 648,062	\$ 789,210	\$ (141,148)	\$ 19,355
Campus Programs	1,020,256	1,711,318	(691,062)	(1,327,473)
CCF Bldg & Fixtures	5,557,281	5,648,322	(91,041)	(364,164)
Equipment	223,278	258,869	(35,591)	(99,616)
Current Year Net Asset Activity	(260,480)	(266,069)	5,589	(144,421)
Total Other Net Assets	\$ 6,540,335	\$ 7,352,441	\$ (812,105)	\$ (1,935,674)
TOTAL UNRESTRICTED NET ASSETS	\$ 8,561,591	\$ 9,617,541	\$ (1,055,948)	\$ (2,102,092)

UARSC
Program Revenue Activity Summary
7/1/12 to 6/30/13

Program Activity	Annual Budget FY 12/13	Quarter 4 4/1/13 - 6/30/13			Fiscal Year To Date 7/1/12 - 6/30/13			Comparison of Prior FYTD Actual to Current FYTD Actual				
		Budget	Actual	Variance	Budget	Actual	Variance	Prior FYTD 6/30/2012	Current FYTD 6/30/2013	% Inc. (Dec.)	% of Prior Year	
Grants/Contracts												
Federal	\$ 5,570,640	\$ 1,392,660	\$ 1,793,346	\$ 400,686	\$ 5,570,640	\$ 6,330,944	\$ 760,304	\$ 6,264,398	\$ 6,330,944	1%	101%	
State/Private/Other	2,166,360	541,590	137,724	(403,866)	2,166,360	1,196,115	(970,245)	1,324,280	1,196,115	-10%	90%	
Total Grants/Contracts	\$ 7,737,000	\$ 1,934,250	\$ 1,931,070	\$ (3,180)	\$ 7,737,000	\$ 7,527,059	\$ (209,941)	\$ 7,588,678	\$ 7,527,059	-1%	99%	
Campus/Designated Programs	\$ 3,500,000	\$ 875,000	\$ (443,958)	\$ (1,318,958)	\$ 3,500,000	\$ 2,223,838	\$ (1,276,162)	\$ 3,870,596	\$ 2,223,838	-43%	57%	
Total Program Revenues	\$ 11,237,000	\$ 2,809,250	\$ 1,487,112	\$ (1,322,138)	\$ 11,237,000	\$ 9,750,897	\$ (1,486,103)	\$ 11,459,274	\$ 9,750,897	-15%	85%	

UARSC
Net Operating Revenue Summary
4/1/13 - 6/30/13

Revenue	Annual Budget FY 12/13	Quarter 4 4/1/13 - 6/30/13			Fiscal Year To Date 7/1/12 - 6/30/13			Comparison of Prior FYTD Actual to Current FYTD Actual			
		Budget	Actual	Variance	Budget	Actual	Variance	Prior FYTD 6/30/12	Current FYTD 06/30/13	% Change	% of Prior Yr Balance
Grant/Contract Admin Fees	\$ 1,257,000	\$ 314,250	\$ 299,124	\$ (15,126)	\$ 1,257,000	\$ 1,155,526	\$ (101,474)	\$ 1,140,868	\$ 1,155,526	1%	101%
Less: Unallowance Reserve	-	-	-	-	-	-	-	(128,223)	-	-100%	0%
Less: University Sharing	(396,000)	-	-	-	(396,000)	(449,923)	(53,923)	(384,316)	(449,923)	17%	117%
Net Grant/Contract Admin Fees	\$ 861,000	\$ 314,250	\$ 299,124	\$ (15,126)	\$ 861,000	\$ 705,603	\$ (155,397)	\$ 628,329	\$ 705,603	12%	112%
Admin Fees - Campus Programs	175,000	43,750	3,769	(39,981)	175,000	216,737	41,737	255,641	216,737	-15%	85%
Admin Fees - Endowments	80,000	20,000	20,383	383	80,000	79,847	(153)	70,018	79,847	14%	114%
Bookstore Net Revenue	344,000	34,500	34,708	208	344,000	385,152	41,152	350,058	385,152	10%	110%
Food Service - Net Oper Revenue/Commissions	12,000	3,000	(8,243)	(11,243)	12,000	(118,178)	(130,178)	(82,222)	(118,178)	44%	144%
Food Service - Net Contract Revenue	80,000	20,000	49,426	29,426	80,000	117,038	37,038	65,471	117,038	0%	0%
Investment Income	45,000	11,250	(26,215)	(37,465)	45,000	6,150	(38,850)	45,308	6,150	-86%	14%
Leases/Mgmt Fees/Support	47,000	11,750	12,894	1,144	47,000	51,576	4,576	53,321	51,576	-3%	97%
Total Revenue	\$ 1,644,000	\$ 458,500	\$ 385,847	\$ (72,653)	\$ 1,644,000	\$ 1,443,926	\$ (200,074)	\$ 1,385,924	\$ 1,443,926	4%	104%
Expenses: UARSC Operations	\$ 1,636,000	\$ 409,000	\$ 380,260	\$ 28,740	\$ 1,636,000	\$ 1,704,407	\$ (68,407)	\$ 1,550,807	\$ 1,704,407	10%	110%
Net Operating Revenues	\$ 8,000	\$ 49,500	\$ 5,588	\$ (43,912)	\$ 8,000	\$ (260,480)	\$ (268,480)	\$ (164,883)	\$ (260,480)	58%	158%

