

# **Audit Committee's Report to the Board of Trustees**



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

November 18, 2010



# Overview

- Members of the Audit Committee (AC):
  - Three Independent
    - o Chris Reece – Chair
    - o Carol Gable
    - o Jim Key
  - Financial Advisor
    - o Dan Brody
  - Trustee Liaison
    - o David Friedman
  
- Three physical meetings in FY 2010
- Four telephonic meetings
  - Two regarding Association audit
  - Two regarding EBT audit

# Purpose of the AC



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

To assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Association's process for monitoring compliance with laws, regulations, and the code of ethics.



# Responsibilities of the AC

- Review financial statements
- Select external audit firm and manage that relationship
- Oversee the annual audit
- Monitor the implementation of accounting policies and the effectiveness of internal controls over financial reporting
- Consider the effectiveness of information technology security and control



# Responsibilities of the AC

- Review the effectiveness of the system for monitoring compliance with laws and regulations
- Report to the Board of Trustees and the member congregations
- Assist the Trustees of the UUA Employee Benefits Trust (EBT)
- Recommend to the Board of Trustees a Conflict of Interest Policy
- Review the AC charter annually

# Significant Activities in FY 2010



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

- Managed and received the first audit of UUA by CBIZ/Tofias
- Closed audit of EBT by previous firm
- Received progress report on current audit of EBT by McGladrey
- Recommended changes to the Conflict of Interest policy
- Consulted with Treasurer on risk-based approach to financial monitoring report
- Considered revisions to the AC charter



# FY 2010 Audit Results

- Reporting on Financial Statements - Unqualified report
- Internal Control Matters
  - Accounting restatement noted
  - Management determined that \$8.8 million of restricted net assets should be accounted for as “funds held for others” (agent assets)
  - Management’s review of net assets revealed these funds were held to benefit congregations, not the Association
  - Auditor’s view is that matter is closed and no further action required
  - See note 12 of the financial statements (page 26)
  - Use of income from funds has been appropriate
  - Not reported by external auditors in prior years

# FY 2010 Financial Statements



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

## Statement of Changes in Net Assets (p 3)

Change in unrestricted net assets from operations	\$112,000
Total change in unrestricted net assets	\$644,000



# FY 2010 Financial Statements



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

## Statement of Changes in Net Assets (p 3)

Change in temporarily restricted net assets from operations	(\$2,815,000)
Change in temporarily restricted net assets	\$5,482,000
Change in permanently restricted net assets	\$1,386,000
Change in total net assets	\$7,512,000

# FY 2010 Financial Statements



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

## Statement of Changes in Temporarily Restricted Net Assets (p 3)

Distributions from Holdeen, Veatch, and capital campaign contributions	\$1,348,000
Gifts and bequests	\$75,000
Net Assets released from restriction	(\$4,238,000)
Change in temporarily restricted net assets from operations	(\$2,815,000)

# Looking Ahead



UNITARIAN  
UNIVERSALIST  
ASSOCIATION OF  
CONGREGATIONS

- Continue Monitoring Progress of 2010 Audit of Health Plan (EBT)
- Review AC Charter
- Continue Monitoring Financial Services Strategic Initiatives