

Clark Nuber PS

Presentation to the Audit Committee of



October 19, 2022

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Service Scope & Deliverables for the Year Ended June 30, 2022

Financial Statement Audit for
the Year Ended June 30, 2022

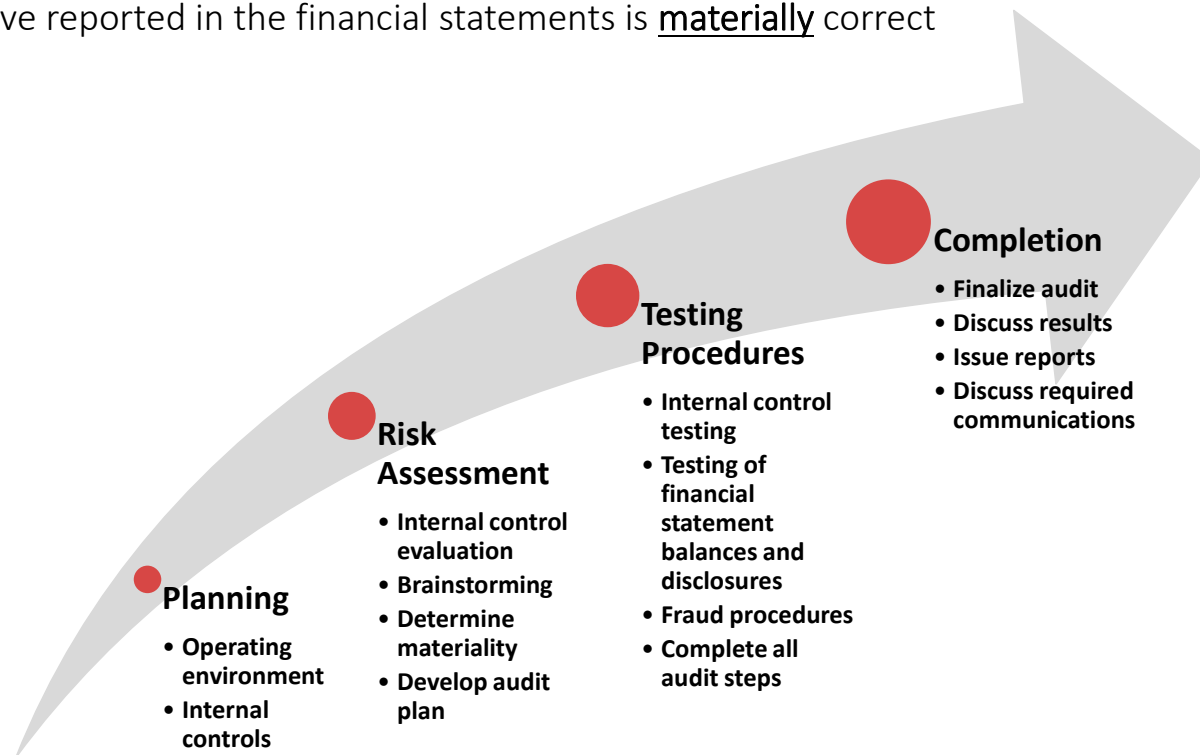
Other Services

- Preparation of consolidated financial statements in conjunction with the audit
- Preparation of Form 990 tax return
- Routine management advice, as requested

Financial Statement Audit

Purpose

- Issue an opinion (“*audit report*”) that accompanies your annual financial statements
- Gives assurance to users of the financial statements (*lenders, funders, Board of Directors, etc.*) that the information you have reported in the financial statements is materially correct



Areas of Financial Statement Audit Emphasis



Critical Audit Areas

Revenue recognition (boat shows and member dues)

Management override of controls

PPP loan forgiveness and employee retention tax credit



Financial Statement Estimates

Valuation and collectability of receivables

Impairment of goodwill

Useful lives of fixed assets

Functional allocation of expenses



Internal Controls in the Following Areas:

