Audit Committee’s Report to the Board of Trustees

November 17, 2011
Agenda

• Audit results
• Financial highlights
• AC charter
• AC focus
Audit Results

• Auditors: CBIZ Tofias
• Considered an “Unqualified” or “Clean” opinion
• No finding of any serious accounting or management weakness
• Substantial completion of improvements noted from last year’s report
• Positive evaluation of senior management
Financial Highlights

Independent Auditors Report
November 3, 2011
### Financial Position, page 2

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>$218,853</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$83,101</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>$135,752</td>
</tr>
</tbody>
</table>
Changes from FY 2010 to FY 2011

• Cash and cash equivalents decreased by $1.2M
• Investments and investments in funds managed for others increased by $27.7M
• Loans to member congregations decreased by $777K
• Bank debt decreased by $1M
## Change in Net Assets, page 3

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Operations</td>
<td>$280</td>
<td>$85</td>
<td>$240</td>
</tr>
<tr>
<td>From Non Operations</td>
<td>$4,989</td>
<td>$10,730</td>
<td>$901</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$5,269</td>
<td>$10,815</td>
<td>$1,141</td>
</tr>
<tr>
<td>Net Assets End of Year</td>
<td>$18,545</td>
<td>$59,452</td>
<td>$57,755</td>
</tr>
<tr>
<td>Cash Flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>($3,811)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by investing Activities</td>
<td>$3,412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>($1,193)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Notable Surpluses

<table>
<thead>
<tr>
<th></th>
<th>General Assembly</th>
<th>Beacon Press</th>
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</thead>
<tbody>
<tr>
<td>FY 2011, page 32</td>
<td>$111</td>
<td>$66</td>
</tr>
<tr>
<td>Accumulated, page 31</td>
<td>$460</td>
<td>$2,852</td>
</tr>
</tbody>
</table>
## UUCEF Highlights

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net funds, page 33</td>
<td>$139,086</td>
</tr>
<tr>
<td>Net increase in funds from operations, page 34</td>
<td>$24,144</td>
</tr>
<tr>
<td>Total return, page 36</td>
<td>22.7%</td>
</tr>
<tr>
<td>Ratio of expenses to net assets, page 36</td>
<td>1.11%</td>
</tr>
</tbody>
</table>
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 and oversee the work of 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

• **Composition** –
  – Independent and financially literate
    • Jim Key – Chair
    • Carol Gable
    • Chris Reece (rotating off)
    • Sean Rush (effective 1/1/12)
  – Financial Advisor
    • Dan Brody
  – Trustee Liaison
    • David Friedman
Audit Committee Charter

• **Meetings** – At least three times per year
• **Responsibilities** –
  – Financial Statements
  – Internal Control
  – External Audit
  – Compliance
  – Reporting
  – Other Responsibilities
Audit Committee Focus

• Elevate awareness of an Enterprise Risk Management (ERM) approach
  – Assess risks of monitoring reports (H, M, L, 0) with a corresponding frequency of review
  – Assess risks across organizational silos
  – Understand objectives of programs and how effectiveness measured
The INTOSAI Framework

Definition:

• Internal control is an integral process that is effected by an entity’s management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity’s mission, the following general objectives are being achieved:
  – executing orderly, ethical, economical, efficient and effective operations;
  – fulfilling accountability obligations;
  – complying with applicable laws and regulations;
  – safeguarding resources against loss, misuse and damage.

International Organization of Supreme Audit Institutions