

MINUTES OF THE ARCHIVES PARTNERSHIP TRUST BOARD

AUDIT COMMITTEE MEETING

1:00pm, August 10, 2017

The Cultural Education Center, 222 Madison Avenue, 11th Floor, Room 11G, Albany, NY

Audit Committee Members Present

Christine W. Ward, Committee Chair

By telephone: Bronwyn Hannon, and Stephen Pagano

Staff Present

Thomas J. Ruller, Executive Officer; and Jill Rydberg, Assistant Treasurer and Administrative Officer

Others Present

UHY LLP representatives: Marilyn Pendergast, CPA, Partner and Brian Kearns, CPA, Manager

Call to Order

Committee Chair, Ms. Ward, opened the meeting at 1:03pm, noting the presence of a quorum. On the agenda was the presentation and discussion of UHY's draft audit of the Trust for the fiscal year ending March 31, 2017. She welcomed all in attendance and invited the UHY representatives to proceed with their report on the audit.

Audit Review

Ms. Pendergast introduced herself and noted she had rotated in as the new partner overseeing the audit taking over from Mr. Zhang who had served for the first five years. She hoped the Committee members had had a chance to review the draft audited financial statements and UHY's presentation, and welcomed any questions or concerns as the presentation ensued. She noted the agenda included the audit objectives and strategy, areas of audit focus, financial highlights, reports to be issued, required communications with those charged with governance, and other considerations and turned the presentation over to Mr. Kearns.

Mr. Kearns reported on:

-Audit Objectives:

-The purpose of the independent audit is to ensure the financial statements are in accordance with generally accepted auditing standards and government auditing standards to: a) provide reasonable assurance that the financial statements (which are the responsibility of and prepared by Trust management) are presented fairly in all material respects in conformity with U.S. Generally Accepted Accounting Principles and b) provide feedback to Management and the Board on accounting/auditing issues, regulatory matters and other issues that may come up during the year. He thanked Trust management and staff for regular communications during the year that avoids any surprises come audit time.

-Audit Strategy:

-The audit process is a risk-based focus which includes understanding the entity, its business operations, internal controls, and general business practices, to assess the risk and develop audit procedures that are focused to mitigate that risk.

-Areas of Audit Focus:

-The audit focus is consistent with prior years and includes testing cash and cash equivalents, investments, accounts payable and accrued expenses, unearned revenue, revenue recognition, and net assets and classifications. Also, to make sure expense and revenue are recognized in the proper period.

-Financial Highlights:

-Referencing the high-level, comparative overview of the Trust's financial condition on 3/31/2017 to that on 3/31/2016, he noted:

-Total assets were up about \$281,000 largely due to strong market performance of investments.

-Liabilities are modestly higher (\$36,000) due mostly to increases in: a) account payables and accruals (\$14,000) related to payroll and fringe benefits due to being fully staffed and b) unearned revenue (\$21,000) due to deferred membership income.

-The change in net position's increase of \$246,000 is largely due to investment performance.

-Operations-Operating revenue is comparable to the prior year with the small \$16,000 decrease mostly due to a decrease in contributed goods and services.

-Ms. Hannon asked about the operating loss of \$216,000. Mr. Kearns reported there is an operating loss in both years as this figure does not include investment performance. Ms. Pendergast noted the Trust's structure is different from other non-profits due to how it is set up and the fact that it has an endowment, a portion of which must be spent on operations, so it can fluctuate significantly from year to year making securing outside grants and donations a worthy goal. She said because of this it is important to look at the change in net position, not just the operating loss. Mr. Kearns added that the current year is more representative of what is needed to run the Trust fully staffed and to evaluate whether investment performance can cover the needs, if outside funding is needed, or if expenses need to be scaled back.

-Reports to be Issued:

-Opinions on the Financial Statements of the Trust:

-As noted in the draft Financial Statement's Independent Auditor's Report, UHY states that the financial statements present fairly, in all material respects, the financial position of the Trust – or an "unmodified" (clean) opinion (the highest-level opinion possible). Ms. Pendergast noted the opinion is also in accordance with government auditing standards which results in additional opinions and additional work by UHY to look at compliance and internal controls and provides additional assurance to the Trust.

-Required Communications with Those Charged with Governance:

-UHY's responsibility: UHY's responsibility is to issue an opinion on the financial statements under generally accepted auditing standards. The Trust is responsible for the financial statements, which are prepared with UHY's assistance. If UHY had found

any significant deficiencies or material weaknesses they would have issued a formal management letter in writing, but there were none.

-The planned scope and timing of the audit: There were no significant changes to the scope of the audit as laid out in the engagement letter.

-Areas of significant findings from the audit:

-The Trust's accounting policies are summarized in Note 1 to the financial statements. No new accounting policies were implemented, policies were consistently applied, and no transactions were both significant and unusual or lacked authoritative guidance.

-Accounting estimates: were found to be reasonable. The largest is the revaluation of the beneficial interest.

-Financial statement disclosures: were found to be neutral, consistent, and clear as concerns investments, related party transactions, pension plans and other post-employment benefits. He said, as noted in Note 4 to the Financial Statements, that the Trust is not directly responsible for the net position of the multi-employer pension plan and so no liability for pension costs have been recorded. Since the Trust pays fringe benefits and indirect costs to the State Education Department (SED) which covers the pension costs, SED carries the liability for Trust staff pensions.

-Significant difficulties encountered in dealing with management during the audit: none were encountered.

-Corrected and uncorrected misstatements: there were no uncorrected misstatements; routine adjustments (most are recurring year-end entries, consistent with prior years) for accrued expenses, beneficial interest, deferred revenue, reclassification and other areas were identified and reviewed and approved by management, and are properly reflected in the financial statements.

-Disagreements with management: UHY had no such disagreements.

-Management's consultations with other accountants: no other accountants were consulted for opinions about audit matters.

-Independence: UHY confirmed their role as independent accountants with respect to the Trust.

-Other Considerations:

-Internal control-related matters: UHY will continue to work with Trust staff to transition the year-end hard closing adjustments to the Trust, but also noted these adjustments are not considered material weaknesses or significant deficiencies.

-Other: He reported that GASB 72 is a new standard resulting in a new paragraph under Note 2 on Investments and Fair Value Measurements. This standard goes into greater detail on how investments are valued depending on the level of valuation inputs. As the Trust's investments are considered Level 1 (readily available, marketable securities held by an investment manager), just this simple single paragraph satisfied GASB 72.

Discussion

Mr. Kearns asked Committee members if they had any further questions. None were raised. Mr. Pagano said it was an excellent presentation and was pleased with the audit results. Committee members concurred it was a good audit and thanked Ms. Rydberg for her work.

Resolution to Recommend Acceptance by the Board

As it was a “clean” audit, well received by the Committee, Ms. Ward asked for a motion to recommend that the Audited Financial Statements be accepted by the Trust Board. A motion was made by Mr. Pagano, seconded by Ms. Hannon, and, with no further discussion, was unanimously approved.

Resolved, That the Archives Partnership Trust Board’s Audit Committee, having examined and discussed in detail the Trust audit for the year ended March 31, 2017, hereby recommends that the Archives Partnership Trust Board accept the Audited Financial Statements.

Conclusion

A motion to adjourn the meeting was made by Mr. Pagano, seconded by Ms. Hannon, and unanimously approved. Ms. Ward adjourned the meeting at 1:39pm and thanked all for their participation.

Respectfully submitted,

A handwritten signature in black ink, reading "Jill A. Rydberg". The signature is fluid and cursive, with the first name "Jill" being the most prominent part.

Jill A. Rydberg
Assistant Treasurer
August 17, 2017