

**MINUTES OF THE ARCHIVES PARTNERSHIP TRUST BOARD  
AUDIT COMMITTEE MEETING**

**2:00pm, June 28, 2016**

**The Cultural Education Center, Librarians Room, 7<sup>th</sup> Floor, Albany, NY**

**Audit Committee Members Present**

By telephone: Christine W. Ward, Committee Chair; Bronwyn Hannon, and Stephen Pagano

**Staff Present**

Janet B. Braga, Director; and Jill Rydberg, Assistant Treasurer and Administrative Officer

**Others Present**

UHY LLP representatives: Alex Zhang, CPA, Partner and Brian Kearns, CPA, Manager

**Call to Order**

Committee Chair, Ms. Ward, opened the meeting at 2:14pm, noting the presence of a quorum. On the agenda was the review and discussion of UHY's draft audit of the Trust for the fiscal year ending March 31, 2016. She welcomed all in attendance and invited the UHY representatives to proceed with their report on the audit.

**Audit Review**

Mr. Zhang thanked everyone for the opportunity to share the audit process and present the results of their audit to the Audit Committee and Trust Management. He said two documents had been provided to Committee members:

1. the draft audited financial statements, and
2. UHY's presentation document "Review of Audit Results and Reports March 31, 2016", which would be used as a guide to walk through the audit process.

Mr. Zhang noted the agenda included briefly discussing the audit objectives and strategy used to perform the audit, areas of audit focus, financial highlights, reports to be issued, required communications with those charged with governance, and other considerations as necessary.

Mr. Zhang reported on:

-Audit Objectives:

-The independent audit was conducted based on both generally accepted auditing standards and on 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.

-Audit Strategy:

-UHY uses a proactive, risk-based audit approach which starts with understanding the entity being audited, its business operations, the internal controls, and the general business practices. He thanked Trust staff for routine communication regarding accounting questions and issues throughout the year as it is helpful in avoiding surprises during the audit.

Mr. Kearns then reported on:

-Areas of Audit Focus:

-In a risk-based audit, they obtain an understanding of Trust operations as well as key changes throughout the year so as to incorporate that into their audit plan. So the elements of audit focus are consistent with last year and includes testing cash and cash equivalents, investments, accounts payable and accrued expenses, unearned revenue, revenue recognition, and net assets and classifications.

-Financial Highlights:

-Referencing the high level, comparative overview of the Trust's financial condition on 3/31/2016 to that on 3/31/2015, he noted:

-total assets were down about \$169,000 largely due to market performance of investments,

-liabilities are consistent with the prior year with two fluctuations – an additional \$28,000 increase in accruals, specifically related to payroll and fringe benefits (due to being fully staffed), but that offset by a \$12,000 decrease in accrued deferred membership due to timing of multi-year dues payments,

-change in net position's deficit of \$186,000 can be attributed to the net realized and unrealized losses on investments of \$204,000 compared to last year's gain of \$70,000,

-revenue is up due to additional grants, contributions, and program fees in the current year,

-expenses are up due to increases in expenditures for public outreach projects, payroll (due to being fully staffed), and professional fees, and

-net asset breakout shows a decrease in endowment and beneficial interest due to market performance

-Ms. Ward asked what was included in the non-operating losses. Mr. Zhang said it was net realized/unrealized losses on investments.

Mr. Zhang thanked Trust staff for their assistance and cooperation during the audit process and reported on:

-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 a "clean" opinion).

-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.

-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:

-Quality and appropriateness of accounting policies: no new accounting policies were implemented, policies were consistently applied, and no transactions lacked authoritative guidance.

-Accounting estimates: were found to be reasonable.

-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 5 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. While they do consider GASB 68, 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 during the audit: none were encountered.

-Corrected and uncorrected misstatements: adjustments (most are recurring entries, consistent with the prior year) 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. If they identified illegal or fraudulent activities, they would contact the Committee immediately.

-Other Considerations:

-Internal control-related matters: While they do not conduct an internal control audit, they do consider internal controls over financial reporting to design their audit procedures. Internal controls have three levels: 1) material weaknesses (severe deficiencies that may cause the financial statements to be misstated), 2) significant deficiencies (some deficiencies that simply need to be brought to the Committee's attention), and 3) other comments (concerning "best practices"). As it is difficult for the Trust's small staff to do a fiscal year end hard closing, UHY will have some expected adjustments, but nothing irregular. Because these matters are not considered as material weaknesses or significant deficiencies, UHY will not be issuing a written manager comment letter. However, all these matters were properly communicated during the Audit Committee meeting.

-Other: He again noted that GASB 68 does not have a direct impact on the Trust's financial reporting.

## **Discussion**

Ms. Hannon asked whether SED would be issuing a report to the Trust regarding the GASB 68 liability. Mr. Zhang said no, since the Trust pays the fringe benefits to SED, the Trust would not incur any post-employment or pension obligations regarding Trust staff. Mr. Zhang asked Committee members if they had any further questions. None were raised. 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, 2016, hereby recommends that the Archives Partnership Trust Board accept the Audited Financial Statements.

**Conclusion**

Ms. Ward adjourned the meeting at 2:48pm and thanked all for their participation.

Respectfully submitted,

A handwritten signature in cursive script, reading "Jill A. Rydberg". The signature is fluid and elegant, with a large initial "J" and a long, sweeping underline.

Jill A. Rydberg  
Assistant Treasurer  
July 20, 2016