Introductions

Jean Bushong
- Engagement Principal

Tim Rawal
- Engagement Manager
Agenda

Scope of Engagement and Audit Results

Required Communications to Governance

Upcoming GASB Standards

Higher Education Industry Topics

Questions?
Scope of Engagements

Financial Statement Audit

Single Audit
- Major Programs:
  - Student Financial Aid
  - Land Grant/Formula Funds

NCAA Agreed Upon Procedures
Financial Statement Audit Results

Opinion – unmodified

Findings – none
Financial Statements – Net Pension Liability

GASB 68 Year 4

Decrease in plan-wide NPL

Positive investment returns offset increases to TPL

Net pension liability decreased from $323 to $294M
Financial Statements – Total/Net OPEB Asset/Liability

- **GASB 75**
- **3 Plans – RHIA, RHIPA, PEBB**
- **OPEB Asset $1M (RHIA); OPEB Liability of $18.9 million**
Financial Statements

Termination of Perkins Revolving Loan Program

- Liability to Department of Education of $21.7 million
- No new loans to students after June 30, 2018
Single Audit Results

- Current year
  - Financial Reporting: None
  - Major Federal Programs: None
- Status of Prior Year Findings: None
Required Communications to Governance

Qualitative Aspects of Accounting Practices

- Accounting Estimates
- Financial Statement Disclosures
- Implementation of GASB Statements Nos. 75, 81, and 89

Difficulties Encountered in Performing the Audit – None

Uncorrected Misstatements – None

Corrected Misstatements – None
Required Communications to Governance

- **Disagreements with Management**: None
- **Management Representations**: None
- **Management Consultations with other Independent Accountants**: None
- **Significant Issues Discussed with Management Prior to Engagement**: None
- **Audits of Group Financial Statements**: No concerns about component auditors’ work
Upcoming GASB Standard for Fiscal Year 2019

GASB 83 – Certain Asset Retirement Obligations

Defines ARO and when liability is to be recorded.

Potential material liability? University currently assessing impact.
Upcoming GASB Standards for Fiscal Year 2020 and Beyond

GASB Statement No. 84, *Fiduciary Activities* (FY2020)

- Impacts accounting of custodial funds (student groups, etc.)

GASB Statement No. 86, *Leases* (FY2021)

- All leases will be required to recognize a right-to-use asset and related liability
Industry Trends: Higher Education

Tax Reform Update

New Cyber Security Rules

Economy: Moody’s Fiscal Outlook

References:
- 2017, Inside Higher Ed Survey of College and University Business Officers
- Moody’s 2018 Outlook for Higher Education
- Chronicle for Higher Education Trends Report
Moody’s Outlook for Higher Education

Outlook remains negative for 2nd straight year
Moody’s Negative Outlook

Increasing expenses outpacing constrained revenue for most institutions.

Private faring better than publics for 2019, with 60% projecting revenue growth of 3%.

Constrained revenue growth = tuition.

• Improving economy
• Falling birth rates/declines in high school graduates
• Perceived “value”
Federal Tax Reform Update

- Employee Transportation Fringe Benefits
  - Notice 2018-99 released December 2018
  - IRS and Treasury Dept. to provide guidance; employers expected to utilize interim guidance in meantime
- UBIT “Basketing”
  - Notice 2018-67 released August 2018
  - Draft 990-T with instructions released
- Excise Tax on Executive Compensation
  - Notice 2019-09 released January 2019
  - Information related to applicability for governmental units (public universities)

Impact on Higher Education
Graham-Leach-Bliley Act (GLBA)

Information security measures
- Expected to be incorporated into audit process in 2019 or beyond
- Draft audit procedures have since been withdrawn

Rules related to:
- Risk identification related to integrity of student information
- Controls over safeguarding of information

Information
- CLA Virtual Conference: February 21, 2019
Other Trends

- Alumni giving down
- Reaching Generation Z – marketing
- Politically charged campus environments
- Online programming “mainstream”
Questions?
Jean Bushong, CPA
Principal
jean.bushong@CLAconnect.com
303-265-7884

Tim Rawal, CPA
Manager
Tim.rawal@CLAconnect.com
303-265-7872