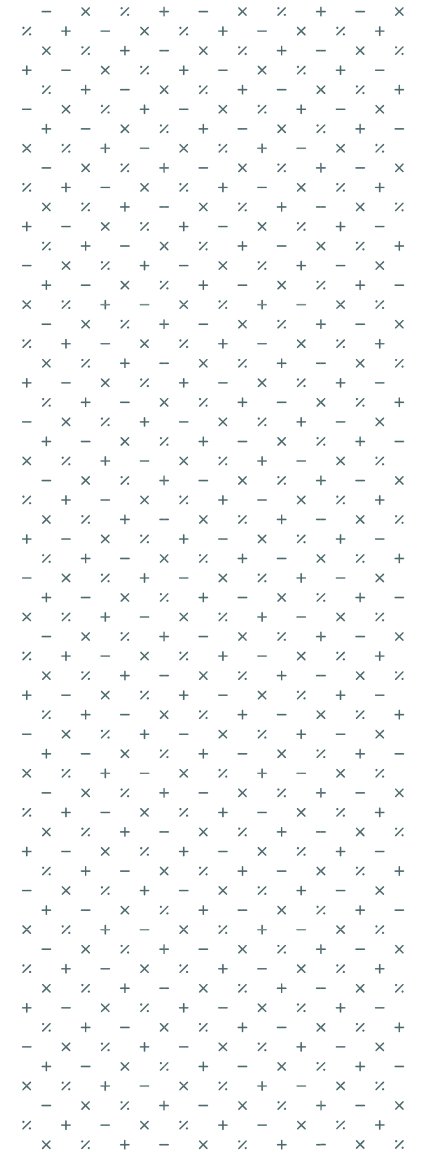




# MOSSADAMS

# Audit Entrance: State Bar of California



AUDIT COMMITTEE

## State Bar of California

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Thank you for your continued engagement of Moss Adams LLP. We are pleased to present our audit plan for the State Bar of California for the year ended December 31, 2017. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.



2

We welcome any questions or input you may have regarding our audit plan and we look forward to working with you.

# Your Dedicated Team

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Mary Case  
Engagement  
Partner



James Lanzarotta  
QC Technical  
Partner

## Other Team Members

Daniel Baciocco  
Audit Manager

Christy Chan  
Audit Senior



Kinman Tong  
Engagement  
Senior Manager



# Required Communications with Those Charged with Governance

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## Now

- Auditor's responsibility under U.S. auditing standards
  - Planned scope and timing of audit
- 

## Later

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues



# Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards.

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



# Audit Process

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Internal  
Controls



Analytical  
Procedures



Substantive  
Procedures

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Includes information  
technology

Revenues and  
expenses

Trends, comparisons,  
and expectations

Confirmation of  
account balances

Vouching to supporting  
documentation

Representations from  
attorneys and  
management

Examining objective  
evidence



# What is Materiality?

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The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.

## How It's Calculated:

- Using certain quantitative (e.g., total assets, total revenues, or other financial information) and qualitative factors (e.g., covenants, expectations, or industry factors)

## It's Used To Identify:

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements



# Significant Audit Areas

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Financial closing and reporting – including drafting of financial statements and footnote disclosures



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Investment valuation and disclosures



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Pension accounting, valuation, and disclosures



## Significant Audit Areas (continued)

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Other post-employment benefits accounting, valuation, and disclosures



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Revenue recognition – fees, donations, and grants



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Loans payable and debt covenant compliance

## Significant Audit Areas (continued)

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During the year ended December 31, 2017, we anticipate significant changes in audit scope due to:

- The departure of Director of Finance and Senior Financial Analyst, who were both key members of the finance/accounting team; and
- The addition of only a part-time interim CFO.

We anticipate this would result in additional work and time incurred for the audit during the year-end fieldwork and review of the financial statements.