Entity level controls

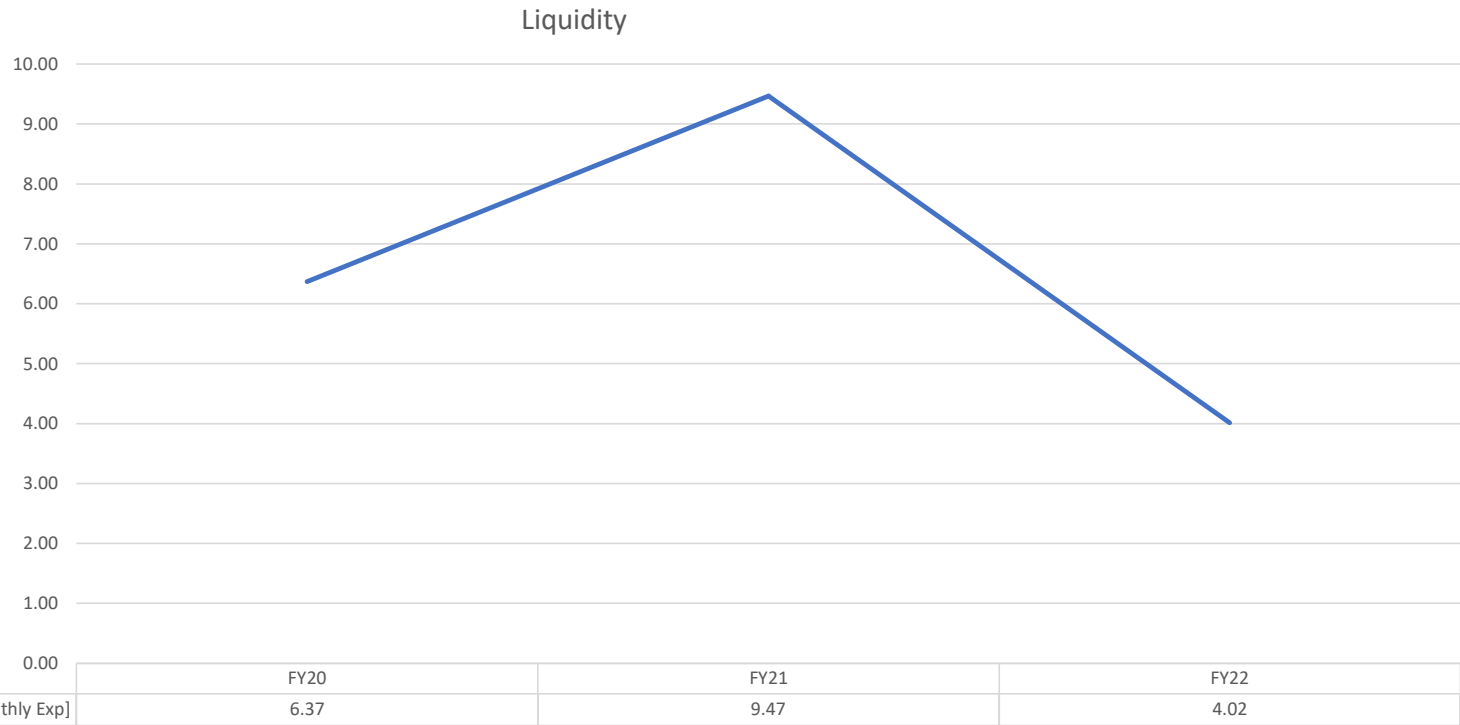
Revenue, receivables, and cash receipts

Accounts payable, payroll, and related disbursements

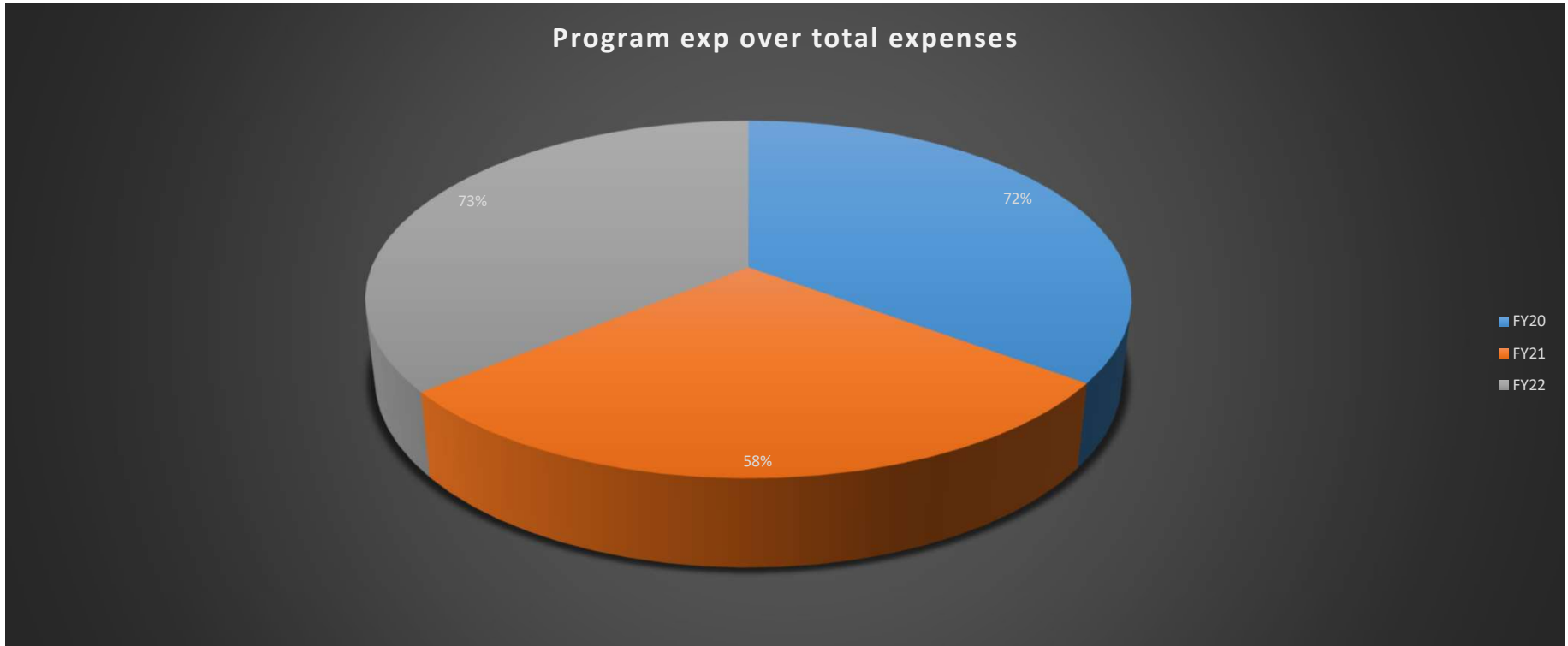
Information technology

Financial reporting and closing

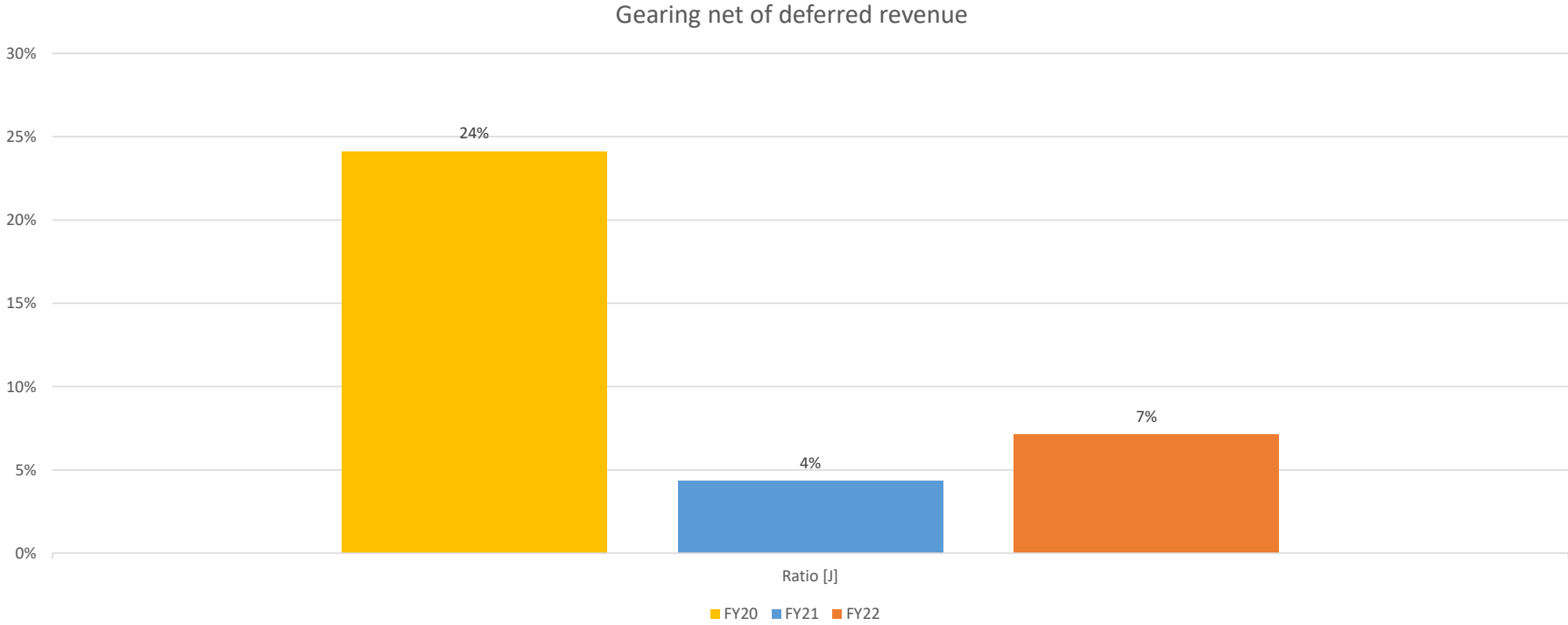
Financial Highlights - Liquidity



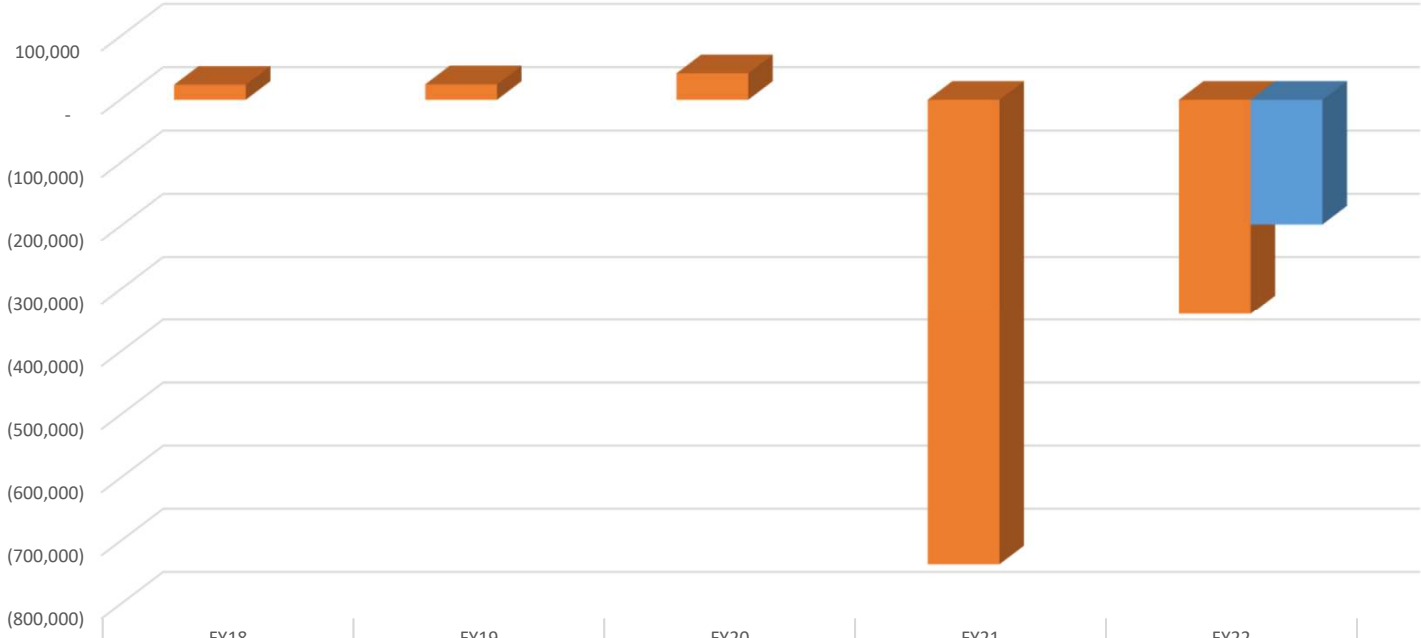
Program expenses as a percentage of total expenses



Liabilities as percentage of total assets



Cashflow from operations



| | FY18 | FY19 | FY20 | FY21 | FY22 |
|--|--------|--------|--------|-----------|-----------|
| Cashflow from operations | 23,813 | 24,464 | 41,824 | (736,476) | (339,140) |
| Five year average cashflow from operations | | | | | (197,103) |

Financial Statement Audit Results This Year

- Unmodified opinion issued
 - Indicates the financial statements are materially correct and we did not find any reason to modify our opinion
