FINANCE & AUDIT COMMITTEE (F&AC)
State Bar of Arizona
4201 N. 24th Street, Suite 100
Phoenix, Arizona 85016

January 25, 2018
3pm
Jacaranda Room

Minutes (Approved)

MEMBER ATTENDANCE:
P = present in person; T = present telephonically; A= absent.
P - Brian Furuya, Chair
A - Lori Higuera, Vice Chair
P - Dave Byers
P - Anna Thomasson
T - Tyler Carrell
T - Jim Penny (Client Protection Fund Board Liaison/Non-voting F&AC member)

OTHER ATTENDEES:

Guests:
LeAnn Rudolph - Partner - EideBailly
Brenda Blunt - Auditor - EideBailly

State Bar Staff:
John Phelps
Kathy Gerhart
Maret Vessella
Lori Maxwell
Lisa Panahi
Gayle Jackson
Rick DeBruhl
Lisa Panahi
Octavius Garrett
Lisa Chamberland
T - Lisa Deane
Ann Leslie

Minutes taken by: Lisa Chamberland & Octavius Garrett
I. CALL TO ORDER

Called to Order by: Brian F.
Time: 3:01 pm

II. CALL TO THE PUBLIC

Individuals addressing the Committee: None
Discussion: None

III. EideBailly Presentation

Individuals addressing the Committee: LeAnn Rudolph & Brenda Blunt
Discussion: LeAnn R. provided a review of the Audit Engagement Letter, Audit Planning Letter & Audit Scope and internal controls. The main topics of Auditor & Management responsibilities, Reporting and Dispute Resolution were reviewed from documents provided. Field work will be the week of February 19th and the Prepared by Client (PBC) Work paper Listing has already been forwarded to the SBA Accounting department. All Eide-Bailly documents provided were similar to last year, and Lisa P. and Kathy G. reviewed/agreed to prior. Brian F. asked if anyone outside of staff had questions or wanted to review anything with the EideBailly representatives and there were no questions.

Brenda B. briefly reviewed that there are tax changes for tax exempt organizations, unrelated business income, parking lot rental, advertising sales, consulting & services etc.

IV. Approval of Minutes – November 8th meeting minutes

Individuals addressing the Committee: Brian F.
Discussion: None
Motion/moved by: Brian F. motioned to approve November 8th meeting minutes.
Seconded by: Dave B.
Motion: Passed unanimously

V. 208 Contribution Request – Arizona Minority Bar Association:

Individuals addressing the Committee: Kathy G.
Discussion: Arizona Minority Bar Association requested a contribution for an event on 2/16/18. The contribution was pre-approved by John P, but still needs F&AC approval. There was a short turn-around time due to a few factors: the timing of the request, the actual event date and no December scheduled F&AC meeting to review/approve. John P. noted that Accounting should continue working on a pre-approval “list” of standard events/organizations for each year’s
VI. Public Records Fee Schedule

Individuals addressing the Committee: Kathy G.
Discussion: The proposed Fee Schedule draft was reviewed. Kathy G. developed a fee schedule for commercial/non-commercial copy charges and research/administrative services exceeding one hour. All other work will be charged at actual cost or determined on a case by case basis.
Motion/moved by: Anna T. motioned to approve Public Records Fee Schedule presented.
   Seconded by: Tyler C.
Motion: Passed unanimously

VII. Financial Reserves – annual allocation

Individuals addressing the Committee: Kathy G.
Discussion: Kathy G. noted there is an estimated 800K surplus to allocate between the Capital and Dues Reserves. Dave B. would like to revisit the capital reserve policy and consider removing language stating reserve is not to exceed $2M. It was suggested the F&AC review this on a future agenda when final 2017 audit and financial statements are complete.

VIII. State Bar Building – Purchase Inquiry

Individuals addressing the Committee: John P.
Discussion: There has been some interest in someone buying our building at fair market value. The last appraisal came in at $11M but could be more now. Our property management company has reviewed the offer and it is legitimate. The Bar would need to consider the cost of leasing another building and what the offer is. After some discussion on the pros and cons of a building sale/leaseback, the F&AC asked Kathy G. to update the previous year’s building analysis and present it again at the next F&AC meeting.

VIII. December 2017 SBA Preliminary Financial Statements

Individuals addressing the Committee: Kathy G.
Discussion: Kathy G. mentioned the preliminary reports have been sent out and to keep in mind there may be changes due to year-end journal entries after final review.
IX.  BoG December 2017 Financial Presentation Review  
**Individuals addressing the Committee:** Kathy G.  
**Discussion:** Kathy G. noted the Bar has a preliminary 954K surplus but will end the year around 800K. A membership vs. expenses analysis is being done to show members the breakdown of what their $505.00 fee includes. This will be brought to the FA&C meeting after the audit has been completed.

It was also noted that any dues changes/recommendations should be discussed and finalized by summertime in order to put in place for the 2019 dues collection cycle. The Regulatory & Compliance and Non-Regulatory piece of any dues analysis need to be parsed out and discussed within the F&AC before bringing to the Board.

X.  December 2017 SBA quarterly reports  
**Individuals addressing the Committee:** Kathy G.  
**Discussion:** Kathy G. reviewed reports noted in the materials as required by the Financial Policies & Process Manual. Capital Expenses are currently under budget by 267K. The Bench & Bar activities have a $37K balance at year-end for 2017. The Accounts Payable Vendor list was supplied showing payments over $10,000.00. The top three Vendors are: Cigna Healthcare (staff benefits), Supreme Court of Arizona and NAI Horizon.

There has been a public records request for Board of Governors travel for events for the past few years. Brian F. mentioned we should add a review of our Travel Policy and potential Dues options at our March meeting agenda.

XI.  CEO/ED & CFO Certification – Q4 2017 – tabled until March meeting  
XII.  December 2017 CPF Preliminary Financial Statements – tabled until Mach Meeting

**Meeting adjourned by:**  Brian F. at 4:38 pm.