

FINANCE & AUDIT COMMITTEE (F&AC)

State Bar of Arizona
4201 N. 24th Street, Suite 100
Phoenix, Arizona 85016

January 17, 2019
3 p.m.
Cholla Room

Minutes (Approved)

MEMBER ATTENDANCE:

P = present in person; T = present telephonically; A= absent.

P - Denis Fitzgibbons, Chair

P - Anna Thomasson, Vice Chair

P - Dave Byers

T - Tyler Carrell

T - Jason Cobb

T - Jim Penny (Client Protection Fund Board Liaison/Non-voting F&AC member)

OTHER ATTENDEES:

State Bar Staff:

Joel England

John Phelps

Maret Vessella

Kathy Gerhart

Lori Maxwell

Lisa Panahi

Aron Carrico

Martin Gaxiola

Guests:

Allan Klose & Libby Zukowski (Mayer Hoffman McCann/CBIZ)

Minutes taken by: Aron Carrico

I. CALL TO ORDER:

Called to Order by: Denis Fitzgibbons

Time: 3:05pm

II. CALL TO THE PUBLIC:

Individuals addressing the Committee: None

Discussion: None

III. CPF December 2018 Preliminary Financial Statements

Individuals addressing the Committee: James Penny

Discussion: 2018 year-end cash is at \$23K; total assets are at \$2.3M; and current liabilities are at \$32K. Claims paid in 2018 were approximately \$547K. Assessment revenue is \$434K and CDARs-held (with 2019 maturity dates) were valued at \$2.2M. The F&AC committee would like to see the historical statistics on claims made vs. the timing in which those claims were paid.

IV. Presentation – Audit Kick Off Presentation

Individuals addressing the Committee: Allan Klose

Discussion: Allan K. reviewed the audit plan and timeline, as well as the auditor's and management's responsibilities for the audit of the 2018 fiscal year.

V. Presentation – Audit Engagement Letter

Individuals addressing the Committee: Libby Zukowski

Discussion: Libby Z. reviewed the engagement letter with the F&AC team, which was included in the materials sent out to committee members in advance.

VI. Approval of Minutes – November 15th meeting minutes:

Individuals addressing the Committee: Denis Fitzgibbons

Discussion: None

Motion/ moved by: Dave Byers

Seconded by: Anna Thomasson

Motion: Passed unanimously

VII. 2019 Contribution Request – ABA Section of Litigation, Judicial Intern Opportunity Program (JIOP)

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. discussed the \$19K budget that the SBA has for contribution requests for 2019. Currently the SBA has already approved and paid out \$4.5K to various organizations. The ABA Section of Litigation is requesting that the SBA contribute \$4K this year. In the past, the SBA had contributed \$1K along with free admission to the convention for 11 students.

Motion/moved by: Dave Byers motioned to keep the same 2018 awarded amount of \$1K, along with the free convention admissions for their students.

Seconded by: Anna Thomasson

Motion: Passed unanimously

VIII. 2019 Action Items

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. reviewed the following outstanding action items for 2019:

- The 2021 Convention request for proposal is waiting for a completed analysis and guidance from the Program Review Committee.
- Line of Credit & Banking Relationship RFP is set to begin in April, with the current line of credit expiring on August 1st, 2019.
- The Investment Subcommittee, which was formed from the September 2018 F&AC meeting, still needs to meet and review the investment options that meet policy requirements and develop recommendations for the F&AC team. The subcommittee includes the CEO/ED, CFO, Dave B., and Jason C. The money market account currently has a balance of \$3,832,631, of which \$1,764,992 is designated as dues reserve, and \$2,067,640 is the capital reserve.
- F&AC recommendation to the BoG on the annual allocation to the capital and dues reserve. Recommendations are planned to be voted on by the BoG in March or April of 2019.

IX. Next Steps 2019 Go Bold Initiatives Budget

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. reviewed the 2019 Budget Memorandum Phase 2 approved at the F&AC August 2018 meeting. For this phase, the proposed initiatives will be individually presented with estimated revenues, expenses, and capital acquisitions for review by the F&AC, with final approval given by the BoG. All approved initiatives will be funded from the Dues Reserve fund. John P. reiterated that all initiatives are currently being worked on to the extent of currently approved 2019 budgeted funds. Anna T. recommended that the CEO update the BoG on Go Bold Initiatives status during the CEO address at each BoG meeting.

X. SBA December 2018 Preliminary Financial Statements

Individuals addressing the Committee: Kathy Gerhart

Discussion: Skipped in lieu of BoG presentation review.

XI. SBA December 2018 BoG Financial Presentation Review

Individuals addressing the Committee: Kathy Gerhart

Discussion: For the year ended December 31, 2018, the Bar's preliminary income statement generated a surplus of \$76K excluding Sections. The surplus year-to-date is \$57K more than budgeted. This is due to \$56K more in revenues and \$1K less in expenses than budget. Sections Activity reported a year-to-date surplus of \$32K compared to a budgeted deficit of \$61K. Additional year-end entries and accrued liabilities could result in a downward adjustment of \$75K to \$100K.

XII. SBA December 2018 Quarterly Reports

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. briefly reviewed the Quarterly Bench & Bar Income/Expenses Summary; the Quarterly Capital Expenditure Recap; Quarterly Ranked Vendor Payments. There were no additional questions from F&AC members.

XIII. CEO/ED & CFO Certification – Q4 2018

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. presented the signed 2018 Q4 CEO/ED & CFO Certification and confirmed that the SBA is in compliance with the Financial Policies Manual.

XIV. 2019 Approved Contribution Requests Schedule

Individuals addressing the Committee: Kathy Gerhart

Discussion: Item was discussed during the 2019 Contribution Request section.

Meeting adjourned by: Denis Fitzgibbons at 4:15pm.