

JOINT AUDIT COMMITTEE of the EXECUTIVE COUNCIL and DFMS

New York, New York

March 10, 2023

Minutes of the Zoom Meeting

Ms. Judge called the meeting to order at 11:02 AM EST with prayer.

Attending the meeting from the committee were: Julian Bivins, Andrea McKellar, Dan Packard, Shelly Banner, and Tess Judge. Regrets: ??

Also present: Kent Anker, Kurt Barnes, JoAnne Brockway, Margareth Crosnier de Bellaistre, Tanie Oconer, Esther Cohen (ERD), Jane Cisluycis, Darvin Darling, and Nancy Caparulo.

Attending from Grant Thornton (GT): Ed Miller, David Bronfman, and Pat Crosby.

Self-introductions around the group for the benefit of new members.

The agenda was reviewed and accepted with an addition of the charter review.

Minutes from December 5, 2022, were considered, moved, seconded and approved as presented.

The Audit Committee Responsibilities Grid was looked at, listing the committee's work for the remainder of the 2023. Ms. Judge noted future meetings: June 5 face-to-face at the church center, September 11, likely via Zoom, and December 4, perhaps in person (will be known in June).

2022 Audit Process – Grant Thornton (GT)

Mr. Miller said the tax report on 815 was done last week concerning rental income and expenses. No audit adjustments were made. GT is now preparing the required communication around that. This was described as 'always a very smooth process.' The consolidated audit work begins next month. A timeline with milestones will be established to complete the audit by June.

There were no questions and GT left the meeting at 11:21.

Cyber Security and Risk Management

Mr. Anker began with a discussion of data privacy issues. EU regulations have become the global standard. Some US states have passed policies concerning privacy issues. Training is effective for focusing on phishing and scams. Clarity is the goal around password uses, policies and security standards. DFMS has cyber insurance with a Chubb affiliate that provides \$3M coverage per incident for a data breach or ransomware attack. Chubb offers help if something occurs.

Mr. Darling picked up discussion concerning IT services for Convocation, where they tightened up their risk threats and moved them off personal servers to Office 365 to protect emails coming and

going. The policy is strict about what kind of data can be collected and kept. Proposed to Sr. Management to consider GDPR (General Data Protection Regulation) to be the standard across the DFMS. Policies are emerging in South America now and rules are evolving.

Mr. Darling pointed out that 90% of cyber risk occurs through e-mail and methods used change week by week. Training is essential in order to know what to look for to mitigate risk. IT provides security awareness training that will be required of all staff, updated annually.

Two-factor authentication has been instituted for staff working off-site. Lear 7 Firewalls are used for main and remote offices to monitor the traffic for malicious activity and check email to prevent compromise of the computers. There is offline back-up in the event of a breach. Web application firewalls are applied to all websites under the DFMS umbrella. Cyber risk and security training for IT staff is ongoing to keep the organization safe. Mr. Darling said the goal is a balance between security and functionality since we need to get the work done.

Insurance Policy Review

Mr. Barnes provided a summary of all the policies that the church has for a gamut of coverage. He has worked to minimize increases in annual premiums wherever possible since premiums have increased considerably in recent years. He discussed policies and the costs of each on an annual basis. It was learned that an event not immediately covered would be taken care of in cash or through short term reserves (STRs). \$11M is kept in short-term reserves. There was discussion about the \$20M umbrella liability coverage . . . it is an ongoing conversation along with coverage for independent contractors and remote personnel.

COO Report

Jane Cisluycis has been board in this role since February 27. She has attended many meetings and feels the need to tackle the matter of hybrid-remote workers, where there are inconsistencies in methods. She pointed out the Communications Department has no director since Bishop Curry has been PB and the COO overlooks that. The HR Director role is now in Jane's book. She said there is interest in the 6th floor of a possible tenant who is coming for a second look. She asserted that "right use" of the building needs to be looked at with consolidation of floors to make the building more desirable for leasing. There are repairs on the horizon that will need attention. More to come.

Financial Report

Mr. Barnes went through the report he had posted for the meeting. He talked about the consolidated activities that includes the DFMS budget and work done for ECW, the UTO Board, ERD, the trust funds (80% of total assets), and operation of St. John's School in Guam. The budget is done on a cash basis. Income was slightly ahead of the 2022 budget, which was closed in mid-February. Income from the refugee loan program was below budget owing to the lesser number of refugees settled in 2022. Mr. Barnes explained for new members the governmental program that EMM carries out.

In expense area, 85%-90% of the amount budgeted was spent by the program areas. Managers have been asked to explain the variances from the budget other than the lines resulting from a 4-day GC

where no program people attended. Mission areas are less because a missionary was not placed because of COVID. Church planting grants tend to roll over; there will be more detail by end of March.

In 2022 investments were down 19% but the church's long-term strategy is being maintained. The Investment Committee (IC) reviewed the target allocation needed to achieve a long-term goal of 8%. Over time the portfolio has done well. Mr. Barnes added that corporations and families built savings during the COVID shutdown thus slowing the recession. Inflation has decreased from its peak in 2022. Market pricing reflects expectations of easing in the FED rate in the year ahead.

Finally, Mr. Barnes reflected enthusiastically on the work of the Office of Development (OOD), significantly the Absalom Jones Fund that benefits the HBCUs, which doubled earnings in 2022 from 2021. Proceeds are shared by St. Augustine's and Voorhees Universities.

Audit Committee Training

Mr. Anker walked through the powers and duties of the Audit Committee as well as Charter Changes required to align them with the Canons, by-laws, the charter, and the NYS Statute for not-for-profits (nfps). On a recommendation from the Audit Committee EC adopts financial statements and appoint the auditors. Mr. Anker explained the committee is governed by its fiduciary duties. It is a Joint Committee of the corporation with Duty of care, to act using a good faith standard, the honest belief that the action is in the best interests of the organization.

The Conflict Policy, which can be found on the GC website, was looked at specific to AC's role to enforce the policy. Must review all conflicts reported, even if the report is superfluous, and report the review.

Mr. Anker went through the provisions outlined in NY State law governing Audit committees for not-for-profits. Serving as corporate function the committee must be independent. Its main job is the audit as well as oversight of accounting and reporting of the finances. The committee has the power to hire legal counsel if necessary. Further, it reviews material whistle blower complaints after those concerns go to Executive Officer of GC and the CLO via an anonymous reporting line.

Charter Review

Mr. Anker went through the proposed changes to the Charter. He reviewed the composition of the membership. Edits were discussed. A motion was made (Bivins) seconded (McKellar) to accept the edits. Vote carried unanimously. These revisions now go to EC for approval, bringing the charter in alignment with canons and by-laws.

Ms. Judge is serving as interim Chair for this meeting and a permanent chair must be elected. Motion was made (Banner) and seconded (McKellar) that Ms. Judge remain as chair. Decision was unanimous.

Other Business

Mr. Barnes raised the matter of A129 from GC, a request to examine the racial discrimination history of any of the DFMS trust funds. Mr. Anker and Ms. Baillie are looking at all of the trusts to

see how they originated. The language of the Corbin Trust was simply dismissed rather than seeking a *cy pres* judgement. A conversation is planned with the Church of England, which did similar work. Messrs. Anker and Barnes will report back.

C002 It was unclear if the GCO had referred this resolution to the AC. Mr. Barnes will check with that office. It has been referred to JSC on Governance.

The plenary session was adjourned at 12:54 PM for executive sessions.

Respectfully submitted,
Nancy Caparulo
Staff support to the committee