

**MINUTES: General Services Coordinating Committee, Fall Sessions 2014**

**Saturday November 15, 2014 at Fifteenth Street Meetinghouse & Friends Seminary**

Present: John Cooley, Bridget Bower, Tim Johnson, Laura Cisar, Robin Gowin, Jim Schultz, Jim Darragh, Carol Summar, Rosanne Press, Susan Bingham, Matt Scanlon, Linda Houser, Jeffrey Aaron, Spee Braun, Dare Thompson, Christopher Sammond, Jeff Hitchcock

Regrets: Barbara Menzel, Paula McClure

201411-1 The clerk shared a Venn diagram with interlinking circles of tradition, spirit and practicality.

Friends settled in a period of silence, meeting in the Friends Seminary Library.

Friends introduced themselves.

201411-2 The Friends Foundation for Aging (FFA) proposal for the next ARCH funding cycle has been reviewed by John Cooley. He noted that the proposal recommends additional fundraising to support the work of ARCH. Dare noted that the extent of the work exceeds funds available from FFA. Aging Concerns Committee understand that any fundraising needs to be carefully coordinated with other fundraising and development initiatives. Based on John's review, General Services CC endorsed the approval of the grant application (which is also approved by Nurture Coordinating Committee).

201411-3 Audit Committee report. Tim Johnson presented the committee's report. The 2013 auditor's review is complete and has been accepted. The Committee is in the process of choosing a new auditor. Their report and action recommendations are attached. The report was received. Approval was given to proceed with the tasks listed in the report.

Linda Houser noted the Trustees will add \$10,000 to operating funds for audit. She will serve as the Trustee liaison to the Audit Committee. The Trustees are also working on details of their responsibilities for trustee managed accounts and valuation of real property.

201411-4 In previous years, the annual appeal has been approved by the body of NYYM in session, prior to sending the appeal. The General Services CC now recommends that the development committee be authorized to conduct the annual appeal at their discretion. This recommendation will be brought to tomorrow's business session of NYYM.

201411-5 Financial Services. Matt Scanlon reported that covenant donation commitments have not been received from about 5 of the monthly meetings despite followup attempts. Individuals briefly shared their knowledge of the monthly meetings named, including suggestions for contact.

201411-6 Susan Bingham reported for Personnel Committee. They are making initial investigations into a part-time Youth Secretary position, with help from Youth Committee.

201411-7 Session Committee. Ro Press reported plans for postcards to be sent by Silver Bay YMCA alerting Friends to Summer Sessions, one in December and one in late February or March. Silver Bay uses our mailing list for these postcards and they are sent at no cost to the Yearly Meeting. Friends approved this use of the mailing list for this year.

201411-8 Ro Press asked if there is income in excess of expenses from Spring and Fall Sessions that those funds return to the Sessions line item, since Sessions makes up funds when there are shortfalls. Friends noted that the amounts are not predictable, making it difficult to add it to the budget and that a line item is not a fund.

201411-9 Trustees. Linda Houser reported that the Trustees are working on their parts of the audit tasks. They are reviewing the individual trust funds and revising the by-laws of the corporation of New York Yearly Meeting.

201411-10 Records Committee. Bridget reported that Records Committee had met with a team from Ancestry.com in August. Ancestry.com continues to want our records for their Quaker section, but under the original contract made with the Quaker colleges. Records Committee will continue the conversation.

201411-11 Friends were reminded of Coordinating Committee weekend in January, which ends at dinner on Saturday, January 31.

201411-12 The clerk noted that updating the NYYM Handbook, and the office Financial System Guidelines are continuing activities, as is necessary for them to serve their purposes. He also reported that conversations continue with New York Quarterly Meeting representatives relating to the cost sharing arrangement for the yearly meeting office at 15 Rutherford Place.

Bridget Bower, recording clerk pro tem

John Cooley, clerk

**Report to General Services Coordinating Committee  
Audit Committee  
Fall Sessions 2014**

Our present Auditor, Mr. Robert Lee, has completed the draft audits of the 2013 Financial Records of both the Treasurer-Managed and Trustee Accounts. The draft audit of the 2013 Treasurer Managed Accounts was reviewed and accepted by the Audit Committee on October 31. In accordance with customary practice, Mr. Lee has now issued a final copy of the Audit, with a statement of Findings and Recommendations, and submitted an invoice for payment of the 2013 TMA Audit. The 2013 Trustee Accounts Audit is being reviewed by the Trustees at their meeting this weekend, and it is expected that a Final Audit will be issued (along with Findings and an invoice) will be filed before the end of the year.

Two responses to the Request for Proposals (for future audits) were received in early August. Shortly thereafter, the Audit Committee became aware that a third prospective bidder had submitted a response to the initial RFI that for some reason was not delivered by the US Postal Service to the NYYM Office. The committee decided to allow this third audit firm to submit a bid by the end of September, since no discussions had been held with the other bidders at the time that this mail failure was discovered. The third bid was received at the end of September. All three bids were considered technically acceptable, but all had prices that were in a narrow range, but substantially above what we had been paying. The Audit Committee decided to meet with each firm to allow them to ask questions based on the prior audit information that they had received with the RFP, and to allow us to review our internal procedures with them. Our intent has been that these meetings might reduce their perceived risk and therefore the pricing, and that on that basis we will request a Best and Final Offer (BAFO).

