

TSC Alliance
Audit Committee Meeting
March 31, 2023, 12:00 pm ET
Approved on 6/13/23

In attendance:

Committee Members: Steven Goldstein (Chair), David Coit, Tara Zimmerman

Guests: Amare Belay, Erin Gray Cranmer, Lila Leno

Staff: Cynthia Arcuri, Kari Rosbeck

Welcome and Approval of the Minutes from the October 21, 2022 Audit Committee meetings

Steven Goldstein called the meeting to order at 12:04 p.m. ET. A quorum of voting members was present. *Coit* moved to approve the October 21, 2022, meeting minutes. *Goldstein* seconded the motion. *The minutes were passed without dissent.*

Presentation of the 2022 Forms 990 and related Returns of the TSC Alliance and the TSC Alliance Endowment Fund by Erin Cranmer, Tax Senior Manager (Calibre CPA Group)

The first page of 990 is about the organization and comes from prior year return. Rest of the form is a summary and pulls from other parts of the return. Program services is the services by which we perform as a charity. They kick all of the summaries to schedule O. We are required to report on expenses on each program. Total expenses on first page must agree to Part 9, functional expense by program and comes from underlying data of report of functional expenses from the audit. Revenue (the negative amount) is from the Endowment losses. The check list of required schedules talks about activities and financial transactions during the year and depending on results require additional schedules to be completed. The only difference from the prior year 990 is completion of Part I of Schedule G (professional fundraising fees). During discussion, it was noted that these should not be classified as professional fundraising fees, and will be reclassified on the 990 and will be removed from schedule G.

Other forms filed with IRS consistent with prior year. Beginning in 2022, IRS specified that people must be listed in order of total compensation and must agree to W2. Compensation gets reported in three different places.

On the statement of revenue, the underlying information comes from the financial statements, but is presented in a slightly different way on the 990. Any income from gain or loss of investment is not reported on this schedule. It is recorded for GAAP but not on tax return. Fundraising events are partially fundraising and partly a contribution. There is another schedule later that explains how numbers are derived. Part IX derives from statement of functional expense.

- Schedule A on rolling five-year basis and were copied from prior year returns. Portion of gifts considered excess (making sure not just supported by 3-5 individuals). Public charity support is very strong at 82%. Only need to be concerned if it drops below 50%. This schedule will not be included in public disclosure copy and the same with Schedule D.
- Schedule D is the form reconciling differences between Form 990 and Consolidated Audit. Donated expenses are then pulled out.
- Schedule F is a report on activities outside the US. Schedule 1 is you have grants over \$10,000. We had grants in Europe and Middle East (Israel).
- Schedule G, part I, **Graham-Pelton will be removed and also be listed under other consultants in earlier schedule** (since they are not doing fundraising asking themselves, just providing guidance and advice).
- Schedule I is grants to US organizations and consistent with prior years.

- Schedule J outlines anyone whose compensation is over \$150,000 and includes disclosure with more detail.
- Schedule O is where programs descriptions are included.
- Schedule R shows our relationship with the Endowment Fund, a related organization.

California Return was broken out differently from 990 yet do reconcile. We then efile California return send Form 990.

Endowment Fund 990 smaller return. We had \$308,000 in grants to the TSC Alliance. Required schedules are also included and we meet best practices. Part VII is completed because the Endowment Fund is a supporting organization, and we must also report compensation of employees who spent time working on the Endowment Fund. All reports reconcile to financial statements.

Graham-Pelton will also be removed from Schedule G, Part I on this return and we will not have a Schedule G for Endowment Fund at all.

Presentation of the Report to the Audit Committee and the 2022 Draft Consolidated Audited Financial Statements by Lila Leno, Partner and Amare Belay, Senior Manager (Calibre CPA Group)

Highlights of engagement: This report is issued in accordance with industry standards with the purpose to report any changes in upcoming regulations and preparation of form 990. As soon approved, the returns will be filed by May 15, audit deadline. We were given an unmodified opinion, which is a clean opinion and highest assurance you can get.

