



We promise
to know you and help you.

**California Association of Bilingual Education
2018 Audit Committee Exit Meeting**

October 23, 2018

Agenda

Audit Service Team
Audit Scope and Deliverables
Audit Process – Risk Based Approach
Financial Statement Highlights
Governance Communication
Remaining Steps to Finalize
Accounting Standards Update
CLA Nonprofit Resources



Audit Service Team

- We are committed to providing top quality service throughout the engagement and throughout the year. The team that served your organization is assembled by individuals dedicated to the non-profit field.
- **Bared Dilacar** is the lead audit principal and is responsible for the engagement. Bared has 27 years of experience of which 19 years is in serving nonprofits.
- **Cristine Mendoza** is a Senior Associate in the nonprofit team at CLA, with a focus on serving independent schools, religious organizations, art centers and museums, and private foundations.

CliftonLarsonAllen Audit Service Team

Audit
Principal

Bared
Dilacar

Audit
Senior

Cristine
Mendoza

Supporting
Associate

(1)



We promise to know you and help you.

Audit Scope and Deliverables

Scope

- Audit of the financial statements

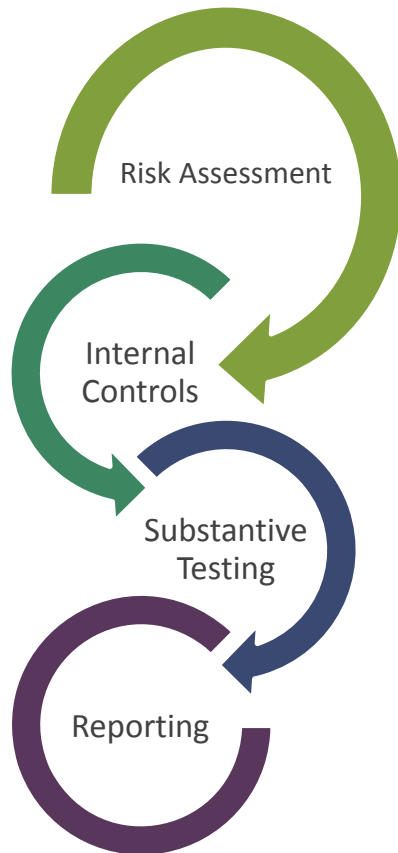
We have designed our audit to:

- Issue required communications letter to the governing body at conclusion of the audit.
- Issue an opinion on the June 30, 2018 financial statements.



Audit Process – Risk Based Approach

© 2018 C



Risk Assessment	Inquiries of management & governance
	Preliminary analytic procedures

Internal Controls	Obtain an understanding
	Walkthrough key controls

Substantive Work	Confirmation of banking and investment relationships
	Revenue recognition
	Substantive testing on contributions, PP&E additions, debt
	Data analytic on check register

Reporting	Audited financial statements
	Governance letter



We promise to know you and help you.

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

- Increase in total assets of approx. \$3.7M driven by increase in property and equipment of \$3.5M and contributions receivable of \$429K
- Increase in total liabilities of approx. \$2.7M is primarily driven by increase in long-term debt of \$2.4M and deferred revenue of \$220K

Statements of Activities

- Increase in total revenue of approx. \$1.4M driven by increase in grants and contributions of \$934K, gain on sale of property of \$679K and program income of \$266K
- Increase in total expenses of approx. \$790K driven by increase in payroll related expenses of \$205K, outside services of \$397K, facility rental of \$86K and interest expense of \$75K
- Program expenses are 76% of total FY18 expenses (78% FY17)



Financial Statement Highlights (continued)

- Key components

- Total increase in net assets for 2018 approx. \$1.1M compared to 2017 increase of \$466K

- Footnotes

- New footnotes

- ◇ Contributions Receivable (Note 2)
- ◇ Dual Immersion Program Implementation And Parent Engagement Grant (Note 9)

- Most sensitive footnotes:

- ◇ Investments and Fair Values (Notes 3 and 4)
- ◇ Property and Equipment (Note 5)
- ◇ Notes Payable (Note 6)
- ◇ Restricted Net Assets and Endowment (Notes 10, 11 and 12)



Governance Communication

Overall

- Unmodified opinion
- No changes in scope of the audit

Estimates

- Allowance on accounts receivable
- Fair value of investments
- Depreciation of PP&E
- Functional allocation of expenses

Difficulties

- No difficulties
- No disagreements

Other Findings

- One audit adjustment
- No passed adjustments



Remaining Steps to Finalize

Subsequent
Events

Management
Representation
Letter



Accounting Standards Update

- ASU 2016-14 Not-For-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. It is effective for fiscal years beginning after December 15, 2017 (e.g., 6/30/2019).
- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. It is effective for fiscal years beginning after December 15, 2018 (e.g., 6/30/2020).
- ASU 2018-08 Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions received, the effective date is for annual periods beginning after December 15, 2018; for contributions made, the effective date is for annual periods beginning after December 15, 2019.
- ASU 2016-02 Leases (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. It is effective for fiscal year beginning after December 15, 2020.



CLA Nonprofit Resources

© 2018 C

- Nonprofit resources:
 - [How Good Governance Can Reduce Nonprofit Fraud Risk](#)
 - [Nonprofit Accounting and Audit Update](#)
 - [Tax Reform Implications for Nonprofits](#)
 - [Resources to Help Implement FASB 2016-14 Financial Reporting](#)

[Visit Resources on Our Webpage for More!!](#)



We promise to know you and help you.

Questions?

Bared Dilacar
Principal
626-844-2029
bared.dilacar@CLAConnect.com



[linkedin.com/company/
cliftonlarsenallen](https://www.linkedin.com/company/cliftonlarsenallen)



[facebook.com/
cliftonlarsenallen](https://www.facebook.com/cliftonlarsenallen)



twitter.com/CLAConnect



[youtube.com/CliftonLarsonAllen](https://www.youtube.com/CliftonLarsonAllen)