

Minutes of the Virginia Bankers Association
Audit Committee Meeting
Tuesday, June 2, 2022
Via Zoom

In attendance: Brad Schwartz, Tom Cherry, Chris Bergstrom, and John Brough

Auditors: Amy Menefee, John Murray and Macy Irvin of Keiter.

Staff: Matt Bruning, DeMarion Johnston, Stacy Puckett and Bruce Whitehurst.

Call to Order & Approval of Minutes

Brad Schwartz welcomed everyone and called the meeting to order. Minutes of the June 1, 2021 meeting were approved. Brad introduced the auditors from Keiter.

2021 Audit Reports & Management Letters

Amy and Macy introduced themselves and Amy outlined the process they would review the reports.

Virginia Bankers Association and Subsidiaries – Amy reviewed the Audit Results & Communications identifying the critical accounting policies used. She noted that the accounting policies used and the disclosures made were considered appropriate. She stated that the accounting principles and assumptions made by management were consistent with the prior year and were considered appropriate. Amy reviewed the sensitive accounting estimates used by Management and noted that they were reasonable and consistent with industry standards. There were no alternative accounting treatments discussed and no unusual transactions. There were no unadjusted audit differences, no disagreements with Management. Keiter is not aware of any illegal acts or fraud or any consultation with other accounts by Management. Amy noted that Keiter is independent of the Association and Subsidiaries. There were no deficiencies in internal control noted. Amy pointed out one audit adjustment for the mark to net asset value for the Canapi investment. Amy noted two new accounting standards. She brought to the Committee's attention that the one that may impact the VBA accounting in the future is the new accounting for leases.

Amy reviewed the independent audit opinion noting it was unmodified. She noted a new format for the opinion which includes more detail about the work that is done to help the reader. Amy reviewed the Consolidated Statements of Financial Position, Consolidated Statements of Activities and the Consolidated Statements of Cash Flows. Amy pointed out and explained the major variances from the prior year. It was noted that the supplementary schedules were subject to audit procedures also. There was a brief discussion on the carrying value of the Infinex stock on MSI's balance sheet. It was determined that the cost value was the most appropriate value for this investment at this time.

Virginia Bankers Association Group Medical & Dental Trust - The Audit Results & Communications Report was reviewed by Macy. She noted an unmodified opinion. The Auditors Required Communication noting that the fair value of investments and IBNR estimates are the two significant management estimates. Keiter determined that the estimate made by Management are reasonable and consistent with industry standards. There were no other items of note.

Macy reviewed the Statements of Net Assets and the Statements of Changes in Net Assets and footnote disclosures. There was a brief discussion of reserves. Tom explained the determination of the reserve goals and the plan to invest some of the excess in 2022.

State Bankers Association Group Insurance Trust – The Audit Results & Communications Report was reviewed by Macy. There were no significant findings. Macy noted an unmodified opinion and reviewed Statements of Net Assets and the Statements of Changes in Net Assets and footnote disclosures.

Virginia Bankers Association PAC – Macy reviewed the Required Communications Report with no items of note. She noted an unmodified opinion and reviewed the draft audit report containing the Statements of Cash Receipts and Disbursements stating that this report was not prepared on a GAAP basis but cash.

State Bankers Association Master Defined Contribution Plan and Trust – Amy reviewed the Required Communications Report with no items of note. She noted an unmodified opinion and reviewed the draft financials. Amy noted significant variances from the prior year and footnote disclosures.

The Committee approved the audit drafts as presented.

Executive Session with Auditor

The committee met in executive session with Amy Menefee, Macy Irvin and John Murray. The auditors were excused.

The Committee members noted that Keiter acknowledged the maintenance of internal controls even in the face of staffing challenges.

Review of external IT audit

Stacy reviewed the IT Security Assessment conducted by SBS CyberSecurity. The VBA was found to be better than peers in the vulnerability assessment with most vulnerabilities being on the internal servers. The social engineering tests resulted in some clicks on links and in one case a user supplying their credentials over the phone. Stacy noted that the VBA would continue to require quarterly training and that the training for new employees will be emphasized. There was a discussion about personal data of the bank employees not being on the VBA server but with the vendor systems.

There being no other items of discussion the meeting was adjourned.

Minutes prepared by: Stacy Puckett