

**UUA Audit Committee**  
**Thursday, November 6, 2008**  
**5<sup>th</sup> Floor, Wainwright Bank & Trust, 63 Franklin Street, Boston**

**Minutes**

Present: Chris Reece – Chair, David Friedman – Board Liaison, Carol Gable, Ed Merck, Dan Brody – UUA Financial Advisor

Staff: Tim Brennan, Rachel Daugherty

KPMG: Steve Caron, Eric Knox

**Minutes** – The minutes of the April 7<sup>th</sup> meeting were reviewed. Brody moved to approve. Motion passed.

**Report from CFO**

- **Audit process with KPMG** is going more smoothly than in past years.
- Consideration of FY change. It is extremely difficult to close the year in a timely manner because of transactions related to GA, which takes place during the last weeks of the fiscal year. Staff will prepare a memo outlining advantages and disadvantages of changing the fiscal year.
- **“Off-balance Sheet” Accounts** – these are accounts that were using the UUA federal employer ID number, but were not reflected on the UUA balance sheet. C\*UYAN, Group Insurance Plan and Church Staff Finance accounts now on UUA books and controlled by Financial Services.
- **FY 08 Management Letter Response** – Brennan distributed a memo outlining responses to the FY07 Management Letter comments. Key change is shortening time between end of period and issuing reports.
- **Separating Operating and Non-operating on the Income Statement** - The FY 08 statements will have a new presentation, separating operating from non-operating accounts.

**Presentation by Auditors**

- **Current Status of Audit** – financial statements are currently in draft form. The conversion to the “operating/non-operating” format has required multiple iterations. The new format creates a focus on operations vs. change in net assets, which they believe is a positive change. At this point the auditors are confident that the change in total net assets over the year is correct; however, some individual line items may change.
- **Audit Observations** –Brennan said the plan is to bring KPMG back after the audit to help re-design the accounting systems around the endowment with a new system that would make the roll-forward much easier. Caron and Knox made the following suggestions for improvement:

- **Committee reports to Board of Trustees** - there should be time on the BOT agenda for a report on the activities of the Audit Committee.
- **Enhance documentation of significant accounting decisions and policies.**
- **Automation of closing process vs. manual intervention** – the UUA systems are heavily dependent on spreadsheets and manual routines. Move towards more use of capabilities of accounting software.
- **Caron and Knox highlighted Internal Controls and Enhancements that have been made already** – Since joining the UUA as Controller, Javier Caban has introduced new control procedures and streamlined operations.

## Policies

Whistle Blower The Committee raised several questions:

- What happens to a trustee who violates one of the terms of the policy? Are we going to suggest changes to the bylaws that would allow removal for “just cause”?
- The policy now states that violators could be subject to criminal or civil lawsuits. Should we get some legal advice before we include language such as this?
- If someone is the subject of the complaint, and the investigation confirms this, then what happens?
- Complaints against ministers – should a complaint against a minister be recorded in the UUA’s personnel files? How is the whole MFC process related to this process?

**Action Item 1**—Dan will do another draft incorporating the Committee’s comments.

Conflict of Interest –

**Action Item** - Brennan will send Conflict of Interest Policy to the UUA General Counsel for comment.

## FY 09 Audit Planning

**MOTION** – Gable moves that the UUA solicit proposals for audit services at least every 5 years from a minimum of three firms. Brody seconds. Motion approved.

**Action Item 1**—investigate switching the EBT to a church plan from an ERISA plan.

**Action Item 2**—If the EBT Board decides to issue an RFP for auditing services, then the Audit Committee will review a list of prospective firms at the January meeting.

## **GA Accounting**

Brody reports that starting in FY10, GA will be presented as a separate business segment on the financial statements.

## **Future Agenda Items –**

### January 16<sup>th</sup> agenda

- CFO overview of audited financial statements and management letter
- Whistleblower and Conflict of Interest policies
- Update on process changes from Javier Caban
- Review report to UUA BOT from Audit Committee
- Discuss how the Committee will report to the UUA BOT
- Updating the chart of accounts.
- Review list of prospective auditing firms for EBT

### April 20<sup>th</sup> agenda

- Review of candidates for EBT audit
- Fiscal Year change discussion

### Next meetings –

- January 16<sup>th</sup>
- April 20<sup>th</sup>, 9am start time
- October 26<sup>th</sup> 9 am start time
- Have conference call when audited financial statements are ready. Possibly the first week in December.

Reece moves to adjourn.