

Audit Committee's Report to the Board of Trustees

January 28, 2017



Agenda

- Committee charter and membership
- Audit results
- Financial highlights
- Enterprise Risk Management

Audit Committee Charter

- **Purpose** – “to assist the Board in fulfilling its oversight responsibilities...”
- **Authority** – Established by the Board in 2003 and added to bylaws in 2006. Empowered to:
 - Appoint the accounting firm
 - Resolve disagreements
 - Pre-approve all audit services
 - Retain counsel, accountants, and others in the conduct of an investigation
 - Seek any information it requires from employees or external parties
 - Meet with officers, auditors, or counsel

Audit Committee Charter

- **Meetings** – At least three times per year
- **Responsibilities** –
 - Financial Statements
 - Internal Control
 - External Audit
 - Compliance
 - Reporting
 - Enterprise risk management
 - Other Responsibilities
 - Advisory to the Health Plan board (a separate legal entity).

Audit Committee Members

- **Composition –**
 - **Independent and financially literate**
 - Sean Rush, Chair – former CEO, JA Worldwide
 - Chris Chepel – KPMG
 - Mary Byron – retired from Goldman Sachs
 - **Financial Advisor**
 - Lucia Santini Field – Walden Asset Management

Audit Results

- UUA, UUCEF auditors: Mayer, Hoffman, McCann P.C., CBIZ Tofias, New England Division
- For the first time a separate audit report for the UUCEF, LLC (a subsidiary of UUA)
- UUA report presented on a consolidated basis
- Employee Benefits Trust (UUA Health Plan) auditors: RSM
- All three considered “Unqualified” or “Clean” opinions
- Positive evaluation of senior management in executive session
- Finding of a significant deficiency on EBT

Financial Highlights

Independent Auditors Report

November, 2016

Auditors' opinion

“In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Unitarian Universalist Association as of June 30, 2016 and 2015.”

-- Meyer, Hoffman, McCann

Financial Position (page 3)

(in thousands)

	FY 2016	FY 2015
Total assets	\$278,698	\$299,906
Total liabilities	25,827	28,292
Minority interest in UUCEF	88,750	95,114
Net assets	164,123	176,500
Total liabilities and net assets	\$278,698	\$299,906

Changes from FY 2015 to FY 2016

- As a result of the funding of UUCEF LLC, UUA financial presentation includes “minority interest” along with the prior year for comparison purposes.
- Nonoperating investment return of -\$14Min FY16 compared to -\$5M in FY15
- Total revenue remained relatively consistent year over year with slight overall increase of \$6K
- Total expenditures increased by approximately \$1.1M or 3% as a result of merger of the Southern Region
- Funds held in trust by others decreased by approximately \$2.5M or 6%
- Investment return was -3.6% compared to an aggregate benchmark of -0.9%.

Change in Net Assets (page 4)

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted
From Operations	\$296	(\$241)	\$19
From Non Operations	(10,184)	(6,456)	(495)
Minority investment in losses of UUCEF	4,584	0	0
Change in Net Assets	5,204	(6,697)	(476)
Net Assets End of Year	\$53,876	\$52,541	\$57,706

Cash Flow (page 6)

(in thousands)

Cash Flows	FY 2016
Net cash provided by operating activities	(\$937)
Net cash provided by investing activities	1,753
Net cash provided by financing activities	(2,898)
Change in cash and cash equivalents	(\$2,082)

Enterprise Risk Management

- Other major focus of Audit Committee's work
- Committee working in concert with management
- Key issues examined:
 - Data and network security
 - Health Plan and Affordable Care Act
 - Governmental compliance
 - Ministerial misconduct

Appendix

EBT Financial Position

(in thousands)

	FY 2016	FY 2015
Total assets	\$4,890	\$4,802
Total liabilities	1,053	247
Net assets available for plan benefits	3,838	4,555

EBT Change in Net Assets

(in thousands)

	FY 2016	FY 2015
Total Income	\$10,660	\$10,252
Deductions from Net Assets	11,502	10,590
Net decrease	(717)	(338)
Net assets available for plan benefits beginning of year	4,555	4,892
End of Year	\$3,838	\$4,555