

**ASSOCIATED STUDENTS UCLA  
BOARD OF DIRECTORS**

**Finance Committee**

January 23, 2015

9:00 a.m.

Kerckhoff Hall 152

**PRESENT:** Mike Anderson, Carly Calbreath, CJ Gabbe, Agnes Warren, and Bob Williams

**MANAGEMENT:** Donna Baker, Finance Director  
Robin Broudy-Johns, UCLA Store Operations Director  
Roy Champawat, Student Union Director  
Sandi Gillespie, Association Affairs Manager  
Dave Hager, Director of Business Affairs  
Patrick Healey, UCLA Store General Manager/Director  
Apparel/Accessories/LuValle Commons/Health Sciences Store

**GUESTS:** Jill Tregillis-Bacon, PricewaterhouseCoopers LLP  
Sam Hoff, Daily Bruin  
Jango Sircus, PricewaterhouseCoopers LLP  
Arvli Ward, Student Media Director

**CALL TO ORDER**

Mr. Gabbe called the meeting to order at 9:01 a.m.

**APPROVAL OF AGENDA**

Mr. Williams made a motion, seconded by Mr. Gabbe that the following amendments be made to the agenda:

1. Delete the Communications Board Finance Committee Discussion
2. Table the Food Service POS action item
3. Add the Communications Board November 2014 Financial Statements

Mr. Gabbe called for consent to approve the Associated Students UCLA Board of Director's Finance Committee, January 23, 2015 Agenda as amended. There being no objections, the motion was approved by unanimous consent.

**APPROVAL OF MINUTES**

Mr. Gabbe called for consent to approve the Associated Students UCLA Board of Directors Finance Committee November 21, 2014 Minutes. There being no objections, the motion was approved by unanimous consent.

Approved: February 20, 2015

## **EXTERNAL AUDITOR'S REPORT**

Ms. Baker introduced Jill Tregillis-Bacon and Jango Sircus from PricewaterhouseCoopers, who discussed the audit of FY 13-14 financial statements.

Ms. Tregillis-Bacon reviewed required communications to the Finance Committee including auditors' responsibility under Generally Accepted Auditing Standards; management's responsibilities; and any pertinent findings - such as potential audit adjustments, material uncertainties or disagreements with management, any significant difficulties encountered during the audit; and the existence of any fraud or illegal acts - of which none were encountered during this year's audit.

Ms. Tregillis-Bacon explained that although all the Associated Students entities received clean reports, or unqualified opinions, the audit team did identify a deficiency regarding internal control over financial reporting with the Communications Board that they consider being a material weakness.

Mr. Williams asked what liability ASUCLA has when signing the opinion letters for each entity. Ms. Tregillis-Bacon explained that if management felt that the report was not viable it should not sign the letter or disclosures could be added to the document for clarity.

At this point, as is standard practice during the report of audited financial statements, management left to allow the committee time to consult privately with the auditors.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. Williams reported on the following items:

1. Apple performance was very strong in the Computer Store.
2. The office space for Student Affairs is currently under construction.
3. Kikka had to create new design plans due to several construction revisions. Tsunami will remain open until the new facility is operating.
4. Management has started the budget process and tentative budget assumptions will be brought to the committee next month. Two assumptions that are significant are the minimum wage increase and the absence of a retirement increase for 15-16.
5. There are two unbudgeted capital expenditures that will be forthcoming which are for the HVAC management system and the all gender bathroom.

## **FINANCIAL STATEMENTS**

### Services & Enterprises November 2014 Financial Statements

Gross income for the Association was \$336,000 positive to plan with \$328,000 coming from the Store. Net income for the Association as a whole was negative to plan by \$30,000. October financials were higher than planned which was a timing issue that has now balanced out in November.

Domestic licensing income was negative to plan by \$51,000 in part due to timing and utilities were negative to plan by \$18,000.

Services & Enterprises December 2014 Financial Statements

Gross income for the Association was \$944,000 positive to plan with \$742,000 coming from the Store. Gross margin was positive to plan by \$338,000 and contribution was positive by \$271,000. Net income for the Association as a whole was positive to plan by \$248,000. The Store led the positive gross margin with excellent BearWear, E-commerce, and textbooks sales.

Gross Income for the UCLA Restaurants were \$178,000 positive to plan and net income was \$88,000 positive to plan. The two major contributors were catering and concessions.

