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# **Audit Committee Minutes**

**May 6, 2019**

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**YMCA – Tustin Office – Front Conference Room**

**Attendees:** Jess Meyers, Michael Hahn, Joyce Kirchhofer, Alicia Chacon-bidwell, Crystal Immerman  
**Auditors:** Deana Bowden, Robert Perl

Jess Meyers called the meeting to order at 9:05am

- 2018 Audit Review – Auditors & Committee
  - Exit Letter
    - Unmodified Opinion
    - Audit Approach – Emphasis and Required Areas – No reportable matters
    - Went over and discussed accounting standards updates
    - Internal Control Related Matters
    - Significant Deficiency – Cash Receipts: Amount of cash receipts handled by the accounting department is small compared to rest of the organization. Auditors will check with their technical person regarding the wording and will change to the Other Matters section if approved. Will also change wording to reflect a procedure had already been put in place.
    - Other Matters - Segregation of Duties - Journal Entry Posting for Controller & CFO: The last journal entry posted was over a year ago. YMCA's IT department will revoke access to Controller and CFO for journal entries moving forward.
    - Other Matters – Information Technology Audit – James Le mentioned voluntarily engaged, most of the recommended cybersecurity protection will be in place by the end of 2<sup>nd</sup> quarter.
    - IT Review – James Le
      - YMCA hired a 3<sup>rd</sup> party firm that did a review of our IT systems
        - a. Review came back with 18 cyber security recommendations. Of the 10 identified as red, 2 are done, 6 are in process (complete by Q2), 1 to be complete in Q3 and one is not applicable. 8 were identified as yellow of those 1 is done, 2 in process, 4 to be done later in the year or early next year and 1 is contingent on vendors.
      - James gave a 10,000 foot overview regarding the segregations within the infrastructure.
  - Financial Statements
    - Consolidated Statement of Financial Position – Footnote references need to be updated
    - Loss on disposal capital asset? This was mainly due to the closing of Murrieta and Bi360.
    - Discussed presentation changes for Net Assets.
    - Joyce went over the large items accounting for the difference between what was reported to the board in the operational statement of activities vs the audited financial statements.
  - Footnotes:
    - Note 1 – Marketing is changing the verbiage to be consistent with current messaging
    - Note 4 – Change RREM to REMM group
    - Note 15 - Add new investment advisor is Bahnsen Group/Hightower Advisors and Don Saulic is a partner.
  - CUSD Agreed Upon Procedures - Revenue recorded and calculation for CUSD 1% fee has been reviewed and there were no findings.

- Jess makes recommendation to approve the audit with changes as discussed
  - Michael Hahn seconds the motion
  - All in favor, no nays or abstentions
  - Motion passed, Action Item will be presented to the BOD on 5/30/2019
- Review of returns and filings - Joyce Kirchhofer
  - What returns should this committee review?
  - (990, 199, RRF-1, 5500, Sales, Business Property, Welfare, etc)
    - The audit committee thoroughly reviews the main 990, 199, RRF-1 filings. Audit committee agrees that the other returns fall under management/CFO as normal course of business and only unusual items or aggressive stances should be brought to the audit committee.
- BOD Guidance 990 Review - Joyce Kirchhofer
  - What should BOD members be responsible for when reviewing the 990?
    - Since the Audit Committee does a detailed review, the BOD should be looking at the 990 from their own perspective and alignment with the organization. The 990 is not just about financials, it is also a communication piece.
    - The audit committee does a thorough review/vetting and will keep the BOD aware of nuances and potential risks of any aggressive positions in the 990.
    - If any BOD member has questions at any time they can reach out to the Audit Committee members and are welcome to join any of the meetings.
- Non-Profit Parking Tax – UBIT
  - The YMCA of Orange County will not incur UBIT.
  - YMCA of Orange County does not reserve any parking spots for any Y employees, parking spaces are available to the general public and are free.
- Taxability of Employee Parking
  - The Tax Cuts and Jobs Act opened the door for the potential of nonprofit organizations generating Unrelated Business Taxable Income due to the parking they provide to their employees.
    - Based upon the Y's specific fact pattern, WNDE believes that we will not generate Unrelated Business Taxable Income as a consequence of the providing parking to our employees.
- Meeting adjourned at 10:29am