



Audit Committee

Minutes of the 02 May 2013 Meeting

The Audit Committee of the U. S. Naval Institute with Dr. J. Phillip London as Chairman chaired the meeting convened on May 2, 2013 at 3:00 pm at the offices of the U.S. Naval Institute in Annapolis, MD. This was the first meeting of the Audit Committee governed by the new Constitution and Bylaws.

Audit Committee Directors in attendance:

Dr. J. Phillip London
RADM Dan Bowler, USN (Ret.)

CliftonLarsonAllen ('CLA') staff in attendance:

Thomas Rey - Partner
Heather Plitt – Engagement Director

USNI Officers and staff in attendance:

Robert G. Johnson, Chief Financial Officer
Michael Manzone, Controller

COMMENCE THE USNI AUDIT COMMITTEE MEETING- WELCOME AND INTRODUCTIONS

After introductions, Chairman London called the meeting to order and made his opening remarks:

- He thanked Thomas Rey for the presentation that he prepared for the meeting.
- Stated that one of the duties of the Audit Committee is to ensure that the financial statements of the U.S. Naval Institute are fairly stated and presented in accordance with Generally Accepted Accounting Principles.

CLIFTONLARSONALLEN PRESENTATION (attached is the full presentation)

The meeting was then turned over to Thomas Rey ('TR') for the outside auditor's presentation. His opening remarks included a comment that he was very happy that the Naval Institute had re-established the committee process and that he was able to speak directly with the Audit Committee. He believes this is an important step forward. He also said that once this meeting was over that CLA would issue the SAS 114 letters to the Board of Directors (copies attached). At this point TR turned the presentation over to Heather Plitt. Heather stated that the purpose of the presentation was: "to

document the audit process and to communicate to the Audit Committee the approach and scope of the services to be provided in conducting the audit of the consolidated financial statements for the year ended December 31, 2012.”

The presentation included the following discussions:

- The Scope of Work.
- The Auditors’ Responsibility under Government Audit Standards – this included a discussion of the fraud interviews that were conducted.
- The Audit Approach – this included a discussion of the internal controls that are in place at the Naval Institute.
- CLA Risk Assessment in the Planning Process.
- Key Audit Areas and the Audit Plan – this included a discussion concerning revenue recognition with respect to Foundation multi-year pledges.
- CLA Review Process – Chairman London asked about the size of the audit staff, their checklist of items that needed review and finally the process of review. TR discussed in detail the process of review and their quality control.
- The Overview of the Audit Results, which were all good:
 - Unqualified “clean” opinion.
 - No material weaknesses.
 - No significant deficiencies.
 - No comments meriting the attention of those charged with governance.
- Emerging Issues – discussed in more detail by TR but only as an FYI – no effect on the Naval Institute.

DISCUSSION OF THE PRESENTATION

At the end of the presentation, Director Bowler asked if CLA had any recommendations based on the audit. TR discussed that there were no major recommendations at this point. Recommendations in the past have been given to the financial staff and they have incorporated them into the process.

It was stated for the record that both Chairman London and Director Bowler have read, reviewed and approved the filings as submitted by CLA including the audit financials of both the Foundation and US Naval Institute (both have been attached).

At this point both Robert Johnson and Michael Manzone were asked to leave the meeting

EXECUTIVE SESSION

Chairman London chaired the executive session.

After the executive session was completed the meeting was adjourned.