TSC Alliance is new client to Calibre and they did additional procedures as a result. Calibre had meeting with prior year auditors, reviewed internal controls and policies. Planned strategies with controls and organization, and did not have to deter from plan. Audit went so smoothly and they were very impressed. We were on top of organization of schedules and the information quality and analysis was impressive. They were pleased and grateful. High remarks for Cynthia and Emebet's work.

Calibre reviewed process of the audit, team and approach (how controls work vs. actual process). Revenue recognition was changed a few years ago and the TSC Alliance is in compliance.

No adjustments suggested. There was one entry which was an accrual that Cynthia had let the team know ahead of time.

The letter to governance includes standard language including auditor responsibility and management responsibility. Audit report language has been extended to be included in audit as well. If there was any new policy accounting during the year also included. In 2022, one new accounting policy implemented on in-kind gifts and organization needs to implement the standard but there is no additional changes to financial statements as a result. No disagreements with management during the audit process.

Internal controls communication letter – no deficiencies or recommendations noted by Calibre.

Calibre walked us through the audited statements in comparison to prior year. The details of TSC Alliance vs Endowment Fund can be found in the back in the consolidating schedules. Investments decreased by \$1.1 million due to unrealized losses in 2022. Balance of pledges receivable increased \$2.5 million (Bhatia Family Foundation). Liabilities were consistent from prior year. Decrease of deferred revenue, release of funds earned in advance. Consolidated activity resulted in

\$10 million of revenue compared to \$8.2 million in 2021. Difference was research campaign (\$1 million) and World TSC Conference revenue.

Expense side \$8.1 million compared to \$7 million in 2021. Increase of \$1.1 million mainly due to World TSC Conference. Change in net asset \$1.9 million in 2022 compared to \$1.2 million in 2021 before investment gains and losses. Net change in net assets resulted in \$845k increase in 2022 and \$2.146 M in 2021. Decrease in change in net assets is mostly due to the \$1M decrease in Endowment Fund investment balance. Indicators show we are in good shape - current asset accounts vs. current liability the ratio is strong. A ratio of 2:1 is what they look at and ours is much stronger. They also look at how many months we can cover expenses if the organization were in trouble. Without donor restricted net assets of \$5.1 million and subtracting liabilities, we could cover approximately 6 months of operations.

Steven Goldstein thanked Calibre for an excellent presentation. Very professional experience between TSC Alliance and audit firm and the audit went very smoothly. Steven's only question, accounting firm makes investment their first year with additional start-up work. From their perspective did hours spend exceed budget. Lila answered that the TSC Alliance team was well prepared and schedules were clean. The field work was schedule on February 20 and we received the initial draft second week of March pointed to efficiency. Milestones worked for Cynthia as well.

Votes to approve the 2022 Consolidated TSC Alliance Audited Financial Statements, the 2022 TSC Alliance Form 990, and the 2022 TSC Alliance Endowment Fund Form 990

With the modification discussed during review of the tax return, *Coit* moved to accept the Financial Statements, TSC Alliance Form 990 and TSC Alliance Endowment Fund 990. *Goldstein* seconded the motion. *The motion passed without dissent.*

Executive Session (optional – with or without the President & CEO and CFO)

Cynthia Arcuri and Kari Rosbeck exited the call. The Audit Committee met with Calibre in an executive session.

Future Meetings Schedule:

- 2nd Quarter Meeting: Tuesday, June 13th – 5:00 pm ET
- 3rd Quarter Meeting: Wednesday, September 6th – 5:00 pm ET
- 4th Quarter Meeting: Friday, October 13th – time TBD (Silver Spring office)

Other Business

There being no other business, *Goldstein* moved to adjourn the meeting at 1:20 p.m. ET. *Zimmerman* seconded the motion.