

JOINT AUDIT COMMITTEE of the EXECUTIVE COUNCIL and DFMS

October 10, 2024

Minutes of the Meeting

Attending the meeting from the committee were: Tess Judge (Chair), Julian Bivins, Andrea McKellar, and Phoebe Roaf.

Regrets: Dan Packard and Shelly Banner.

Also present: Kent Anker, Kurt Barnes, Jane Cisluycis, Esther Cohen, Michael Curry, Joanne Brockway, Tanie Oconer, Brian Murray and Nancy Caparulo.

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

Ms. Judge called the meeting to order at 10:02 AM. Bishop Roaf offered prayer.

The agenda was reviewed and accepted as presented.

The minutes from June 10, 2024 were moved (Bivins), seconded (McKellar), and approved as presented.

Audit Report

Mr. Cosby reviewed the reports on the single audit, compliance with federal requirements around major programs, and internal controls over compliance with Fed requirements. There were no federal findings. SEFA report revealed all federal money appropriately expended in 2023 by DFMS on the three major programs involving work on refugee resettlement and refugee admission. GT's note to SEFA was the report on federal awards reporting with internal control and compliance the focus. There was a finding that was explained in detail and a corrective action plan noted. There were no findings on the compliance report. GT has certified with the federal government clearinghouse. Access issues to Financial Edge have been remediated.

The nature of some receivables had been a flagged item. GT worked with management to account for receivables. A deep dive done many years back revealed that some write-offs were needed for older balances, and that was done. Management reconciled these retroactively and going forward. Corrective action was filed with the federal government. GT is now comfortable with the conditions in this area but felt it was significant enough for the Audit Committee to know about it.

Reconciliation work was recommended on a more frequent basis by GT to make sure what comes in from the government matches expenditures.

An executive session with the auditors was begun at 10:25 and continued for 10 minutes.

Ms. Judge recalled discussion at the last meeting concerning the MOU with ERD and the relationship with the auditors. The agreement was reached that it would be wise to continue with

GT for 24-25 Audit, sending an RFP after the MOU is fulfilled. A resolution will go to EC to appoint GT and postpone RFPs until for the 2026 audit. The resolution was approved by consensus.

Bishop Curry was on hand to thank the AC for the behind-the-scenes work that it does. He talked thoughtfully about his upcoming (non) retirement and did a retrospective of PBs starting with Bishop Hines – each called “for a reason for a season.” Tess responded for the committee.

Treasurer’s Report

Mr. Barnes went through the Budget Statement tracking through August. Closing September was anticipated in the next few days. Income is in line with expectations. Mr. Barnes said dioceses that make commitments, pay them. Sometimes the final payments come in March or April. The amounts that have been written off come to about \$30K over time. Program income includes trust income; the UTO trust income is dedicated to their administrative costs. Rental income is in line with expectation. As of August 2023 a vacancy occurred when the Haitian consulate left the building. Now there is an expanded lease with Lyceum Kennedy, occupying another floor of the building. Third floor offices have moved to the sixth.

As for expenses, at the end of 2023 new church starts grants were approved that used funds previously budgeted for 2024; they did that after EC approved the 2024 budget. Funds for starting new congregations were adopted for 2 years and will be exhausted by the end of 2024. HR has been working with a vacancy since early this year. All audit expenses have been paid for 2024. The \$18M debt outstanding is adjusted at the end of each year when \$1.4 million principal is paid against the debt.

The US Government fiscal year ends on September 30; during which EMM welcomed 5400 refugees and another 1200 parolees (special visas for immigrants like Afghans). There was no budget this year because of repeated increases/expansions of grants from the government. The State Department is pushing through many grants in anticipation of risk from the November election. TF income is recorded quarterly. The balance sheet is good. The DFMS note payable with US Bank is \$16 Million on a 25-year amortization, maturing in 2027 at which time it will be renewed at around \$13 million.

TF performance this year has been very successful with a return of 16% in 2023 and so far 11% in 2024 as of the end of August.

