



MEMO

To: Board of Trustees
From: Nick Williams, CFO
Date: September 23, 2024
Re: 2024 Audit Preparation

I would like to provide an update on the plan I outlined at our August meeting on addressing the findings, attached at the end of the memo for context, and issues identified during the 2023 audit and how these will be corrected for the 2024 audit. This information has also been shared with the Finance Committee.

Capacity – We currently have a job posting for an accounting manager position. We have had several interesting applicants apply and I am in the process of scheduling interviews for the end of this week or early next week. This position is a manager position in the hopes of finding an experienced fund accounting professional. It is envisioned that this position will be primarily focused on the accounting for the Albuquerque Community Foundation (“ACF”) and will be able to assist with the preparation of some audit deliverables. The Finance Director and CFO will review this work and oversee New Mexico Community Trust (“NMCT”) activity and financial statement preparation. **An update on this will be provided to the Finance Committee at our November 14th meeting.**

In addition, the Foundation is currently hiring for a grants associate position. This position will be a part of the Community Impact team and will help with that team’s capacity to post grants efficiently. This should help with the end of year grant posting which has helped contribute to some of the accrual issues we have seen in the past. **An update on this will be provided to the Finance Committee at our November 14th meeting.**

Lastly, we have put a pause on adding any additional back-office clients for NMCT to create more capacity for our staff. This pause will be in effect until the completion of the FY2024 audit.

Availability – I have prepared an updated job description for the CFO to share with the COO and President & CEO to make sure we are all clear on my job responsibilities. We are working with the Board Chair and Executive Committee to reach clarity on my specific roles in the organization. We are using this as an opportunity to revisit some of my responsibilities as they relate to HR and office management and trying to delegate out more of these responsibilities. Lastly, I have stepped down from two national nonprofit boards and one local nonprofit board as well as stepped back from several other commitments in order to spend more time focused on my key roles as CFO.

I am working with the COO and will be working with the incoming Board Chair to more strategically schedule the various committees I am staff liaison for in 2025 to ensure I have the capacity needed in March and April to focus on the audit.

Year-End Close – It has become clear that our spreadsheet system is not sufficient enough to track our year-end close deliverables. I have begun using Microsoft Project to create a schedule for year-end close and when audit documents will be prepared. This schedule will have deliverable due dates as well as opportunities for the COO and President & CEO to review work to ensure we are on schedule. We will also be scheduling monthly check-ins, starting in December 2024, for the Finance Committee to review the deliverable schedule so that you all have an insight in to the progression of the year-end close and audit deliverables. In addition to ACF's year-end schedule, I am also using the Microsoft Project to plan out the deliverables we are committed to for our NMCT clients to avoid some of the log jams we experienced last year. **An update on this will be provided to the Finance Committee at our November 14th meeting.**

The Finance Team is developing a list of software related issues to communicate with Foundant in November around year-end closing to ensure we are fully maximizing the software and avoiding some of the known issues. **An update on this will be provided to the Finance Committee in our December monthly update.**

Accounting for NMCT activity – The Finance Team is adding additional accounts to better record the activity of NMCT projects. **This will be completed by 12/31/24 to aid in the year-end close and make reconciliations easier.**

Interfund Activity – We understand the issue Moss Adams identified and are building the entries needed to correct this into our year-end close process documentation. **An update on this will be provided to the Finance Committee in our December monthly update.**

Additional Issues Identified During The Audit (Verbal Comments from Moss Adams)

Stale Date Checks – The finance team will have all stale dated checks cleared by 11/30/24.

Cybersecurity Training – We are exploring various training options and will have all staff complete the training by year end. **An update on this will be provided to the Finance Committee in our December monthly update.**

Service Organization Controls reports – A documented review of the service organization controls reports will be built into our year-end close procedures. **An update on this will be provided to the Finance Committee in our December monthly update.**

Lack of Documentation for Charitable Remainder Trust liabilities – We have obtained documentation related to these liabilities and that will now be included in our audit documentation.

2023-001 Financial Close and Reporting (Material Weakness in Internal Controls)

Condition: During the audit, several items were identified that did not reconcile or agree to the schedules provided by management and additional accruals were determined necessary by management. This resulted in the need for several updated supporting schedules related to year end balances, as well as significant adjusting journal entries resulting in increase to assets of \$627,570; increase to liabilities of \$1,221,179; decrease in net assets of \$760,895 and increase of net income of \$167,286. The lack of these timely adjustments could result in possible material misstatements in the consolidated financial statements.

Criteria: Year-end internal controls should be operating as intended to ensure accounting records are complete and accurate and reported in a timely manner.

Effect: Possible misstatements of the financial statements.

Cause: The Foundation did not identify misstatements of year-end amounts in a timely manner, as controls were not operating as intended.

Recommendation: The Foundation should perform internal procedures to ensure that all accounts are reconciled and reviewed in a timely manner to ensure that accounting records are complete and accurate. By performing these internal procedures and policies, the Foundation can ensure that its consolidated financial statements are accurate and reliable, and that any discrepancies are identified and addressed in a timely manner. This will help to maintain the integrity of the financial reporting process and ensure compliance with accounting standards.

Management Response: Management is updating the year-end accrual process to ensure that the activities of the New Mexico Community Trust are included in all year-end reconciliation processes. Additionally, management will be reviewing all year-end procedures to ensure more timely and accurate reconciliations.

Responsible Person: Chief Financial Officer

2023-002 Interfund Activity (Significant Deficiency in Internal Controls)

Condition: Contribution revenue was understated by approximately \$858,000, due to the recording of interfund activity within the contribution revenue account, versus netting this with the other interfund activity on the consolidated financial statements. The interfund account, which relates to the agency fund contributions and the grant distributions, when Albuquerque Community Foundation set up grants for the agency funds.

Criteria: Interfund activity should be recorded in the proper accounts for external reporting to ensure grant expenses and related revenues are recognized in the correct financial statement account.

Effect: Possible misstatement of revenues in the financial statements due to reporting of interfund activity.

Cause: Interfund activity was reported in an incorrect account within the consolidated financial statements.

Recommendation: The Foundation should record these balances grouped together and establish procedures and controls to ensure they do not understate financial statement balances.

Management Response: Management will begin making a year-end adjustment to correct this issue.

Responsible Person: Chief Financial Officer