

**SPECIAL EXECUTIVE COMMITTEE MEETING**  
**BOARD OF TRUSTEES**  
**Friday, October 12, 2018 - 9:00am**  
**MassArt Tower Building, Alumni Room**

**MINUTES**

**Trustees present:** Pamela Parisi (Chair), Elisa Hamilton David Lee, Peter Nessen, Jan Saragoni, Linda Snyder. David Nelson (ex-officio).

Also present: Bob Perry, Don Arpino, and Susana Segat (Board Secretary).

From O'Connor & Drew P.C.: David DiIulis (audit principal), and Brian Crowley (audit manager).

**Call to order**

Chair Parisi called the meeting to order at 9:10am. She reminded participants of the board vote approving the delegation of authority for the annual audit. This audit would also be presented to the full board at its November 2018 meeting. She asked VP Perry to start the presentation on the FY2018 audit.

**Approve the fiscal year 2018 financial audit for Massachusetts College of Art and Design**

VP Perry welcomed the auditors and stated that the auditors consider this a clean audit. Regarding the budget, he said that the college is in a better cash position than last year, with better internal controls, tracking of funds, and effectiveness. Construction in South Building and work on deferred maintenance may be a risk gap for next year's budget, so the department will be vigilant through the year.

CPA DiIulis stated that this year's audit was difficult due to the implementation of Postemployment Benefits Other than Pensions (OPEB) as required by GASB 75. The audit will remain in draft form until OPEB is finalized. In order to comply with the state's timelines, the Commonwealth would receive this draft audit.

CPA Crowley distributed the Required Communications, which he identified as standard boilerplate. He read through the auditors' responsibility under Government Auditing Standards, the significant accounting policies and transactions, management's judgments and accounting estimates, other communications, independence, management advisory services, specific risks presumed by auditing standards, pervasive risk, and specific risks.

CPI DiIulis distributed the Financial Statements and Management's Discussion and Analysis document. He said that his company audited both MassArt and the MassArt Foundation. This year, the audits are not comparative with previous years because of the implementation of GASB 75. He read through the auditors' report letter and noted that the Management's Discussion and Analysis section was written by MassArt management. This section was unaudited: the auditor is only responsible for ensuring consistency with the audit.

Trustees discussed management's summary of the financial position of the college on page 5 of the audit. They noted the effects of the new OPEB mandates. They also noted that college had an increase in its bottom line: growing revenue has given us a stronger financial position from last year.

The auditors continued with the report, listing the statements of net position, which is \$67.2m as of June 30<sup>th</sup>. Assets are at \$114m for the college. They noted that the Foundation is a stand-alone entity, separate from these assets. Liabilities are at \$45m: the \$4m in state liabilities for OPEB is new this year. The auditors stated that only three of the 21 state institutions they audit have a positive unrestricted net balance: MassArt and MassMaritime are two of these institutions. Page 17 is a restatement as if GASB had existed last year. Page 18 shows that our cash position is \$850k better this year.

The auditors then went through the Notes to the Financial Statements, starting on page 20. There was discussion and overall agreement. The auditors explained that this audit does not include a management letter: there are no significant differences from last year's audit. They asked trustees to approve this audit as a draft so it may be submitted to the state within the deadline. They hope to have a final edition ready for the November 27<sup>th</sup> BOT meeting.

Chair Parisi asked the auditors to present the Foundation audit. The auditors explained that they produced a management letter regarding accounting and the lack of tidiness in reconciling investment accounts. VP Perry said

that a couple of corrections were being implemented for the Foundation: 1) AVP Arpino is assisting with financial management; and 2) an external accountant from a temp agency would be performing accounting duties.

The auditors read through the Foundation audit report. The statement of financial position on page 3 shows \$17.8m net assets in cash and investments. Next year, there will be new accounting pronouncements: the net asset 'buckets' will change. Trustees noted that the statement of activities shows \$3.6m in Total Program Services: this is listed at \$3.5m in the MassArt audit. The auditors agreed to check on those figures. Trustees discussed Foundation expenses that are assumed by the college. The auditors noted that a small in-kind allocation of VP O'Malley's salary is included in Foundation expenses. Trustees discussed their future work in benchmarking expenses so true costs were better represented for their deliberations. The auditors concluded their overview.

As the MassArt administrators briefly left the meeting, Chair Parisi asked the auditors for their feedback. Trustees asked about staffing and the transition of VP's. The auditors said that they audit 21 of 24 institutions, and they can attest to the quality of the work, the value of the staff, and the smoothness in leadership transition.

On a motion duly made and seconded, it was unanimously

**VOTED: To approve the FY2018 independent financial audit for Massachusetts College of Art and Design and forward it to the Commonwealth.**

Chair Parisi will report on this vote at the November BOT meeting.

On a motion duly made and seconded, it was unanimously

**VOTED: To accept the FYI2018 independent financial audit for the MassArt Foundation.**

Trustees asked for an executive session to discuss pending litigation. Chair Parisi asked for a roll call of the body to enter executive session and stated that the public meeting would reconvene in open session at the end of the executive session.

**Roll call for approving an executive session:** Elisa Hamilton – YES; David Lee – YES; Peter Nessen – YES; Jan Saragoni – YES; Linda Snyder – YES; Pamela Parisi – YES.

On a vote of six (6) votes in the affirmative and zero (0) votes in the negative, it was

**VOTED: To enter executive session, with the intent to reconvene the public meeting at the end of the executive session.**

#### **EXECUTIVE SESSION MINUTES**

At 10:32am, VP Perry informed trustees that there were no current legal cases before the college. There were just a few MCAD complaints pending and some ongoing Title IX issues. Trustees agreed that since there was no pending litigation, there was no need to continue the executive session. They moved to adjourn back into open session.

On a motion duly made and seconded at 10:35am, it was

**VOTED: to immediately move to open session since there is no pending litigation to discuss. There is no purpose for holding an executive session.**

#### **OPEN MEETING MINUTES, Continued**

Chair Parisi opened the public meeting, announced that the executive session was cancelled because there was no pending litigation to discuss. She added that no votes were taken and that the minutes produced during the executive session would be incorporated into the regular meeting minutes.

Trustees discussed the timeline for hiring MassArt's new general counsel and the possibility of this position lowering the costs currently being incurred by outside legal counsel. Trustees discussed insurance coverage: VP Perry offered to provide trustees with a review of insurance coverage.

#### Adjournment

On a motion duly made and seconded at 10:40am, it was unanimously

**VOTED: To adjourn.**