 - Implementation of SAS 134 - Auditor Reporting Amendments
 - Significant changes to the auditor's report including that the auditor's opinion is now first.
 - Other changes include a new Basis of Opinion section; disclosing management and the auditor's responsibility for going concern issues; and expanded section on auditor responsibilities.
- Audit adjustments
 - None
- Proposed adjustments
 - Adjustment to true up unrealized losses for \$12,862
- Internal control deficiencies
 - No material weaknesses in accounting controls or information systems noted

Comments and Recommendations

Follow up on Prior Year Best Practices and Other Recommendations

- Consider formalizing a policy for periodic penetration testing including the frequency depending on management's risk appetite.
- Consider creating an IT specific Security Policy document or adding additional principles to the employee handbook such as: Risk Management, Data Classification, PCI Requirements, Naming conventions, Access controls, and Information security incident management.
- Consider providing security awareness trainings for employees
- Consider reviewing third party attestation reports (SOC) by management to understand and assess risk
- Consider implementing physical security around servers.



Other Required Communications

Professional standards established by the AICPA require independent auditors to communicate certain matters directly to those charged with governance. This report presents a brief explanation of each of the communication requirements and our response as it relates to your organization.

| Items to be Communicated | Auditor's Response |
|---|---|
| Auditor's responsibility under U.S. Auditing Standards. | Communicated in engagement letter. |
| Representations requested from management. | Communicated in representation letter. |
| Significant difficulties encountered during audit. | None. |
| Disagreements with management. | None. |
| Major issues discussed prior to retention. | None. |
| Consultation with other accountants. | None we are aware of. |
| Fraud or noncompliance with laws and regulations. | No such matters came to our attention. |
| Consideration of entity's ability to continue as a going concern. | No such matters require disclosure. |
| Other information in documents containing audited financial statements. | We are not aware of any plans to include the audited financial statements in other documents. |
| Qualitative aspects of accounting practices. | Policies and procedures and estimates are consistent with prior years and with practices we see at similar organizations. |
| Significant audit issues. | No matters were discussed. |

Leases –
effective
calendar
year ending
2022 (FY
2023)

- Lessees to recognize all leases as liabilities on the balance sheet.
- Expense recognition to remain the same for operating and financing (capital) leases.

