



MEMO

To: Finance Committee
From: Nick Williams, CFO
Date: November 8, 2024
Re: 2024 Audit Preparation

I would like to provide an update on the plan I outlined at our July meeting and shared with the Board at their 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.

Capacity – I am pleased to report that we are promoting Jeff Carr to Accounting Manager, from Accountant and HR Senior Associate. Jeff brings to the position 20+ years of accounting experience, much of that for nonprofits, along with 6 years of experience working at the Foundation. This new 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. Based on this promotion we will be hiring a new Accounting Associate to replace Jeff. The job posting is live and we hope to have someone hired as soon as possible. **An update on this will be provided to the Finance Committee in our December monthly update.**

I am pleased to report that Josh Rysanek started at the Foundation on 11/4 as our new Grants Associate. This position is 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.

We continue to have 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 along with a high level allocation of my job duties into six buckets. This has been shared with the Executive Team and with the Executive Committee. I estimate that 40% of my time goes to fiscal management activities (accounting and audit work), 30% of my time goes to NMCT related activity, 10% of my time goes to Governance work (staff liaison for three committees), 5% of my time goes to HR work and 5% goes to misc. duties. I have begun working with the Executive Team to discuss how we can take more off my plate.

I have helped advise on the calendar creation for 2025 to strategically schedule Board meetings to ensure I have the capacity needed in March and April to focus on the audit. I will also be

working with the various committee chairs I work with to do the same for our committee schedules.

Year-End Close – The use of Microsoft Project has been helpful in managing deliverables for Q4 for the Finance Team. We will continue using it into 2025. **I will have the work deliverables for the year end close and audit in place by our December monthly update.**

I have worked with Tom to schedule the following monthly check-ins, through the end of the audit. We envision these as informal zoom meetings where you all and folks from the Executive Team are invited to drop in and we can chat about how things are progressing. **We will also continue to provide formal updates at each Finance Committee meeting.**

December	12/16 2pm
January	1/27 2 pm
February	2/24 2 pm
March	3/17 2 pm
April	4/21 2 pm
May	5/19 2 pm
June	6/16 2 pm
July	7/21 2 pm

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 is in process and 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. **An update will be provided to the Finance Committee in our December monthly update.**

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