In terms of cash, the Association reported a book balance of \$9,960,000 for the month. Of this balance, \$3,149,000 has been reserved for capital projects, leaving \$6,526,000 in uncommitted cash which is \$2,472,000 less than the board-required cash reserve.

Past due accounts receivables were at roughly \$180,000 or 4% of total accounts. Store inventories at cost were \$7,300,000; while inventory turns were at 4.5.

January Month-to-Date Preliminary Sales

Current month-to-date sales are positive \$190,000 to plan primarily due to new and used textbooks which are \$247,303 positive to plan. The LuValle Store is positive to plan by \$32,797 and the Health Science Store is negative to plan by \$36,646 which could be a timing issue with dental kits. Hilltop Shop is positive to plan by \$12,272 and E-commerce is positive to plan by \$27,874.

Due to these results, management is expecting the gross margin to be positive by \$35,233.

The UCLA Restaurants are currently negative to plan by \$46,271 due to calendar/timing issues with concessions and catering. All third party operations are close or better than plan for the month.

Communications Board November 2014 Financial Statements

Student Media showed a \$13,327 negative budget variance for the month in terms of net revenue primarily due to printing costs and lower than anticipated advertising. Actual net income for the month is \$129,000; however, \$139,000 is non-recurring income due to a settlement claim.

A brief discussion followed regarding the validity of the settlement claim. Mr. Ward is currently collecting the proper documentation for management to review.

**APPROVAL OF FY 13-14 AUDITED FINANCIAL STATEMENTS**

Ms. Calbreath made a motion, seconded by Mr. Anderson to approve and forward to the ASUCLA Board of Directors the approval of the FY 13-14 Audited Financial Statements for Services and

Enterprises, Communications Board, Graduate Student Association, and Undergraduate Student Association. Mr. Gabbe called for a vote. The motion was approved by a vote of 4 yeas and 0 nays.

### **UCLA STORE PIN PADS**

Mr. Williams explained that a Store POS capital expenditure for approximately \$150,000 will be coming to the committee next month to purchase pin pads for the store which need to be Payment Card Industry (PCI) compliant by October 1, 2015.

### **HVAC MANAMAGEMENT SYSTEMS**

Mr. Champawat and Mr. Williams stated that ASUCLA has the opportunity to effectively manage the HVAC systems in Ackerman Union and Kerckhoff Hall which has notoriously difficult due to the variety of facilities within the two buildings and old technology. Negative impacts include overspending on HVAC and discomfort from room temperatures that are either too high or too low.

Management is recommending the purchase and installation of Variable Frequency Drives (VFD) for Ackerman and Kerckhoff HVAC systems. These drives will enable the control system to vary the air flow of our HVAC beyond the simple on or off that the current system has as options. The analysis shows that the basic VFD system with basic controls will save \$22,500 annually, showing payback in 4.0 years. A related project to introduce intelligent control of the system (Building IQ), fully enabled by the VFD installation, will show additional energy savings of \$42,200 annually against an annual system operation cost of \$18,600.

Ms. Calbreath made a motion, seconded by Ms. Warren to approve and forward to the ASUCLA Board of Directors the approval of a capital expenditure of \$90,000 to purchase and install Variable Frequency Drives (VFD) for Ackerman Union and Kerckhoff Hall HVAC systems. Mr. Gabbe called for a vote. The motion was approved by a vote of 4 yeas and 0 nays.

### **HILLTOP SHOP REMODEL**

Ms. Broudy-Johns provided the committee with a design concept for the Hilltop Shop remodel. The shop has not been updated since 1992 except for a few mini face-lifts and is in desperate need of a remodel. Construction will take place during the summer and will take approximately 4-6 weeks. A more detailed plan and cost structure will be brought to the committee next month for approval.

### **EXECUTIVE SESSION**

Mr. Gabbe called for consent for the Associated Students UCLA Board of Directors Finance Committee to enter into Executive Session. There being no objections, the motion was approved by

unanimous consent.

The Committee entered into Executive Session at 9:58 a.m.

Mr. Gabbe called for consent to exit the Associated Students UCLA Board of Directors Finance Committee Executive Session. There being no objections, the motion was approved by unanimous consent.

The Committee exited Executive Session at 10:16 a.m.

### **ADJOURNMENT**

Mr. Gabbe called for consent for the Associated Students UCLA Board of Directors Finance Committee to adjourn the January 23, 2015 Meeting. There being no objections, the meeting was adjourned at 10:16 a.m.