

UUA Audit Committee – Minutes

Via Zoom

November 21, 2022

Members present: Mary Byron, Chair, Chris Harris, Judy Kleen, Azim Mazagonwalla, and David Stewart

Members absent: None

Staff: Susan Helbert, Jason LeBeau, Carey McDonald, Andrew McGeorge

CBIZ / Mayer Hoffman McCann: Cheryl Cadle, Merrill Puopolo

1. Minutes – Byron

Motion 1: to adopt minutes from the May 18, 2022 meeting: moved by Byron, seconded by Kleen. Stewart abstained (new member), all others approved.

2. UUA & UUCEF Audit Report - Puopolo

- Both received clean or unmodified reports.
- Both fairly stated in all material respects in relation to the organization's consolidated financial statements and supplemental information.
- No audit adjustments were necessary.
- Financial disclosures are neutral, consistent, and clear.
- Review of revenue recognition, the source of the most common errors in financial reporting, was conducted and found no major errors.
- Statistical review per Benford's Law of accounts payable amounts identified no major concerns. While there were some outliers in the data, a further review showed that these amounts were supported by the business purposes of the UUA.
- No alternative accounting policies were discussed with management. Reviewed and discussed items representing more qualitative areas such as reserves for doubtful pledges and doubtful account receivables, reserves for finished goods inventory, and reserves for royalty advances.

- Noted potential loss of trust and investment income due to market conditions, and also mentioned that higher interest rates could offer opportunities for more active cash management.
- 990T extension has been filed.
- Executive session held with Audit Committee

Motion 2: To recommend to the UUA board of trustees the acceptance of the audit reports as presented. Moved by Mazagonwalla, seconded by Kleen all approved.

3. Discussion of Merrill's Retirement / New Audit Partner

- Committee wished Merrill a happy retirement and considered the CV's and biographies of three MHM partners who could take on coverage of our engagement.
- Strong consensus around moving forward with Dyan Reinhold.

Action item 1: McGeorge to schedule introductory call with Dyan and MHM team.

4. Beacon Press Viability Risk Assessment – Patnaik and Manko

- The Beacon Press Viability risk assessment prepared by the Beacon Leadership Team covered four main risk areas: Publishing Market Dynamics, General Economic Conditions, Cybersecurity, and to a lesser extent, the Post-COVID Workplace
- On the publishing market, we discussed concentration risks concerning both our sales channels and in the titles on our backlist that produce the most sales, and the implications if current conditions change. We also discussed increasing competition for new works in the fields where Beacon has historically published.
- General economic conditions led to a discussion about current supply chain problems and limitations with mitigating some of these risks.
- On cybersecurity, the Beacon team detailed the Press' critical IT systems, the risks posed by a breach and the mitigations we have in place.
- Finally, on post-Covid workplace, we discussed the likelihood of more remote work and what this might mean for Beacon's needs for IT support and the UUA-Beacon financial relationship.

5. Risk Assessment: UUA Loss of Nonprofit Status – McDonald

- The potential loss of our nonprofit status is a high impact but low probability scenario, but the consequences are such that it made sense to detail the risks and mitigations, and how we can ensure mitigation and monitoring going forward.
- A loss of tax-exempt status poses an existential risk to the UUA, imperiling our fundraising ability and perhaps affecting individual congregations as well. That said, the IRS and courts have typically shown extreme deference to religious organizations, so likelihood of something like this occurring is low.
- To ensure ongoing tax-exempt status, we take a number of mitigations, including completing all necessary IRS filings, notably form 990-T, and undertake frequent consultations with attorneys to ensure our organizing work is compliant with laws and regulations.
- Ongoing monitoring of our mitigations could take the form of reviewing our current 501(c)(3) determination letter, our annual 990-T filing, and ensuring we employ capable legal counsel with experience in serving organizations like ours.

6. Risk Assessment: Denominational Split or Conflict – McDonald

- This risk is defined as a large number (>10%) of congregations leaving the UUA and/or congregations having a large number of members resign.
- The largest impacts from this risk are financial and relational. The UUA relies on congregations for our largest source of income, the Annual Program Fund (APF). We noted that while the impacts are severe, this is a scenario that is likely to play out over many years as any dissatisfaction would take some time to build before it resulted in large numbers of congregations resigning from the UUA. We also gather annual certification data from congregations, so we can pick up on trends in membership or church budgets before the worst effects reach the UUA.
- We also noted that recent high-profile disputes in recent years have not led to any splits or significant departures.
- Risk mitigations include our excellent Congregational Life staff, who work closely with congregations and maintain strong relationships. We also have many channels of communication with members and congregations, and venues for receiving feedback from individuals and member congregations such as Board meetings, Board open houses and the General Assembly.

- Risk monitoring includes monthly and annual APF dashboards maintained by our Stewardship and Development staff group, tracking engagement of regional staff with congregations, and monitoring transparent governance at the Board and GA levels.

7. Audit Committee Skills Assessment

- Members were asked to review the provided skills assessment, and we will discuss at the next committee meeting.

Action Item 2: All to review and update Skills Assessment matrix ahead of next meeting

8. Next steps and follow-up actions

ERM topics for the March meeting will be:

- IT and Information Security - Stritof
- Investment performance - McGeorge

ERM topic for June meeting will be:

- Health Plan Viability – Lester & Nugent

**Next Meeting
March 6, 2023**