ATTACHMENT H

**Proposed 13/14 Compensation
Administration Guidelines**



COMPENSATION ADMINISTRATION GUIDELINES **Effective July 1, 2013 – June 30, 2014**

The UARSC Board approves the following wage increase guidelines for UARSC Regular Sponsored Project employees¹ subject to Principal Investigator approval and the availability of project funds (grant and contract funded employees only). UARSC Regular non-Sponsored Project employees are not eligible for increases in Fiscal Year 13/14. Salary adjustments are available for sponsored project employees but are subject to the following guidelines:

Wage increase not to exceed 5.0 percent

- a. All adjustments will be calculated as a percentage of current annual gross wages and must be submitted on an Employment Authorization Form (EAF).
- b. Increases will not be granted without the completion of an annual performance appraisal in the past year. Annual performance appraisals are completed either on a fiscal year basis, project year basis, or position anniversary date. The annual performance appraisal schedule will be decided by the Principal Investigator or Department Director and will communicate this schedule to the UARSC Director, Human Resources.
- c. Employees with a score of less than 3.00 (below expectations) on their annual performance appraisal will not be eligible for a performance based adjustment.
- d. Employees with less than 6 months of service during the performance appraisal period will not be eligible for a wage increase. This will only apply to annual performance appraisals completed on a fiscal year or project year basis.
- e. Any employee determined to be significantly above the market rate for their position (15% or greater), will be excluded from receiving a wage increase.

All forms are available on UARSC's website at www.csusm.edu/uarsc.

¹ The following categories are not covered by these guidelines: Student Assistant, Graduate Assistant, and University Faculty.

UARSC COMPENSATION GUIDELINES SINCE FY 2003-04

	2003 - 04		2004 - 05		2005 - 06		2006 - 07		2007 - 08	
	GSI	Perf.	GSI	Perf.	GSI	Perf.	GSI	1 Perf.	GSI	2 Perf.
UARSC Admin/Commercial Projects/Grants	0.00%	0.00%	2.00%	0.00%	2.50%	0.00%	2.70%	0.00%	2.50%	2.50%
	3.50%	0.00%	2.00%	3.00%	2.50%	0.00%	2.70%	0.00%	2.50%	2.50%

	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 -- 13
	3All Performance	Performance	Performance	Performance	Performance
UARSC Admin/Commercial Projects/Grants	Up to 5%	0.00%	0.00%	0.00%	0.00%
	Up to 5%	Up to 5%	Up to 5%	Up to 5%	Up to 5%

¹Performance based adjustment subject to available funding; no guideline given

²Created performance based adjustment table for 2007-08; reverted back to performance based adjustment maximum

³Began "performance only" policy; modified performance adjustment table

ATTACHMENT I

Ratification of UARSC Operating Agreement Revision

**OPERATING AGREEMENT
BETWEEN CALIFORNIA STATE UNIVERSITY SAN MARCOS
AND UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION**

This agreement is made and entered into by and between the Chancellor of the California State University on behalf of the Board of Trustees (CSU) and **UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION (UARSC)**. The term of this agreement shall be July 1, 2013 through June 30, 2018 unless sooner terminated as herein provided.

