

AUDIT COMMITTEE TELECONFERENCE

March 21, 2018 (2:00 PM – 3:00 PM ET)

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MINUTES

Committee Members in attendance			
T. Brookes, Chair	D. Chui	J. Boudreau	S. Vieweg
Committee Members sending regrets			
Guests			
Andrew Newman - KPMG	Kirsten Giles - KPMG		
Staff			
S. Price	G. McDonald	M. McCourt	J. Southwood
C. Brown	J. Monterrosa		

	Item
1	<p>Opening of meeting and approval of agenda</p> <p>The Chair opened the meeting at 2:30 pm.</p> <p>Agenda was approved.</p>
2	<p>Approval March 29, 2017 minutes</p> <p>Discussion on items in minutes:</p> <ul style="list-style-type: none"> • Question raised about the review of the current investment policy – C. Brown noted that no formal review of the investment policy is being carried out. S. Price noted that under the current governance model, there is not set investment policy and that the board is looking at reinstating a policy. The governance committee is dealing with this issue and, the review and reporting to the board of the investment policies, will be covered by the recommendations that will come from the governance committee – no action is required by the audit committee on this point. • Question raised about the review of internal controls and the COSO framework – C. Brown noted that upon review of the COSO framework, it was determined that it was not the appropriate framework for EC. EC will continue to review internal controls - a follow up

	<p>item.</p> <ul style="list-style-type: none"> • Question raised about fraud awareness and protection – a follow up item. <p>After above matter were discussed, minutes were approved.</p>
3	<p>Presentation of 2017 audited financial statements</p> <p>A. Newman, KPMG partner, noted that KPMG has provided an unqualified opinion of the 2017 financial statements. Expanding on that point, he explained that an unqualified opinion means that, during the audit testing, no material misstatements/errors were found. A. Newman proceeded to point out highlights from the financial statements including the \$715K - 2018 deficit, key changes from prior year in revenues, expenses, assets, liabilities and net assets.</p> <p>In presenting the audit finding reports, A. Newman noted that the one adjustment that was made during the audit, was the flowing of expenses through the Statement of Operations that had been temporarily posted to net assets by management to managing monthly reporting. This was confirmed by J. Monterrosa and added that it was also done to consult with KPMG on the appropriate accounting treatment of the transaction.</p> <p>A. Newman noted revisions required to some of the notes: That page 9 needs to be updated to reflect the fact that there was no investment policy in effect in 2017. Note 9 also needs to be updated to reflect that fact that the target for the capital reserve funds is 1M (not 250K). Note 11 also will be updated to note the term of the new 12-year affinity agreement that starts in 2018.</p> <p>During the presentation, the committee asked for clarification on:</p> <ul style="list-style-type: none"> • Driver for the 150k operating deficit – it was noted that the GSPC projects as the key driver. • Assessments revenue nominal increase – S. Price noted that the baby boomer effect is the likely driver for this change. As the number of retiring members grows, that minimizes the growth. • Is the deficit something that was planned – S. Price noted that budgeted deficit for 2018 was approx. 500K and that financial updates are presented to the board throughout the year. S. Price noted that the board is made aware of the financial progress and status regularly. She also, suggested forwarding the board financial updates directly to audit committee to keep the committee updated. • Was the line of credit approved by the board and why is the limit set at 500K – It was noted that the LOC was set up as insurance in case of cash crunch and that it has never been used. It was noted that the board did approve the acquisition of the LOC. • Are lease inducements finalized and will the occupancy expenses be stable going forward – A. Newman responded confirming that all lease inducements are accounted for and that rent related costs are expected to be stable going forward.

	<p>Presentation of 2017 Audit Finding Report</p> <p>A. Newman noted that as the audit is clean in all aspects, a management letter is unnecessary as there were no internal control weaknesses.</p> <p>It was also noted that cyber risk is mentioned in the report as an issue that organizations at large are having to address. A. Newman also explained the concept of materiality to the audit committee.</p> <p>Presentation of Specified Audit Procedures</p> <p>A. Newman noted that a procedure to test board expenses found no exceptions. It was also noted that the threshold used for this testing was based on the average cost of a flight and 2 days accommodations.</p>
4	<p>Vote to recommend forwarding the 2017 financial statements to the board for final approval by membership</p> <p>Motion presented by Chair</p> <p>First – D. Chui</p> <p>Second - S. Vieweg</p> <p>Motion approved</p>
5	Next meeting – to be coordinated via email to deal with the audit services RFP
6	Adjournment of the formal part of the meeting
7	In-camera meeting with Auditors