

Minutes of the Virginia Bankers Association
Audit Committee Meeting
Thursday, June 8, 2023 9:00am
VBA Offices, Glen Allen

In attendance: Tom Cherry, John Brough, John Caldwell, and James Black

Auditors from Keiter: Amy Menefee and Macy Irvin

Staff: DeMarion Johnston, Laurie Milligan, Stacy Puckett and Bruce Whitehurst

Call to Order & Approval of Minutes

Tom Cherry welcomed everyone and called the meeting to order. Minutes of the June 2, 2022 meeting were approved. Tom welcomed the auditors.

2022 Audit Reports and Audit Results & Communications Reports

Ms. Menefee and Ms. Irvin introduced themselves and outlined the process they would review the reports.

Virginia Bankers Association Group Medical and Dental Trust and State Bankers Association Group Insurance Trust

Ms. Menefee reviewed the Audit Results & Communications Reports for both health and welfare trusts.

She reviewed the summary of what Keiter agreed to do, responsibilities of management and the independent auditors' responsibilities. Ms. Menefee noted that both audit reports are unmodified opinions for the year ended December 31, 2022. She 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. Ms. Menefee reviewed the sensitive accounting estimates used by Management and noted that they were reasonable and consistent with industry standards. She pointed out the two significant estimates were IBNR and the value of investments. 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 accountants by Management. Ms. Menefee noted that Keiter is independent of the Association and Subsidiaries. There were no deficiencies in internal control noted.

Ms. Menefee reviewed the independent audit opinion once again noting it was unmodified. She reviewed the statements noting a decrease in net assets due to claims higher than premiums collected. Ms. Menefee also highlighted the new footnote for the fair value of investments. This footnote was necessitated by the investment of funds into the Schwab account under the direction of SageView Advisors. She also highlighted, in Note 6, the new RX captive agreement for specialty drugs.

State Bankers Association Group Insurance Trust

Ms. Menefee reviewed the State Bankers Association Group Insurance Trust report. She noted that opinion was unmodified. Ms. Menefee reviewed the statements noting no significant variances from the prior year report and footnotes.

Trust Fund of State Bankers Association Defined Contribution Plan and Trust

Ms. Menefee reviewed the Audit Results & Communications Report for the Trust. Ms. Menefee noted that they were issuing an unmodified opinion. She reviewed the significant accounting estimates used by Management and noted that they were reasonable and consistent with industry standards. Ms. Menefee pointed out the one significant estimate was the value of investments. 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 accountants by Management. Ms. Menefee noted that Keiter is independent of the Trust. There were no deficiencies in internal control noted.

Ms. Menefee then reviewed the financial statements noting consistent asset classes and distribution of assets as prior year. She also pointed out the plan terminations and transfers to other plans were more than offset by rollovers from custodians. Ms. Menefee noted the negative change in assets was due to market performance for the year. She noted footnotes were consistent with prior year.

Virginia Bankers Association PAC

Ms. Irvin reviewed the Audit Results & Communications Report for the PAC. She reviewed the summary of what Keiter agreed to do and that an unmodified opinion will be issued. Ms. Irvin noted that the PAC is on a cash basis of accounting, accounting policies and assumptions are appropriate and consistent with the prior year. She also stated that there were no alternative accounting policies used, no disagreements with management, audit differences or deficiencies in internal control noted. Ms. Irvin stated that Keiter is not aware of any illegal acts, fraud, or any consultation with other accountants.

Ms. Irvin reviewed the statements noting consistency with prior years.

Discussion was had between management and the Committee around the movement of funds from Federal to State, noting that it is prohibited to move contributions from state to federal.

Virginia Bankers Association and Subsidiaries

Ms. Irvin reviewed the Audit Results & Communications Report for the VBA. She noted that an unmodified opinion would be issued. Ms. Irvin highlighted the significant accounting estimates used and that they believe the estimates are reasonable and consistent with industry standards. She also stated that there were no alternative accounting policies used, no disagreements with management, audit differences or deficiencies in internal control noted. Ms. Irvin stated that Keiter is not aware of any illegal acts, fraud, or any consultation with other accountants. It was noted

that ASU 842 does not have an impact on the consolidated financial statements. The effect of ASU 842 is excluded from the consolidating schedules. It was noted that in the next report there will be more documentation of the collectability of receivables due to ASU 2016-13.

Ms. Irvin then reviewed the financial statements highlighting fluctuations.

Executive Session with Auditor

The committee met in executive session with Amy Menefee, Macy Irvin and Macy Irvin.

The auditors were excused.

The Committee members noted that Keiter had positive feedback on the Accounting staff at the VBA.

Review of external IT review

Stacy reviewed the IT Security Assessment conducted by SBS CyberSecurity. The Committee decided it wanted to hear from SBS CyberSecurity directly. A meeting was scheduled for June 15, 2023.

The Audit Committee met with Justin Curtner with SBS Cybersecurity. He answered concerns around the critical vulnerabilities in the reports. Mr. Curtner noted that he had no concerns around the VBA's vulnerabilities because of the layers of security preventing others from reaching the vulnerabilities. He also stated that the peer group used in the report was made up of 90% financial institutions.