1. PURPOSE

The purpose of this agreement is to set forth the terms and conditions under which Auxiliary may operate as an auxiliary organization pursuant to Education Code Sections 89900 et seq. and Sections 42400 et seq. of Title 5 of the California Code of Regulations (CCR). In entering this agreement, CSU finds that certain functions important to its mission are more effectively accomplished by the use of an auxiliary organization rather than the usual state procedures.

2. PRIMARY FUNCTION OF THE AUXILIARY

In consideration of receiving recognition as an official auxiliary organization of the CSU, Auxiliary agrees, for the period covered by this agreement, that its primary activity generally can be classified as *(select no more than two of the activities from the list below)*:

- Research, Workshops, Institutes, Conferences
- Commercial

In carrying out this activity, the Auxiliary engages in the following functions authorized by Section 42500, Title 5, CCR, which are activities essential and integral to the educational mission of the University:

1. Bookstores, Food Services, and Campus Services
2. Child Care Center
3. Supplementary Health Services
4. Loans, Scholarships, Grants-in-Aids, Stipends, and Related Financial Assistance
5. Externally Funded Projects Including Research, Workshops, Conferences, and Institutes
6. Instructionally related Programs and activities, including Agriculture, Athletics, Radio and Television Stations, Newspapers, Films, Transportation, Printing and other Instructionally Related Programs and Activities
7. Alumni Programs
8. Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities

Auxiliary further agrees to receive and apply exclusively the funds and properties coming into its possession toward furthering these purposes. Prior to initiating any additional functions, Auxiliary agrees to amend the existing operating agreement.

3. CAMPUS OVERSIGHT AND OPERATIONAL REVIEW

The responsibility and authority of the campus President regarding auxiliary organizations is outlined in Title 5 Section 42402, which in part requires that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. The campus President has been delegated authority by the CSU Board of Trustees (Standing Orders Section IV) to carry out all necessary functions for the operation of the campus. The operations and activities of Auxiliary under this agreement shall be integrated with campus operations and policies established by the President and shall be overseen by the campus Chief Financial Officer or designee so as to assure compliance with objectives stated in Title 5 Section 42401.

Auxiliary agrees to assist the Chief Financial Officer and his or her designee in carrying out the compliance and operational reviews required by applicable Executive Orders and related policies.

4. OPERATIONAL COMPLIANCE

Auxiliary agrees to maintain and operate its organization in accordance with all applicable laws, regulations and policies promulgated by the Federal Government, the State, Chancellor and Campus on which the Auxiliary operates. Failure of Auxiliary to comply with any term of this agreement may result in the removal, suspension or placing on probation of Auxiliary as an auxiliary organization in good standing. Such action by CSU may involve the limitation or removal of Auxiliary's right to utilize the resources and facilities of Campus (ref. Title 5, CCR, 42406).

5. CONFLICT OF INTEREST

No officer or employee of the CSU shall be appointed or employed by Auxiliary if such appointment or employment would be incompatible, inconsistent or in conflict with his or her duties as a CSU officer or employee.

6. EXPENDITURES AUGMENTING CSU APPROPRIATIONS

With respect to expenditures for public relations or other purposes which would serve to augment appropriations for CSU operations, Auxiliary may expend funds in such amount and for such purposes as are approved by Auxiliary's governing body. Auxiliary shall file, as **Attachment 1** to this Agreement, a statement of Auxiliary's policy on accumulation and use of public relations funds. The statement shall include the policy and procedures for solicitation of funds, the purposes for which the funds may be used, the allowable expenditures and procedures of control.

7. FISCAL AUDITS

Auxiliary agrees to comply with CSU policy and the provisions of Section 42408 of Title 5, CCR regarding fiscal audits. All fiscal audits shall be conducted by auditors meeting the guidelines established the Integrated CSU Administrative Manual (ICSUAM).

The campus Chief Financial Officer shall submit to the Chancellor's Office (see Notices below) the written evaluation of the external audit firm selected by the Auxiliary. This review must be conducted annually and prior to entering into an engagement letter with an external audit firm. If the Auxiliary has not changed auditor and the audit firm was previously subjected to this review only a limited review need be submitted.

9. CHANGE OR MODIFICATION OF CORPORATE STATUS

Auxiliary shall provide notice to the CSU upon any change in Auxiliary's legal, operational or tax status including but not limited to changes in Articles of Incorporation, bylaws, tax status, bankruptcy, dissolution or change in name.

