



# California Association for Bilingual Education

Audit Committee February 26, 2016

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### **Objectives**



Discuss key components

Steps for finalization

Questions and open discussion



### **Audit Process - Overview**

## Management Preparedness

- Management ready for the start of fieldwork
- Easy to work with and responsive

### Adjustments

• No audit adjustments

### **Timing**

- Planning discussion November 5
- Fieldwork during the month of November 2015







### **Audit Process – Risk Based Approach**

Inquiries of management & governance

Internal control

Confirmation of material banking and investment relationships

Cash disbursement testing on check register

Revenue recognition (conference fees, contributions, restrictions, etc.)

Substantive testing of contributions

**Endowment activity** 

Functional allocation of expenses

Review of credit card transactions and approvals





### **Financial Statement Highlights**

#### **Overall**

- Comparative financial statements
- Unmodified opinion which is the highest level of assurance a CPA firm can provide

#### Statements of Financial **Position**

- Total assets decreased approx. \$70k related to decrease in cash, grants receivable, PPE and inventories offset by increase in accounts receivable
- Total liabilities decreased approx. \$169k due to decrease in AP, accruals and note payable offset by increase in deferred revenue

#### **Statements of Activities**

- Increase in revenue of approx. \$158k driven by increase in conference fees, program income and government grant offset by decrease in grants from private foundations
- Expenses increased approx. \$536k from prior year due to payroll related expenses
- Program expenses are 76% of total (83% last year)



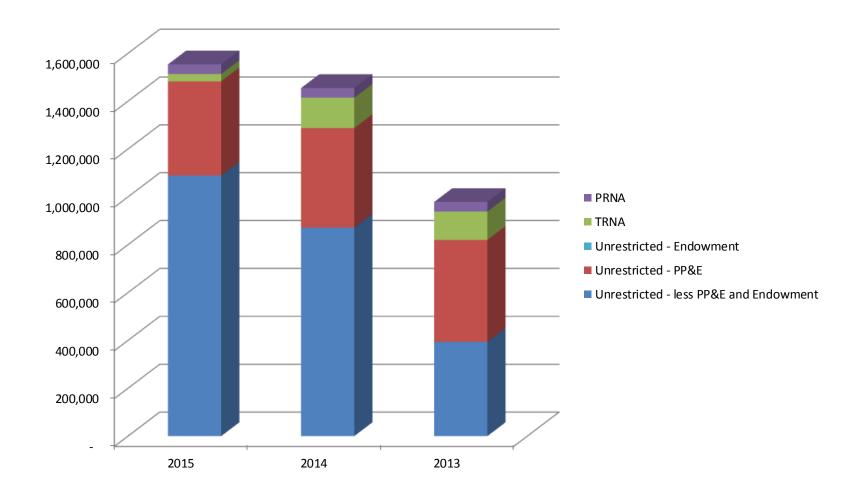




### Financial Statement Highlights (continued)

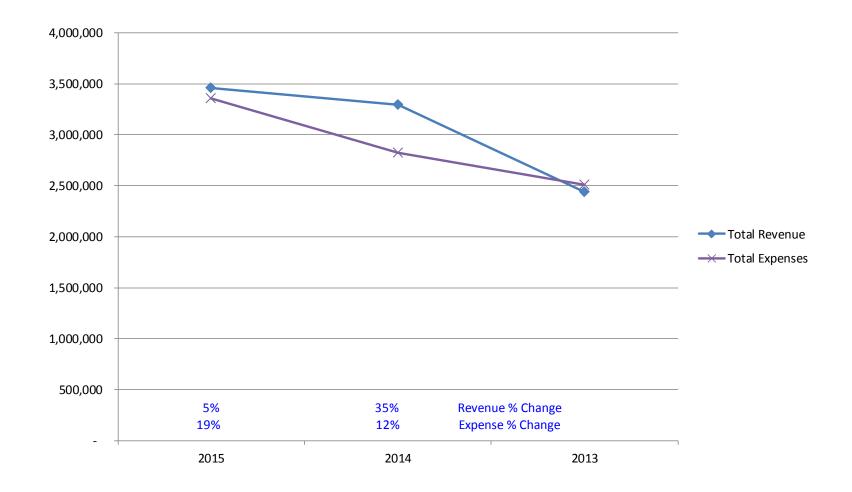
- Key components (continued)
  - Total increase in net assets for 2015 approx. \$99k
    compared to 2014 approx. \$476k
- Footnotes
  - New footnotes include grants receivable (Note 3), endowment investments (Note 4) and property and equipment (Note 5)
  - Most sensitive footnotes:
    - Schedules of functional expenses
    - ♦ Endowment Note 11