# Consideration of Fraud

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Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

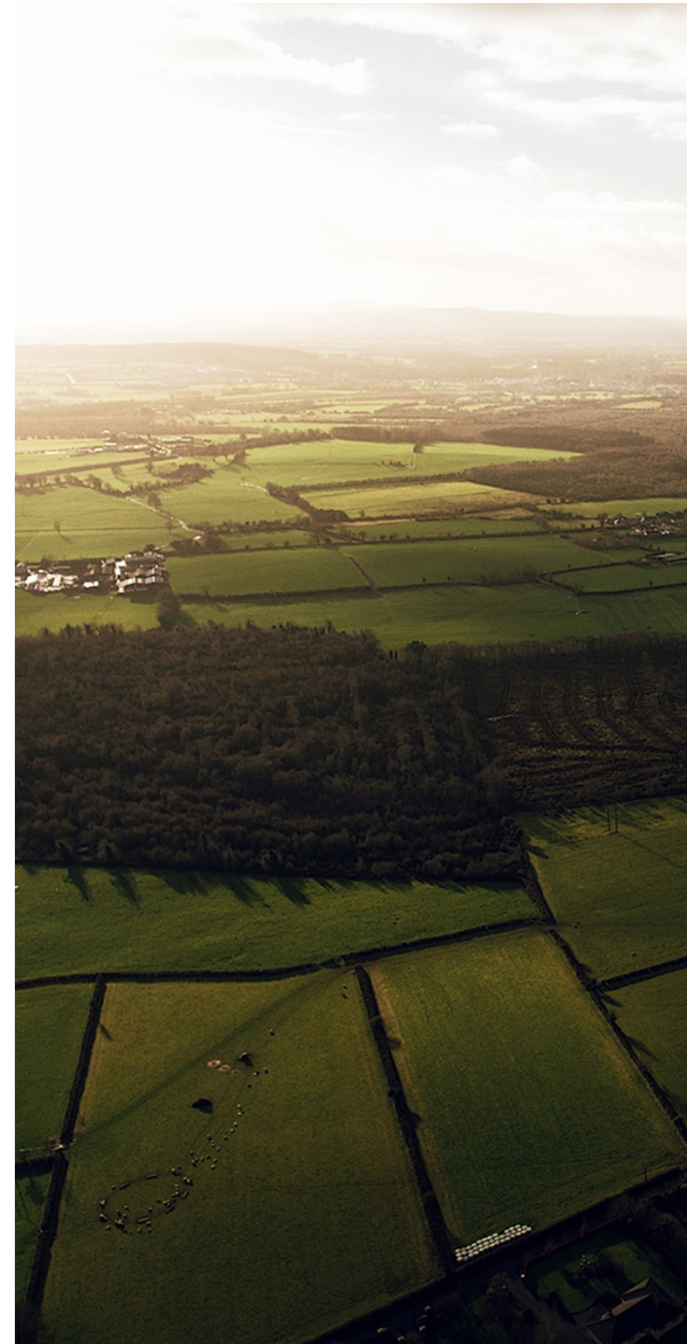


# Deliverables

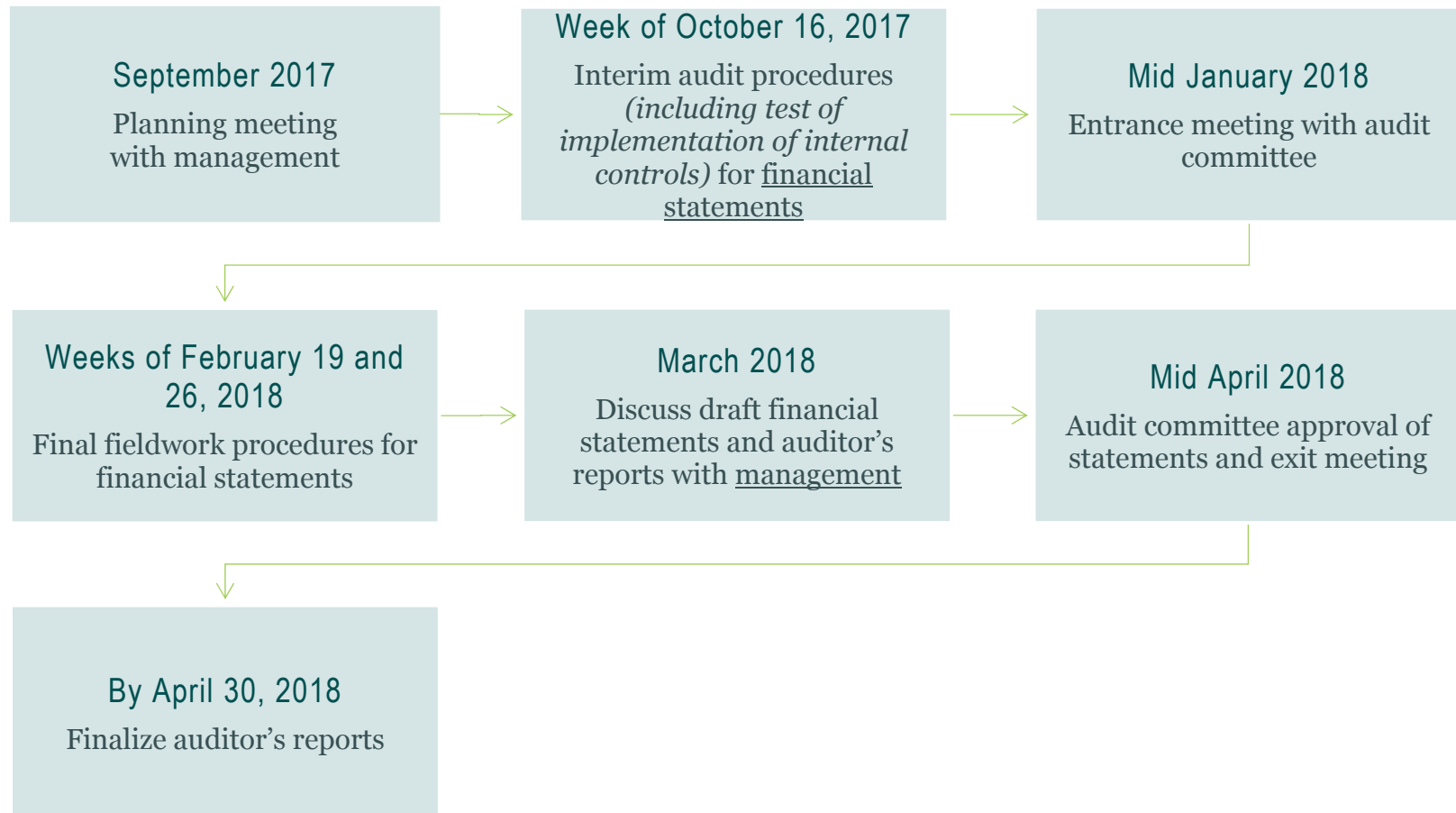
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## We will issue the following reports:

- Audit report on the financial statements of the State Bar of California as of and for the year ended December 31, 2017
- Examination report on the statement of receipts collected and expenditures of the Sections of the State Bar of California for the year ended December 31, 2017
- Examination report on the statement of expenditures of mandatory membership fees of the State Bar of California for the year ended December 31, 2017
- Report to those charged with governance
  - Communicating required matters and other matters of interest
- Report to management and the audit committee
  - Communicating required internal control related matters identified during the audit, as applicable



# Audit Timing



# Accounting Update



# New Standards

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## **GASB 74 / 75** | Financial Reporting for Postemployment Benefits other than Pension Plans (OPEB)

- Effectively replaces GASB 43 and 45.
- Reporting essentially the same as pensions under GASB 67 and 68, respectively. Significant note disclosure and required supplementary information.
- Effective for OPEB plan annual periods beginning after June 15, 2016 and Employers for annual periods beginning after June 15, 2017.



## New Standards (continued)

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### **GASB 80** | Blending Requirements for Certain Component Units an amendment to GASB 14

