



Presentation to the Finance Committee of Northwest Marine Trade Association

October 18, 2023

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Service Scope & Deliverables

For the Year Ended June 30, 2023

**Financial Statement Audit for the Year Ended
June 30, 2023**

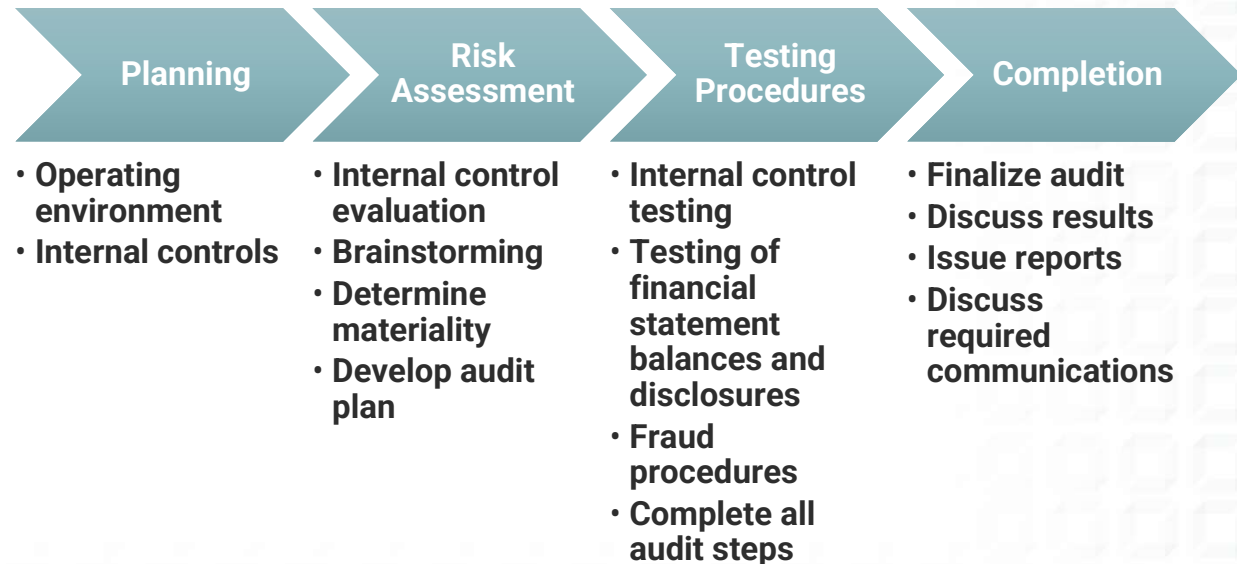
Other Services

- 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, grant income and member due & fees)

Management override of controls – presumed significant risk

ASC 842: Leases



Financial Statement Estimates

Valuation of receivables

Fixed assets lives

Functional allocation of expenses



Internal Controls in the Following Areas:

Revenue, receivables, and cash receipts

Accounts payable, payroll, and related disbursements

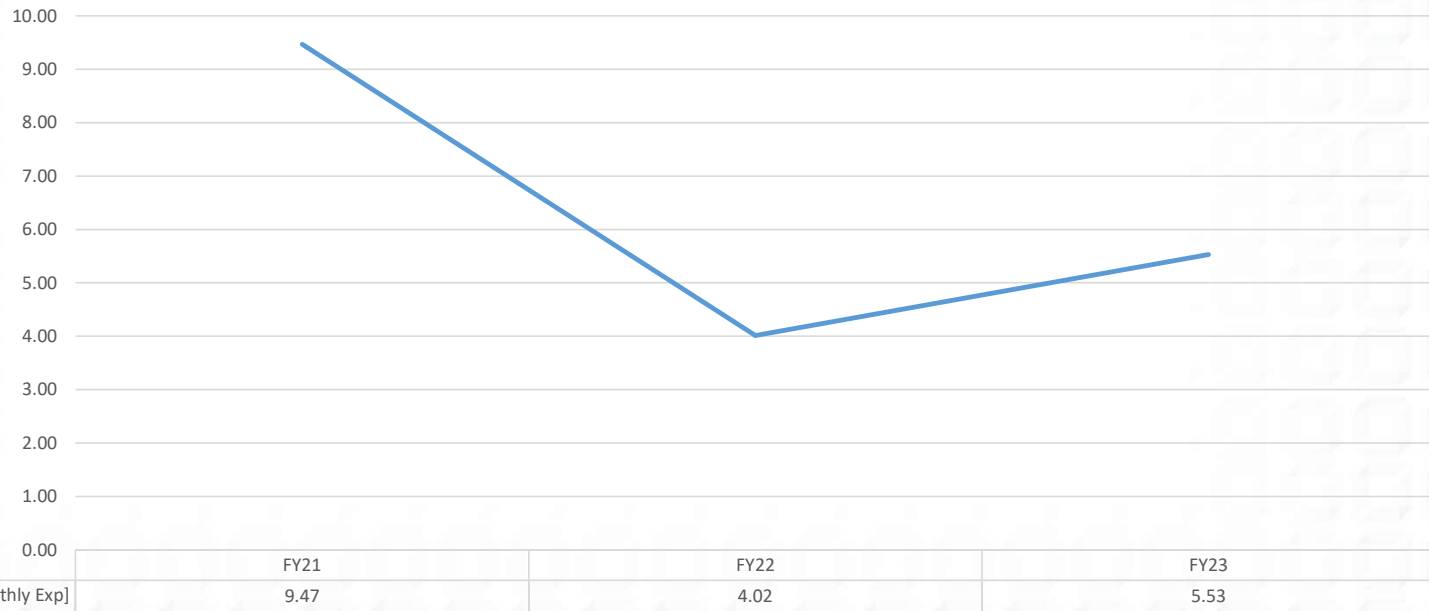
Information technology

Financial reporting and closing

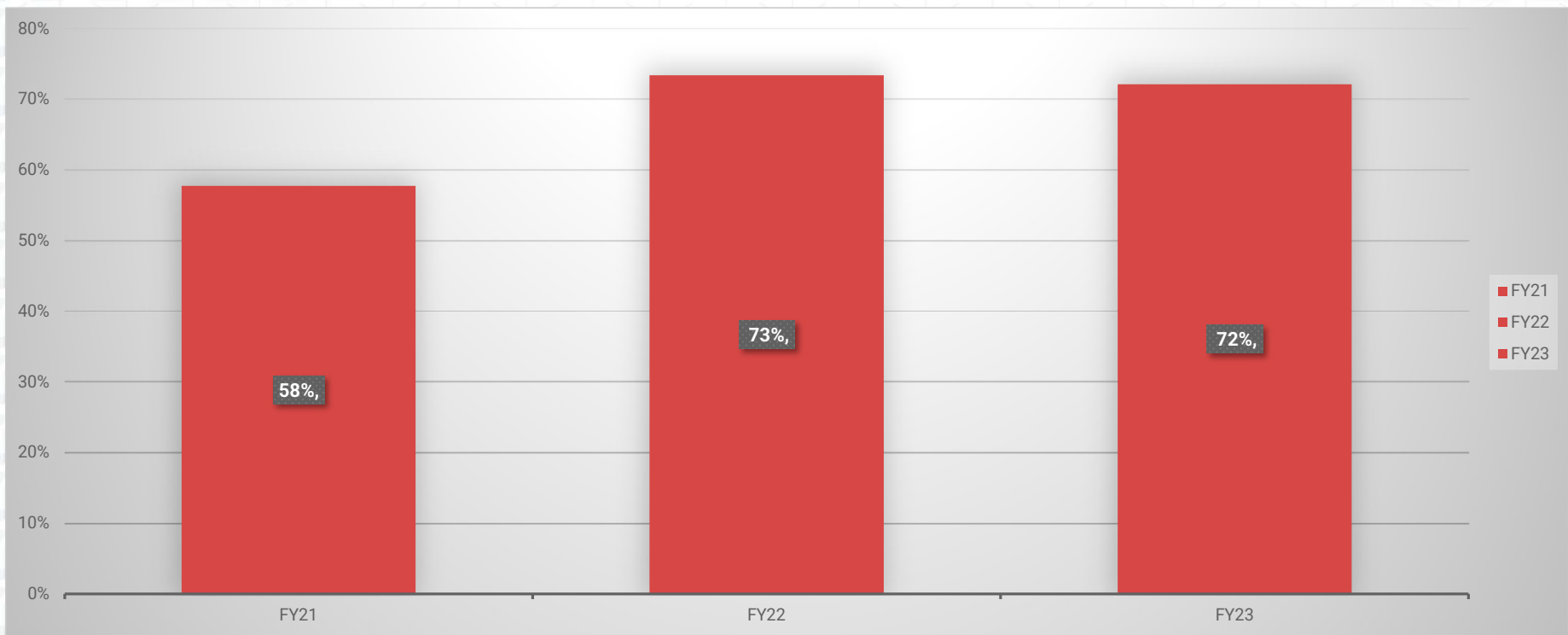
Entity level controls

Financial Highlights - Liquidity

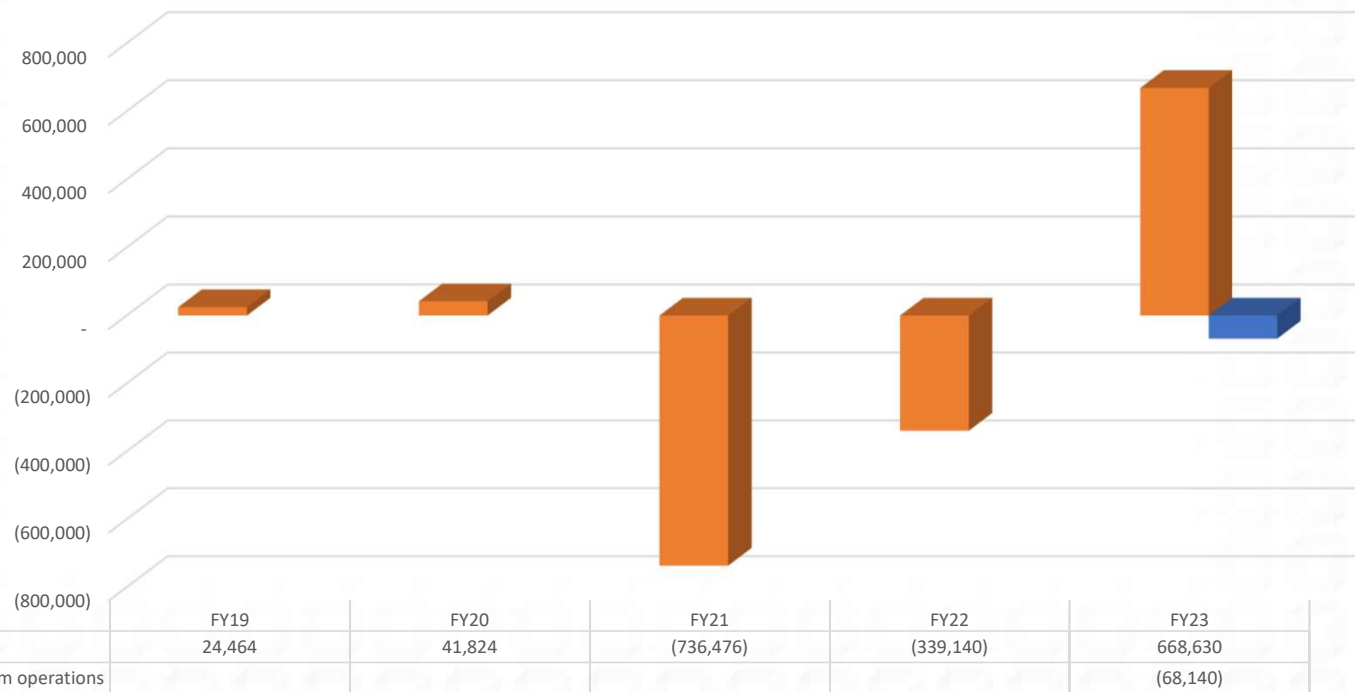
Liquidity



Financial Highlights – Program as a Percentage of Total Expenses



Financial Highlights – Cash flows from operations



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

Audit adjustments