### **Net Asset Composition**



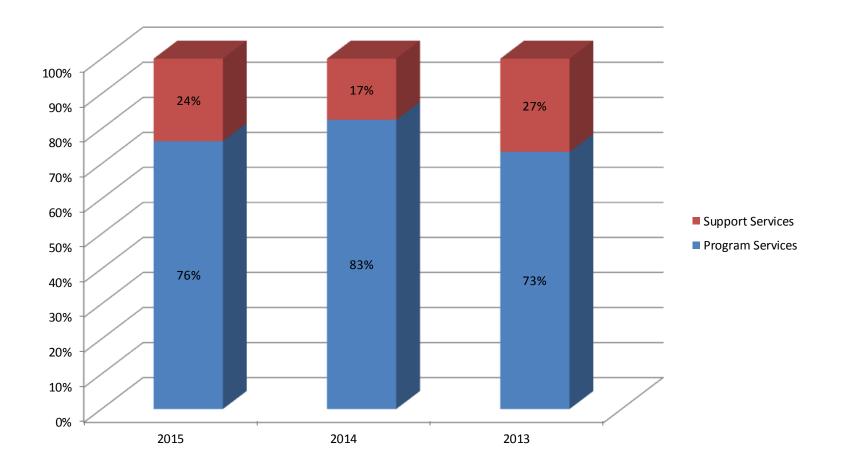


### **Revenue and Expense Growth**





### **Functional Expenses**





### **Governance Communication Letter**

#### **Overall**

- No changes in scope of the audit except in i3 grant related disbursement sample size
- No changes in significant accounting policies

#### **Estimates**

- Valuation of investments
- Depreciable lives of fixed assets
- Accounts receivable allowance
- Functional allocation of expenses

#### **Difficulties**

- No difficulties encountered
- No disagreements encountered
- No other findings to report

#### Other

- No audit adjustments
- One other matter regarding policies







### **Single Audit**

## Financial Statements

- Unqualified report
- No material weakness or significant deficiencies
- No noncompliance material to financial statements

### Federal Awards

- No material weakness or significant deficiencies
- Unqualified report on compliance for major programs
- Major program: 84.411C Investing in Innovation Fund
- \$300k to distinguish Type A and B programs
- High risk auditee







### **Steps for Finalization**

Communication of any changes to deliverables

Update on any subsequent events

• Signed representation letter from management

 Completion of form 990 (upon receipt of information from management)





### **Emerging Issues**

### Cybersecurity!

- Have seen more and more articles on the topic
- DEFEND YOURSELF!
  - Approach the risks in a tier level based on who has access to what information and the level or sensitivity.
  - Educate your employees everyone can use a reminder.
    We're all busy, but even a reminder can be your first defense against the easiest of attacks.
  - Has your system been tested? Do you have vulnerabilities?
  - Consider an internal and external penetration test to find potential holes in network. Or even a security audit of the School.



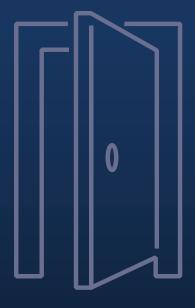
### **Emerging Issues**

### FASB – Non-profit financial statement changes

- Operating measure a mission dimension and availability dimension
- Net assets with donor-imposed restrictions and without donor-imposed restrictions
- Cash flows require the direct method of reporting
- Reporting of expenses require to report expenses by their nature and function
- Investment expenses (external and direct internal) required to be netted against the investment return – removal of disclosure requirement
- Liquidity considering classified balance sheet
- Comment period closed 8/20; final ASU expected in early 2016







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