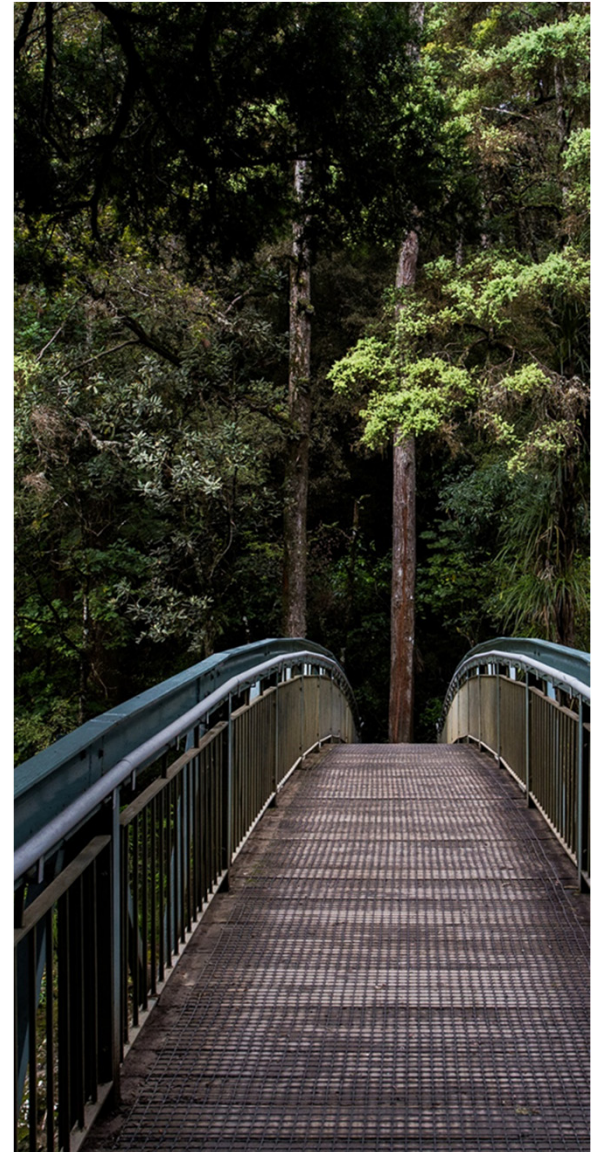
- Permits blending of a not-for-profit organization (which may be legally separate and have their own board) if the primary government is the sole corporate member.
  - The standard was established specifically because it was already common practice among business-type activities governments.
- Effective for annual periods beginning after June 15, 2016.