10. FAIR EMPLOYMENT PRACTICES

In the performance of this agreement, and in accordance with Government Code 12900 et. seq., Auxiliary shall not deny employment opportunities to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation or veteran's status. Auxiliary shall adopt employment procedures consistent with the policy statement on nondiscrimination and affirmative action in employment adopted by the CSU.

11. DISPOSITION OF ASSETS

Attached hereto as Attachment 2 is a copy of Auxiliary's Constitution or Articles of Incorporation (as applicable) which establishes that upon dissolution of Auxiliary, the net assets other than trust funds shall be distributed in accord with Section 42600, Title 5, CCR. For the period covered by this agreement, Auxiliary agrees to maintain this provision as part of its Constitution or Articles of Incorporation. In the event Auxiliary should change this provision to make other dispositions possible, this agreement shall terminate as of the date immediately preceding the date such change becomes effective and all net assets shall become the property of CSU.

Alternatively, upon termination or breach of this agreement, CSU, at its sole discretion, may require Auxiliary to transfer all assets in its possession to a successor nonprofit corporation qualifying as an auxiliary organization. This remedy shall be in addition to any other remedies available to CSU upon termination or breach of this agreement.

12. USE OF CAMPUS FACILITIES

Auxiliary may use those facilities identified for its use in a lease agreement executed between Campus and Auxiliary.

Auxiliary may use Campus facilities and resources for research projects and for institutes, workshops, and conferences only when such use does not interfere with the instructional program of Campus and upon the written approval from appropriate Campus administrators with such specific delegated authority. Auxiliary shall reimburse Campus for costs of any such use.

13. DISPOSITION OF NET EARNINGS

Auxiliary agrees to comply with CSU and Campus policy on expenditure of funds including, but not limited to, CSU guidelines for the disposition of revenues in excess of expenses and CSU policies on maintaining appropriate reserves.

14. ACCEPTANCE, ADMINISTRATION, AND USE OF GIFTS

Auxiliary agrees, if authorized to do so in Section 2 above, that it will accept and administer gifts, grants, contracts, scholarships, loan funds, fellowships, bequests, and devises in accordance with policies of CSU and Campus.

A. Delegation of Authority to Accept Gifts

If authorized, Auxiliary may evaluate and accept gifts, bequests and personal property on behalf of CSU. In acting pursuant to this delegation, due diligence shall be performed to ensure that all gifts accepted will aid in carrying out the CSU mission as specified in Education Code Sections 89720 and 66010.4(b).

B. Reporting Standards

Gifts shall be recorded in compliance with the Council for Advancement and Support of Education and California State University reporting standards and shall be reported to the Chancellor's Office on an annual basis in accordance with Section 89720 of the Education Code.

C. Donor Rights

All donors of gifts, bequests and personal property shall be treated openly and fairly in accordance with the "Donor Bill of Rights" found at:
<http://www.calstate.edu/foundation/donor.shtml>.

15. INDEMNIFICATION

Auxiliary agrees to indemnify, defend and save harmless the CSU, its officers, agents, employees and constituent campuses (all of which are hereafter referred to as "CSU") from any and all loss, damage, or liability that may be suffered or incurred by CSU, caused by, arising out of, or in any way connected with the operation of Auxiliary as an auxiliary organization.

16. INSURANCE

Auxiliary shall maintain insurance protecting the CSU and Campus as provided in this section. CSU's Systemwide Office of Risk Management shall establish minimum insurance requirements for Auxiliaries, based on the insurance requirements described in Technical Letter RM "RM 2011-04" or its successor then in effect. Auxiliary agrees to maintain at least these minimum insurance requirements.

Auxiliary's participation in a coverage program of the California State University Risk Management Authority (CSURMA) shall fully comply with the insurance requirement for each type of required coverage (which may include but not be limited to, general liability, auto liability, directors and officers liability, fiduciary liability, professional liability, employer's liability, pollution liability, workers' compensation, fidelity, property and any other coverage necessary based on Auxiliary's operations). Auxiliary shall ensure that CSU and campus are scheduled as additional insured or loss payee as its interests may appear.

17. NOTICES

All notices required to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail, certified and postage prepaid and addressed to all parties as provided below.