Your Engagement Team Leads

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Opportunities for Continuing Education

The Essentials for Not-for-Profit Board Members Webinar Series

Please join us for a webinar series created for new not-for-profit board members. These trainings will focus on some of the most critical duties in carrying out the role.

DATES & SESSIONS

- **October 27th:** Best Practices for Overseeing, Evaluating, and Hiring a Not-for-Profit Executive Director
- **November 10th:** Fundamentals of Not-for-Profit Financial Matters
- **December 3rd:** What Board Members Need to Know About Their Role in Fundraising
- **December 15th:** Fundamentals of the IRS Form 990
- **January 12th:** Board Roles Related to Operating Reserves and Resiliency



For more information visit www.clarknuber.com/news

The Essentials for Not-for-Profit Board Members Webinar Series Recordings

Not-for-Profit Board Members: Roles, Responsibilities, and Legal Issues

Original Air Date: Tues, October 13, 2020

Presenters: Vincent Stevens, *Clark Nuber PS* | Nancy McGlamery, *Adler & Colvin*

[CLICK HERE FOR RECORDING](#)

Best Practices for Overseeing, Evaluating, and Hiring a Not-for-Profit Executive Director

Original Air Date: Tues, October 27, 2020

Presenters: Christine Martin, *The Valtas Group* | Ed Rogan, *The Valtas Group*

[CLICK HERE FOR RECORDING](#)

Fundamentals of Not-for-Profit Financial Matters

Original Air Date: Tues, November 10, 2020

Presenters: Andrew Prather, *Clark Nuber PS* | Sarah Wine, *Clark Nuber PS*

[CLICK HERE FOR RECORDING](#)

What Board Members Need to Know About Their Role in Fundraising

Original Air Date: Thurs, December 3, 2020

Presenters: Jim Shapiro, *The Better Fundraising Co.*

[CLICK HERE FOR RECORDING](#)

Fundamentals of the IRS Form 990

Original Air Date: Tues, December 15, 2020

Presenters: Kathryn Okimoto, *Clark Nuber PS*

[CLICK HERE FOR RECORDING](#)

The Board's Role with Operating Reserves and Resilience

Original Air Date: Tues, January 12, 2021

Presenters: Lauren L. Thomas, *Hopelink* | Susan Lansverk, *University Prep*

[CLICK HERE FOR RECORDING](#)



Opportunities for Continuing Education

We offer external educational opportunities, including a variety of events and training sessions that can provide added benefit to you.



Other Upcoming Events

- **December 8:** Year End Accounting & Tax Update
- **January 21:** Tax Deductible Contributions – Donor Letters & Qualified Appraisals



For more information visit www.clarknuber.com/news

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We offer external educational opportunities, including a variety of events and training sessions that can provide added benefit to you.



Clark Nuber Webinars

- January 12th: Not-for-Profit Basics – Accounting
- May 18th: Not-for-Profit Basics – Federal Compliance
- June 7th: Not-for-Profit Basics – Tax
- August 2nd: Private Foundation Basics

For more information visit www.clarknuber.com/news

CCH Webinars Presented by Clark Nuber

- January 22nd: Form 990-PF
- February 16th: Single Audit Update
- March 1st: International Considerations for Not-for-Profits
- April 21st: Form 990 Overview

For more information visit www.cchcpelink.com and use the discount code CNUBER



About Clark Nuber



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