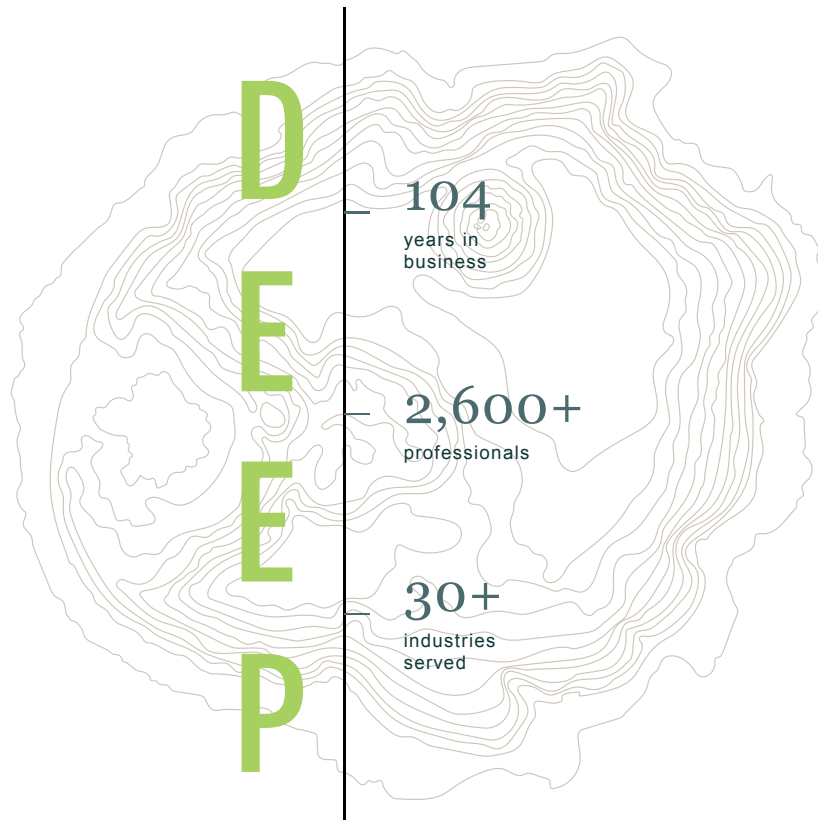




# About Moss Adams

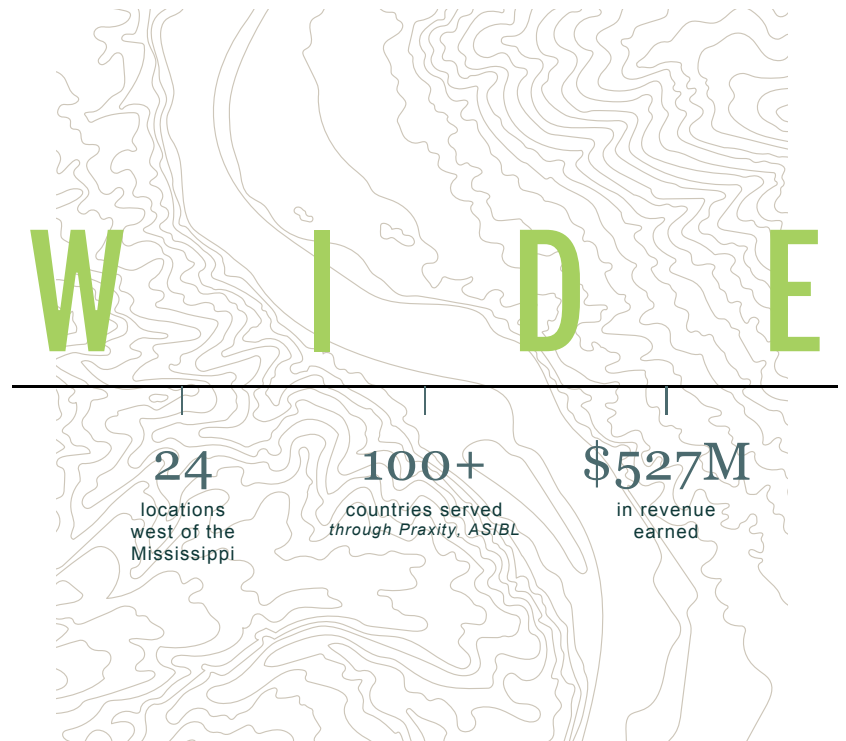


## Expertise



*Crater Lake—  
A monument to perseverance, North America's  
deepest lake filled to 1,949 feet over 720 years.*

## Reach



*Grand Canyon—  
At 277 miles long and up to 18 miles wide, this icon  
serves as a testament to determination and time.*



# Services

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.

Accounting	Consulting	Wealth Management
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Financial Statement Audits	Compliance	Tax
Employee Benefit Plans	Cybersecurity	Financial Planning
Public Company & SEC	Assessment & Planning	Investments
Internal Audit	Development & Integration	Family Office
Outsourced Accounting		
Contract Compliance	STRATEGY & OPERATIONS	INSTITUTIONAL
Sustainability	Business Planning	Investments
	Performance Audits	Insurance
	Succession Planning	
TAX	TRANSACTIONS	
Accounting for Income Taxes (ASC 740)	Due Diligence	
Accounting Methods	Investment Banking	
Compensation & Benefits	M&A Tax	
Credits & Incentives	Restructuring	
International	Valuations	
State & Local		
Controversy & Dispute Resolution		
Tax Structuring		
Transfer Pricing		



# Insights and Resources

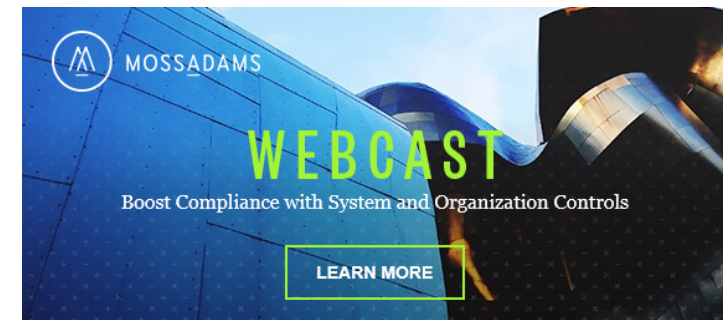
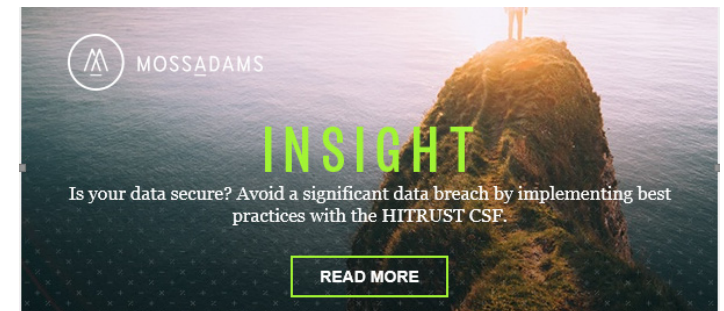
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In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

We'll keep you informed to help you stay abreast of critical industry issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events which are archived and available on demand, allowing you to watch them on your schedule.



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THANK  
YOU