Q&A covered: DFMS pays its affiliates that resettle the refugees; processes for recording expenditures; concerns expressed about the expenses of the two houses of GC – income from GC and fees charged is about \$1.5 M but expenses are more like \$2.5 M, which raised the question of how to do GC in future; cost of court system (in GCO budget lines) - costs exceed the budget as do Title IV expenses (in PBO budget lines). Mr. Anker talked about costs in the legal area and efforts to push back on fees around Title IV. There is now a strong legal team working on this.

COO Report

Ms. Cislucyis noted lots of activity around real estate since the last meeting. A lease agreement for Austin for the Archives differs from the one last discussed. They were under pressure to move within 5 years because of market rates. A three-year option has been negotiated at a fixed rate, which will reduce expenses and provide time to think about what's next. The letter of intent for the DeKoven Center was not signed. Bishop Sean is considering use of the ECC building, so plans are on pause. She discussed the lease with Lyceum Kennedy as well as renewed leases with NAES and CUAC expected at end of the year. Legal and CUAC were also moved up to the 6th floor with other offices from the third floor. A lease renewal is now in the hands of ERD to reflect the triennial grant and will be updated over time as appropriate. The MOU and lease agreement are aligned. ERD has asked to take on their own financial functions come 12/31/2024. Taking over HR and benefits activities will not be possible at year end but will by the first quarter 2025. Ms. Cislucyis's work oversees HR, IT, Comm, Formation, and Archives staff and Operations as well as the big piece transition to a new PB.

Mr. Bivins, concerned about security, asked for a brief update regarding living quarters. Security has been upgraded. In the coming year a change will be made in orientation of the entry. It was recommended to the new PB to have it in context with how we function. The residence will be used more regularly, as Bishop Sean's home is Erie PA.

Legal Report

Mr. Anker talked about a policy meeting with DFMS leadership around data privacy and security. A consultant has been hired in conjunction with the Convocation in Europe, and policies will be upgraded in the next quarter, encrypting data that needs to be encrypted. Consultants have been a concern and legal is focusing on the process. Laws have changed, so the questionnaire has been deepened for use when a consultant is hired, keeping the field as broad as possible. Michael Walsh, Ms. Cislucyis and Mr. Barnes are doing most of the reviewing.

Legal is looking at TECH policies as well as taking a hard look at the employee handbook. Laws have changed all over the country. Cities have new labor policies – more granularity is needed in the handbook – dealing with sick leave and vacation so policies are consistent with the laws of cities where staff are working.

Data management systems are being reviewed to determine where the line is between records management and Archives/historical and documents past a retention date for corporate purposes but may have historical value. Best practices are sought for naming files so they can be found.

Generative AI was looked at more deeply as related to copyright and privacy issues. ChatGPT makes things up that are totally fictional appear legitimate. DFMS needs to be sure folks are disclosing use, if applicable. Mr. Anker talked about the troubling aspects of AI.

Land transfers were discussed. ECIM is now based in the Diocese of Hawaii having properties that need to be passed to the diocese. The land under the St. John's Parish hall is owned by DFMS. The corporation sole (the PB) of St. John's appoints the board. That role will shift to the

Bishop of Hawaii. They are consolidated with the DFMS Audit. Properties in Puerto Rico are also being clarified.

A-129 Resolution from GC'80 called for DFMS to look at the endowment to see where trust funds came from regarding enslavement. Jennifer Anderson was retained as historical consultant and research is in the final stages. The largest funds are the prime focus. Family backgrounds were searched, yielding maybe 4-5 funds having direct relationship with slavery (often the parents of the donors). The number is fewer than were anticipated. The remainder do not fall into that category. The report will look like CPG's, a capsule about the picture of involvement and what funds they are. About \$40-\$50 million in trusts are impacted. Regarding TF352, for example, the donor Helen Massey's parents were engaged in the slave trade. A report by the end of the year is anticipated. The Law is more complicated around the efforts to change these trusts. Rittenhouse TF was amended.

At 11:44 an executive session with officers was held and staff excused.

Respectfully submitted,
Nancy Caparulo
Staff support to the committee

Next meeting: December 9.