- No auditor-proposed adjustments or uncorrected misstatements

Comments and Recommendations

3 Possible Levels for Comments

Material Weakness(es)

- None noted

Best Practices and Other Recommendations

- We recommend tracking investment gains and losses in only investment return accounts.

Other Required Communications

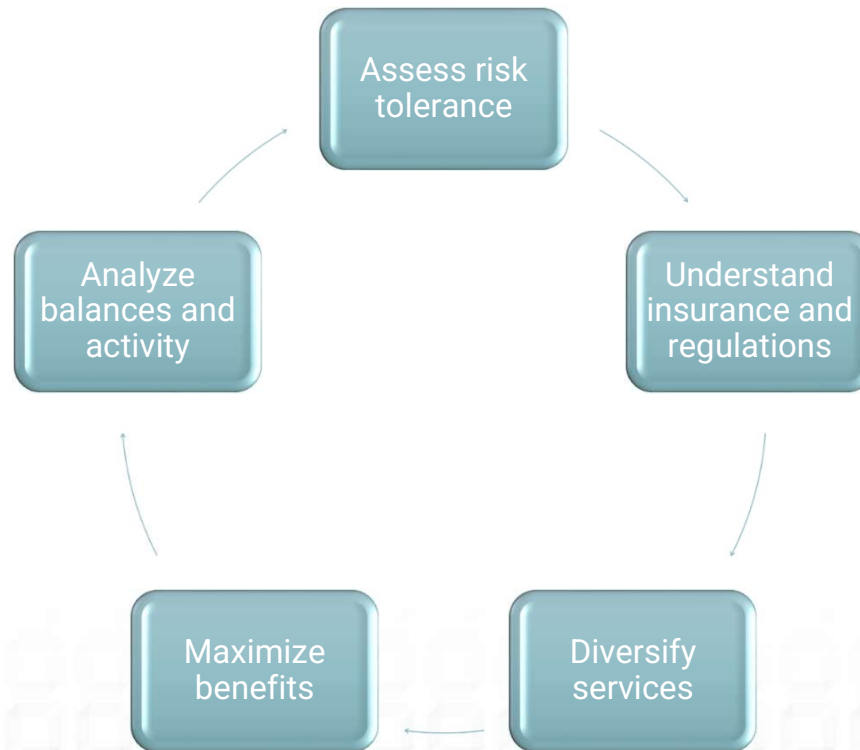
Professional standards established by the AICPA require independent auditors to communicate certain matters directly to those charged with governance. This report presents a brief explanation of each of the communication requirements and our response as it relates to your organization.

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 and matters that are contentious for which the auditor consulted outside of the engagement team.	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 included in annual reports	We are not aware of any plans to issue an annual report that includes financial or nonfinancial information.
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 or unexpected matters relevant to the financial reporting process.	No matters were discussed.

