

UUA AUDIT COMMITTEE
Friday, October 12, 2007
Schulz Room, 41 Mt. Vernon Street, Boston

Minutes

Present: Darwin Smith (chair), Ed Merck, Chris Reece, Dan Brody
Others: Tim Brennan, Florence Einhorn, Richard Crowell,
Board liaison: vacant

1. Transitions:

Glenn Charbonneau, assistant to the treasurer, resigned as of the first week of September. Florence Einhorn, the director of accounting, is retiring at the end of the year. The position will be retitled as “controller.” A search process is underway.

Will Saunders no longer the board liaison to the committee. The Committee on Committees has reassigned him to other duties and will appoint a new board liaison at their next meeting.

Beacon Press has hired a new CFO. John Wong was introduced to the committee.

Proclamation honoring and thanking Will Saunders. M, Merck, S, Unanimous
[Need text of proclamation.]

On behalf of the Committee, Smith presented an honorary gavel to Ed Merck thanking him for his service as chair

2. Minutes

The minutes of the April 13 meeting were reviewed and approved.

3. Review of audited financial statements for FYE 6/30/07

Brennan presented an overview of the financial statements. He reported strong results for the year with significant addition to assets and an operating surplus.

4. Report of the auditors

Steve Caron and Chris Brathas of KPMG joined the meeting.

Caron reported that there were no concerns or surprises. They were able to present a clean, unqualified opinion. They were very pleased with documentation on alternative investments, an area of concern from the previous year’s audit. They paid particular attention to the new Employee Benefits Trust and the related guarantee from the UUA. A footnote indicates that there is no liability. The Management Letter includes comments and observations that do not go to the level of significant deficiency. Caron commended management for addressing comments from past years. This year’s management letter talks about the closing process and recommends more complete and frequent interim statements following GAAP.

Caron reported on new rules regarding the management of trusts and endowments, called UPMIFA. These rules are not yet law in Massachusetts, but likely will be in the near future. This should be monitored.

Committee enters executive session.

KPMG reports privately to committee.

Executive session ends. No action taken in ES.

Brennan re-joins.

5. Audit Committee Workplan and Priorities

The Committee discussed its charge from the Board of Trustees and reviewed its accomplishments to date. The Committee also reviewed issues which had been suggested for attention as follows:

- Business practices review
- Cash management analysis and policy
- Conflict of interest policy
- Corpus protection policy
- External audit change
- Finance/CFO restructuring & broadening
- Internal audit (establishment of function)
- Off-balance sheet funds
- Risk management review & program
- UMIFA & UPMIFA review and resulting fund modifications
- Whistleblower policy

In addition, the following items were suggested:

- Stewardship of the physical plant
- Review of IT systems & strategy
- When major opportunities arise, like vacancies in positions, take the opportunity to look at structure.
- International grants policies, record retention

The Committee agreed on the following priorities:

- Conflict of interest policy
- Evaluation of finance organization – no action needed at this time
- Off-balance sheet funds
- Whistleblower policy

Committee enters executive session

Executive session ends

Moved: That the Treasurer provide committee with information on off-balance sheet funds of which he is aware for the committees' consideration and recommended actions.

M Dan, S Ed

Voted: Passes

Moved: To accept financial statements and management letter.

M, Dan, S, Ed

Voted: passes

6. Business Practices Review

The committee will continue the discussion of the advisability of engaging a firm to help develop the list.

Moved: To adjourn the meeting.

M: Chris, S: Ed

Voted: passed

Schedule for upcoming meetings

Jan 21 – Conflict of interest policy, whistleblower policy, off-balance sheet funds

April 7 – Meet w/ auditors to discuss audit plans and expectations; follow-up on Treasurer's report on off-balance-sheet funds

November 6 – Receive audit; plans for following year; business practices review/policies and procedures

Open Issues List:

Memo on FYE change – pluses and minuses

Reconfiguring financial statement presentation to reflect operating/non-operating portions

Status report – mechanism for insuring continuity on management letter comments and actions

To do items:

Circulate job description for controller

Keep committee informed about search process

Ask auditors for sample conflict of interest policy

Send draft conflict of interest policy to Dan and Ed; also anything relevant from UUA HR manual

Send whistleblower policy to Dan and Ed

Comprehensive list of management letter items from current and previous letters

Memo on the advantages and disadvantages of changing the FYE to 12/31

Prepare annual memo that tracks management letter recommendations and shows changes and responses to each

Treasurer to provide committee with information on off-balance sheet funds of which he is aware for the committees' consideration and recommended actions