The audit committee (accompanied by the Assistant Secretary and our Bookkeeper) has now met with all three bidders for the audit of 2014 Financial Records: Based on our meeting with the second bidder and third bidders, we realized that we will need to meet several conditions in order to render a GAAP-compliant (Generally Accepted Accounting Principles) consolidated audit for the 2014 year financial records, which is one year earlier than we had expected. Several additional issues were identified by these auditors, among which were (1) the proper recording of real property owned by NYYM; (2) a recent New York State law affecting fiduciary responsibilities for expenditures of trusts to be in keeping with original trustee instructions, and the auditing requirements thereof; (3) proper documentation of the categories of assets (permanently restricted, temporarily restricted, or unrestricted, etc.) for Treasurer-Managed as well as Trustee Accounts. Presently, some of the data do not exist for completion of a GAAP-compliant audit of the 2014 financial records, and it is not clear whether all of the data can be provided before the books are closed in February or March of 2015. A list of tasks that need to be completed in order to support a GAAP compliant and New York State-compliant audit is listed as an addendum to this report. The Audit Committee recommends that these tasks be completed as soon as possible, and members of the committee are prepared to coordinate and oversee this process.

The changes cited in the preceding paragraph are mostly technical and accounting changes, and many probably may not even require formal approval of GSCC, but the Audit Committee members want GSCC to be fully informed of what is being done. Fortunately, the good news is that the proactive efforts by the Treasurers and Trustees to date have resulted in excellent bookkeeping, and that the specified changes are the result of updates to GAAP and New York State laws improve due diligence to reduce the future risk of mismanagement of funds by nonprofit institutions. There are no findings of any intentional mis-management of NYYM Funds. The changes will eventually result in simpler and more transparent accounting, particularly if NYYM follows up with further account simplification in 2015 (and should reduce future audit costs).

In the meantime, we recommend the following actions:

- (1) Complete the items on the appended Task List as soon as possible (and preferably prior to March 2015)..
- (2) Engage our Bookkeeper (Mr. Jahelka), possibly with the support of our present Auditor (Mr. Lee), to generate a draft consolidated financial statement for the 2014 Financial Records, recognizing that a few items may be missing, or will need to be estimated. Budgetary estimated cost of this one-time effort is \$5K.
- (3) Revise the original Statement of Work for the RFP to request a “review” audit of the 2014 records, with a full GAAP-compliant audit to be performed for the 2015 Financial Records. This recognizes that, in view of the many tasks to be completed, a GAAP-compliant audit of the 2014 records probably will not be feasible. [We note that NYYM is not legally required to complete an audit, but that the review audit will be an opportunity to identify any further issues, and will provide the next audit firm to accustom its staff to Friends financial procedures.] We will request BAFO pricing for a 2014 Review Audit and estimated pricing for a 2015 GAAP-compliant Audit.
- (4) Authorize the Audit Committee to continue with selection of a winning bidder and (with appropriate legal advice) to negotiate a contract – normally based on the Audit Firm’s “Letter of Engagement”, with the prospective audit firm. Budgetary estimated cost of this activity is \$15K in 2014 and \$15K in 2015. (The 2014 estimate recognizes less audit activity, but more interaction between NYYM and the Audit firm in reviewing our books and financial procedures and recommending future simplifications).
- (5) The intent of the Audit Committee is to request funds from the Trustees to cover costs in excess of those in the present 2015 budgeted amounts for the TMA audit.

**Addendum: List of Tasks to be Performed (no particular order):**

- 1) Real Property valuation added to Trustee accounts.
- 2) Confirm that Form 990 is not required by Seller-held Mortgage on Stamford Greenwich Property.
- 3) Clearly identify accounts for Matching Funds for 403b retirement matching (and any associated payroll accounting issues), and clarify responsibility for review of these funds and policies.
- 4) Complete investigation of original conditions stipulated by Trustee account grantees, and reflect these in future Trustee practices and financial procedures for release of fund obligations to comply with NYPMIFA.
- 5) Review asset and liability type specifications for all funds (restricted, temporarily restricted, board directed, etc.)
- 6) Make corrections designated in 2013 Audit recommendations (specifically, define and state more precise procedures for approval of contingency fund expenditures, and for use of the accumulated retained net assets (operating fund surplus account).
- 7) Review and/or correct accounting treatment of health benefit payments.
- 8) Seek consistent definitions of TMA and Trustee Accounts for short-term and long-term assets.
- 9) Prepare draft consolidated audit for 2014 financial records by March, 2015.
- 10) Continue progress toward moving Trustee Bookkeeping to our present Bookkeeper, with a goal of completing this transition by the end of 2015.
- 11) Add control processes to Financial Guidelines for Treasurer Managed Accounts
- 12) Create or update Guidelines document with control processes for Trustee accounts.