Protiviti Study: Top 10 Risks

Top Risks for 2023	Top Risks for 2022
1. Succession challenges, ability to attract and retain talent	1. Pandemic-related government policies and regulations impact on business performance
2. Economic conditions in markets we currently serve may significantly restrict growth opportunities	2. Succession challenges, ability to attract and retain talent
3. Increasing labor costs impact profitability targets	3. Pandemic-related market conditions reduce customer demand
4. Resistance to change may restrict the organization from making necessary adjustments to the business model and core operations	4. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees
5. Uncertainty surrounding core supply chain ecosystem	5. Economic conditions, including inflationary pressures, constrain growth opportunities
6. Changes in the overall work environment may lead to challenges in sustaining culture and the conduct of the business	6. Increasing labor costs impact profitability targets
7. Adoption of digital technologies may require new skills in short supply, requiring significant efforts to reskill/upskill employees	7. Resistance to change in operations and business model
8. Organization's culture may not sufficiently encourage the timely identification and escalation of risk issues	8. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency
9. Approach to managing demands on or expectations of a significant portion of workforce to work remotely or as part of a hybrid work environment	9. Cyber threats
10. Organization may not be sufficiently resilient and/or agile to manage an unexpected crisis	10. Shift in expectations about social issues and diversity, equity and inclusion (DEI) outpace organization's response

Banking Considerations – Iterative Process



Banking Considerations

- Analyze cash balances and available sources of liquid capital, as well as activity projections, to determine essential balance requirements for short-term, mid-term and longer-term needs.
- Assess risk tolerance with key stakeholders, including board, key owners, key funding sources.
- Diversify each banking service (interest-bearing savings, operating checking account, investment) across institutions based on risk tolerance, while considering the administrative costs of bank diversification
- Understand insurance and regulations related to the security level for each banking service and each bank. For example, sweep accounts are sometimes the financial responsibility of a different entity than the bank managing the account. Legal advice may be appropriate.
- Maximize key benefits of each institution. For example, a fintech may have excellent user tools and interfaces with your accounting and treasury systems, while a global bank may have better international wire capability and financial stability.
- Periodically revisit risk assessment of banking relationships and determine whether changes or diversification are necessary

Clark Nuber Not-for-Profit Basics Series

- **Reporting of Contribution Revenue and Fundraising Events**
June 28, 2023 | 9:00 a.m. PDT | 2 CPE Credits
[Link to Register](#)
- **Functional Allocation of Expenses**
July 19, 2023 | 9:00 a.m. PDT | 2 CPE Credits
[Link to Register](#)
- **Private Foundation Essentials Workshop**
Aug. 3, 2023 | 9:00 a.m. PDT | 4 CPE Credits
[Link to Register](#)
- **Financial Statement & Form 990 Walkthrough**
Sept. 28, 2023 | 9:00 a.m. PDT | 2 CPE Credits
[Link to Register](#)
- **Financial Reporting for Endowments and Net Assets**
Oct. 11, 2023 | 9:00 a.m. PDT | 2 CPE Credits
[Link to Register](#)
- **Related Party Transactions & Compensation**
Nov. 1, 2023 | 9:00 a.m. PDT | 2 CPE Credits
[Link to Register](#)
- **Fraud & Internal Control Case Studies**
Dec. 14, 2023 | 9:00 a.m. PST | 2 CPE Credits
[Link to Register](#)

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](#)

DEI Considerations for Not-for-Profit Board Members

Original Air Date: Tues, May 18, 2021

Presenters: Maria Wilcox-Chavez, *YWCA Seattle* | King | *Snohomish* | Gordon McHenry Jr, *United Way of King County* | Beth McCaw, *Bernier McCaw Foundation* | Vincent Stevens, *Clark Nuber PS*

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About Clark Nuber



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- Software Functional Needs Assessments
- Enterprise Risk Management Assessments
- Governance and Board Development
- Internal Control Assessments
- Grantmaking Practices Assessment
- NFP Business Health Checkup
- Risk Assessment Reviews Related to Accountable Plans, Excess Business Holdings, Self-Dealing and Excess Benefit Transactions, and Foreign Withholdings
- Global Mobility and Payroll Compliance Assessment
- Mock IRS Audit
- Executive Compensation Studies

Clark Nuber ^{PS}

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