Notice to Auxiliary shall be addressed as follows:

*Executive Director
California State University San Marcos
University Auxiliary Research Services Corporation
435 East Carmel Street
San Marcos, CA 92078*

Notice to the CSU shall be addressed to:

Trustees of the California State University
401 Golden Shore
Long Beach, California 90802
Attention: Director, Contract Services & Procurement

Notice to the Campus shall be addressed as follows:

*Procurement, Contracts & Support Services
California State University San Marcos
333 South Twin Oaks Valley Road
San Marcos, CA 92096-0001*

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto.

Approved: *July 1, 2013*

California State University San Marcos

By *Karen S. Haynes*
Dr. Karen S. Haynes
President

Executed on *July 1, 2013*

University Auxiliary Research Services Corporaion

By *Dora Knoblock*
Dora Knoblock
Executive Director

Executed on

July 1, 2013

California State University
Office of the Chancellor
Contract Services and Procurement

By *Sam Raker*

ATTACHMENT J

Revision to Current Joint Audit Committee Charge
All CSUSM Auxiliaries

**University Auxiliary and Research Services Corporation
San Marcos University Corporation
California State University San Marcos Foundation
Associated Students Inc.**

Joint Audit Committee Charge

Background and Purpose

The Joint Audit Committee (“the Committee”) oversees internal financial control practices, corporate compliance activities, and outside auditors for the Boards of Directors of the University Auxiliary and Research Services Corporation (“UARSC”), the San Marcos University Corporation (“UCorp”), the California State University San Marcos Foundation (“Foundation”) and Associated Students Inc. (“ASI”) respectively. A joint committee has been formed to take advantage of efficiencies available with respect to use of time from staff and Board members, as well as costs of outside auditing to the CSUSM auxiliaries.

Delegation of Authority and Responsibility

The Boards delegate to the committee the responsibility to accomplish the following:

- Review and assess the adequacy of the charge and recommend any proposed changes to the Boards of UARSC, UCorp, the Foundation and ASI.
- Participate in the selection of the external auditor.
- Review policies and procedures as needed for the purpose of assuring the adequacy of internal controls and financial operating procedures.
- Review the annual audited financial statements with the outside auditors, including any issues encountered in conducting the audit and make a recommendation to the respective auxiliary boards for acceptance.
- Review the annual informational Federal Form 990s, as prepared by the contracted auditors in conjunction with the annual financial audit, and make a recommendation to the respective auxiliary boards for adoption.
- Review and discuss any management letter or any communication letters provided by the outside auditor and responses provided by management.
- Report to the respective auxiliary Boards and make recommendations to the Boards periodically on matters within its responsibility.
- Initiate special sessions for purposes of private discussion with the outside auditors or any member of management or the auxiliary Boards as required by special and/or unusual circumstances or events.

- Report to the respective auxiliary Boards as situations require, such matters as conflict of interest, private inurement or other insider transactions, the use of the organization's funds for illegal payment, and any other questionable practices that may come to the Committee's attention.
- Inform the respective Boards of developments in accounting principles that will affect the auxiliaries, as well as relevant rulings by the IRS and other regulatory bodies.

Audit Committee Membership

The Committee will be composed of at least four members; one UARSC Board member, one UCorp Board member, one Foundation Board member and one ASI Board member. The Committee may include additional auxiliary Board members or persons who are non-auxiliary Board members as appropriate. Each auxiliary shall appoint members annually. The Chair of the Committee will not be a member of a finance committee of their respective Board. The Committee will not include members of auxiliary or University staff, though staff members are permitted to attend meetings. At the end of each meeting, time will be provided in which the Committee may converse separately with the auditors without the presence of staff.

A quorum will consist of 50% of the committee.

Meetings

The Committee will meet at least three times per year: prior to audit work beginning, to receive the annual financial audit reports and to review the Form 990s. Ad hoc additional meetings will be held as required by circumstances that may arise.

Revision approved by JAC Committee on 08/13/13
 Revision approved by the CSUSM Foundation (philanthropic) Board of Directors on 6/9/10
 Revision approved by the UARSC Board of Directors on 5/27/10
 Revision approved by the ASI Board of Directors on 5/24/10
 Revision approved by the San Marcos University Corporation Board of Directors on 4/14/10
 Revision approved by the UARSC Board of Directors on 3/25/10
 Revision approved by the new CSUSM Foundation (philanthropic) Board of Directors on 3/12/10
 Name change revision only (CSUSM Foundation to UARSC) 7/09
 Revision approved by the CSUSM Foundation (UARSC) Board of Directors on 8/24/06
 Revision approved by the San Marcos University Corporation Board of Directors on 7/12/06
 Approved by the CSUSM Foundation (UARSC) Board of Directors on 5/26/05
 Approved by the San Marcos University Corporation Board of Directors on 4/20/05

ATTACHMENT K

Revision to New Joint Audit Committee Charge
UARSC & ASI only, effective date tbd

University Auxiliary and Research Services Corporation Associated Students Inc.

