Objectives

- Understand the audit process & scope
- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>PRNA</th>
<th>TRNA</th>
<th>Unrestricted - Endowment</th>
<th>Unrestricted - PP&amp;E</th>
<th>Unrestricted - less PP&amp;E and Endowment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>2014</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Functional Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Support Services</th>
<th>Program Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2014</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>2013</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>

- Red: Support Services
- Blue: Program Services
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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