



Minutes

Trustees Present: Greg Anton (chair), Maia Babbs, Brenda Campos-Spitze, Prateek Dutta, Fritz Fischer, Steve Jordan, Annette Martinez

Trustees Absent: Dick Monfort, Keegan Bradley

University Staff Present: Andy Feinstein, Jennifer Almquist, Darren Dunn, Tamra English, Kirsty Fleming, Robert Hepperle, Britney Kyle, Leila McCamey, Blaine Nickeson, Dale Pratt, Lori Riley, Allie Steg Haskett

I. Call to Order / Roll / Approval of Agenda

Finance and Audit Committee Chair Greg Anton called the meeting to order at 2:30 p.m. General Counsel Tamra English noted the roll.

A motion to approve the agenda was made by Trustee Steve Jordan and seconded by Trustee Maia Babbs. The agenda was approved by all board members in attendance.

II. Welcome and Update

Feinstein began by outlining agenda items to include updates on UNC's internal audit risk assessment process in partnership with an outside firm, Eide Bailly, which helped identify the most critical risks to fulfilling our strategic plan and mission. He noted the results of the internal audit of the Human Resources department focused on workforce management operations and the details will be presented today along with next steps for process improvements in response to the audit. Feinstein also noted that Vice President Dale Pratt will present the unaudited financial statements from FY2024 and the first quarter forecast for FY2025 showing an overall stable financial position in the conclusion of the last fiscal year. He noted that budget planning for the next fiscal year is underway and staff from the budget office have been meeting with unit leaders to support planning. Feinstein also stated that the outlook for next year includes assumptions, including what we anticipate will be the level of support from

the state and the associated tuition increases needed to cover any gap. He noted that the budget proposed by the governor is well below what the institutions of higher education need to maintain current services levels. Feinstein noted that there will be further discussion of these items at the full board meeting tomorrow. He also noted that a Budget Town Hall is scheduled for early February where an update of the university's current financial health and budget outlook will be provided.

III. Discussion Items

A. Internal Audit Risk Assessment Update

Vice President Pratt invited Associate Vice President Blaine Nickeson and Assistant Vice President Robert Hepperle to discuss the Eide Bailly internal audit risk assessment process and report.

Nickeson summarized the university's comprehensive risk assessment process, noting that one of the first areas identified for further review was the university's human resources processes, and he outlined UNC's engagement with Eide Bailly. Hepperle spoke in more detail about the review, which examined the integration and effectiveness of the university's human resource functions. He outlined the audit's seven findings and the planned management responses. Nickeson and Hepperle outlined trends, forecasts, stakeholders, and next steps in the audit process. Nickeson noted that the next internal audit would focus on enrollment trends.

Discussion included whether the audit findings were applicable across employee groups, prioritization of future internal audits, and how the risks outlined are related to best practices and reduction of gaps. Trustee Jordan asked for an update on incorporation of master level students in the internal university audit processes.

B. FY24 Preliminary Financial Statements

Pratt invited Assistant Vice President Leila McCamey to present the FY2024 preliminary financial statements. McCamey noted that the current financial audit is still in process and will be completed in the next few weeks. She also noted the university is working with a new audit firm, Crowe, LLP. McCamey reviewed highlights of the FY2024 financial results to include cash balances, receivables, notes payable, escrow interest, College Opportunity Fund (COF) updates, and state funding for higher education projects.

Discussion included audit requirements for the funds held in escrow for the proposed UNC College of Osteopathic Medicine (UNC COM), the use of College Opportunity Fund (COF) resources and changes that could affect students, and

overall financial reporting to distinguish the UNC COM funds.

C. FY24 Annual Debt Management Report and Composite Financial Index

Pratt invited McCamey to present the debt management report. McCamey noted that the only significant increase to the debt was related to the Arlington Park roofing project, but there was an overall reduction in debt. She also summarized UNC's FY2024 debt portfolio, ratio analysis, peer comparisons, debt monitoring process, and spoke about the Composite Financial Index (CFI) tool which is used to monitor overall financial health over time. She stated that UNC's CFI is strong, which indicates an improving financial condition, and noted that the strong performance by the UNC Foundation contributed to the university's overall financial health. Pratt noted that UNC is currently rated as an A3 institution, and currently listed at a stable outlook and we continue to monitor the factors.

Discussion included the process of monitoring financial health, how escrow cash is calculated in the ratios, and the overall impact on the university's credit rating. McCamey noted that escrow cash is not a factor in calculating the CFI because it does not impact the university's net position. Discussion also included how best to present UNC Foundation financial information.

D. FY25 Q1 Forecast

Pratt presented the forecast for the first quarter of the current fiscal year. He noted a variance in revenue due to slightly lower enrollment than previously projected, which also impacted room and board revenue. He also noted a variance from the original budget due to lower than projected oil and gas prices and interest rates.

Pratt reviewed cash balances, operating budget variances, tuition, room and board discounting, expenses, capital investments, and factors that affect cash balances. He noted that variances also include enrollment revenue, changes in financial aid awards, and state financial aid support. He stated that retention rates have increased over the past few years and there is a positive outlook for undergraduate tuition and fee revenue. Pratt also pointed out significant changes in the COF amounts from the state.

Discussion included short and long-term enrollment projections and strategies, funding for strategic initiatives, current and projected campus size, and housing occupancy projections. Pratt noted that enrollment projections are conservative and also take into account the proposed UNC College of Osteopathic Medicine enrollment, which would likely increase enrollment in other parts of the institution. Trustees also discussed enrollment projections, and Provost Fleming spoke about

the synergies as a result of the recent move of the Office of Enrollment Management to the Division of Academic Affairs

E. Fiscal 2025-26 (FY26) Financial Drivers and Outlook

Pratt began with an overview of assumptions in the FY2026 outlook, including those for enrollment, retention data, tuition and fee rates, housing occupancy, personnel expenses, and state funding projections. He noted that planning is underway with university units to further refine budget planning, including consideration of expense reductions as needed. He noted that the updated financial information will be presented at the February 2025 Finance and Audit Committee meeting, a formal budget review will be available at the May 2025 Finance and Audit Committee meeting, and a final budget proposal will be presented at the June 2025 Regular Board of Trustees meeting.

Pratt also spoke about projected state funding levels in the next fiscal year and the projected gap between the governor's recommended budget and forecasted base core minimum costs. President Feinstein noted that institutions of higher education made a request to the Joint Budget Committee of a general fund increase of \$80.2M and authority for a 2.7% tuition rate increase for resident undergraduates in order to continue delivering on commitments to students.

Discussion included workforce development, base core minimum costs, state budget challenges, higher education funding challenges, the importance of working with other Colorado higher education institutions to present a unified request to the Joint Budget Committee, and strategies for engaging legislators on the topic of state investment in higher education.

IV. Adjourn

With no further discussion or business Chair Anton asked for a motion to adjourn the meeting. A motion to adjourn was made by Trustee Martinez, seconded by Trustee Babbs and approved by all Board members in attendance. The meeting was adjourned at 4:56 p.m.