Approved by Joint Audit Committee on 08/13/13 - UARSC/ASI only

This revision (removing the UCorp and Foundation auxiliaries), will become effective on 1/1/14 or at such time, before or after, that UCorp and Foundation have established and staffed their new separate audit committees.

Joint Audit Committee Charge

Background and Purpose

The Joint Audit Committee (“the Committee”) oversees internal financial control practices, corporate compliance activities, and outside auditors for the Boards of Directors of the University Auxiliary and Research Services Corporation (“UARSC”), and Associated Students Inc. (“ASI”) respectively. A joint committee has been formed to take advantage of efficiencies available with respect to use of time from staff and Board members, as well as costs of outside auditing to the auxiliaries.

Delegation of Authority and Responsibility

The Boards delegate to the committee the responsibility to accomplish the following:

- Review and assess the adequacy of the charge and recommend any proposed changes to the Boards of UARSC and ASI.
- Participate in the selection of the external auditor.
- Review policies and procedures as needed for the purpose of assuring the adequacy of internal controls and financial operating procedures.
- Review the annual audited financial statements with the outside auditors, including any issues encountered in conducting the audit and make a recommendation to the respective auxiliary boards for acceptance.
- Review the annual informational Federal Form 990s, as prepared by the contracted auditors in conjunction with the annual financial audit, and make a recommendation to the respective auxiliary boards for adoption.
- Review and discuss any management letter or any communication letters provided by the outside auditor and responses provided by management.
- Report to the respective auxiliary Boards and make recommendations to the Boards periodically on matters within its responsibility.
- Initiate special sessions for purposes of private discussion with the outside auditors or any member of management or the auxiliary Boards as required by special and/or unusual circumstances or events.
- Report to the respective auxiliary Boards as situations require, such matters as conflict of interest, private inurement or other insider

transactions, the use of the organization's funds for illegal payment, and any other questionable practices that may come to the Committee's attention.

- Inform the respective Boards of developments in accounting principles that will affect the auxiliaries, as well as relevant rulings by the IRS and other regulatory bodies.

Audit Committee Membership

The Committee will be composed of at least four members. Two will be UARSC Board members and two will be ASI Board members. The Committee may include additional auxiliary Board members or persons who are non-auxiliary Board members as appropriate. The auxiliaries shall appoint members annually. The Chair of the Committee will not be a member of a finance committee of their respective auxiliary. The Committee will not include members of auxiliary or University staff, though staff members are permitted to attend meetings. At the end of each meeting, time will be provided in which the Committee may converse separately with the auditors without the presence of staff.

A quorum will consist of 50% of the committee

Meetings

The Committee will meet at least three times per year: prior to audit work beginning, to receive the annual financial audit reports and to review the Form 990s. Ad hoc additional meetings will be held as required by circumstances that may arise.

Revision for UARSC/ASI only approved by JAC Committee on 08/13/13, effective date tbd
Revision approved by JAC Committee on 08/13/13
Revision approved by the CSUSM Foundation (philanthropic) Board of Directors on 6/9/10
Revision approved by the UARSC Board of Directors on 5/27/10
Revision approved by the ASI Board of Directors on 5/24/10
Revision approved by the San Marcos University Corporation Board of Directors on 4/14/10
Revision approved by the UARSC Board of Directors on 3/25/10
Revision approved by the new CSUSM Foundation (philanthropic) Board of Directors on 3/12/10
Name change revision only (CSUSM Foundation to UARSC) 7/09
Revision approved by the CSUSM Foundation (UARSC) Board of Directors on 8/24/06
Revision approved by the San Marcos University Corporation Board of Directors on 7/12/06
Approved by the CSUSM Foundation (UARSC) Board of Directors on 5/26/05
Approved by the San Marcos University Corporation Board of Directors on 4/20/05