



Report to the Board of Trustees

Prepared for Graduate School of Banking, Inc. and Herbert V. Prochnow Educational Foundation, Inc.

April 1, 2024



Overview

- Engagement team
- Review results and our report
- Cybersecurity suggestions
- Summary financial information
- Accounting developments
- Industry trends

Engagement team



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Review results and our report



- Cooperation was received from members of management
- We are not aware of any material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the U.S.
 - Adopted ASU No. 2016-02, *Leases (Topic 842)*
- CFO transition to new Controller

- No management letter was issued
- There were no misstatements identified



Cybersecurity suggestions

Suggestions

- Consider restricting external devices with workstations and servers
- Consider having all web traffic run through central proxy servers
- Consider implementing wireless detection and scanning for unauthorized wireless access points
- Consider implementing a wireless intrusion detection system (WIDS) and Security Information and Event Management (SIEM) tools



Summary of financial information

Consolidated Statements of Financial Position

	2023 (Reviewed)	2022 (Audited)
Assets		
Cash and cash equivalents	\$ 1,112,323	\$ 834,779
Other assets	170,025	189,132
Total current assets	<u>1,282,348</u>	<u>1,023,911</u>
Investments	8,495,653	8,638,233
Restricted cash	10,027	10,024
Operating right-of-use asset	68,152	-
Property, equipment, and software, net	228,612	359,606
Total Assets	<u>\$ 10,084,792</u>	<u>\$ 10,031,774</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 251,504	\$ 261,355
Deferred revenue	150,148	273,815
Current portion of operating lease liability	14,027	-
Total current liabilities	<u>415,679</u>	<u>535,170</u>
Long-term portion of operating lease liability	54,415	-
Total Liabilities	<u>470,094</u>	<u>535,170</u>
Net Assets		
Without donor restrictions	9,599,698	9,478,604
With donor restrictions	15,000	18,000
Total net assets	<u>9,614,698</u>	<u>9,496,604</u>
Total Liabilities and Net Assets	<u>\$ 10,084,792</u>	<u>\$ 10,031,774</u>



Summary of financial information

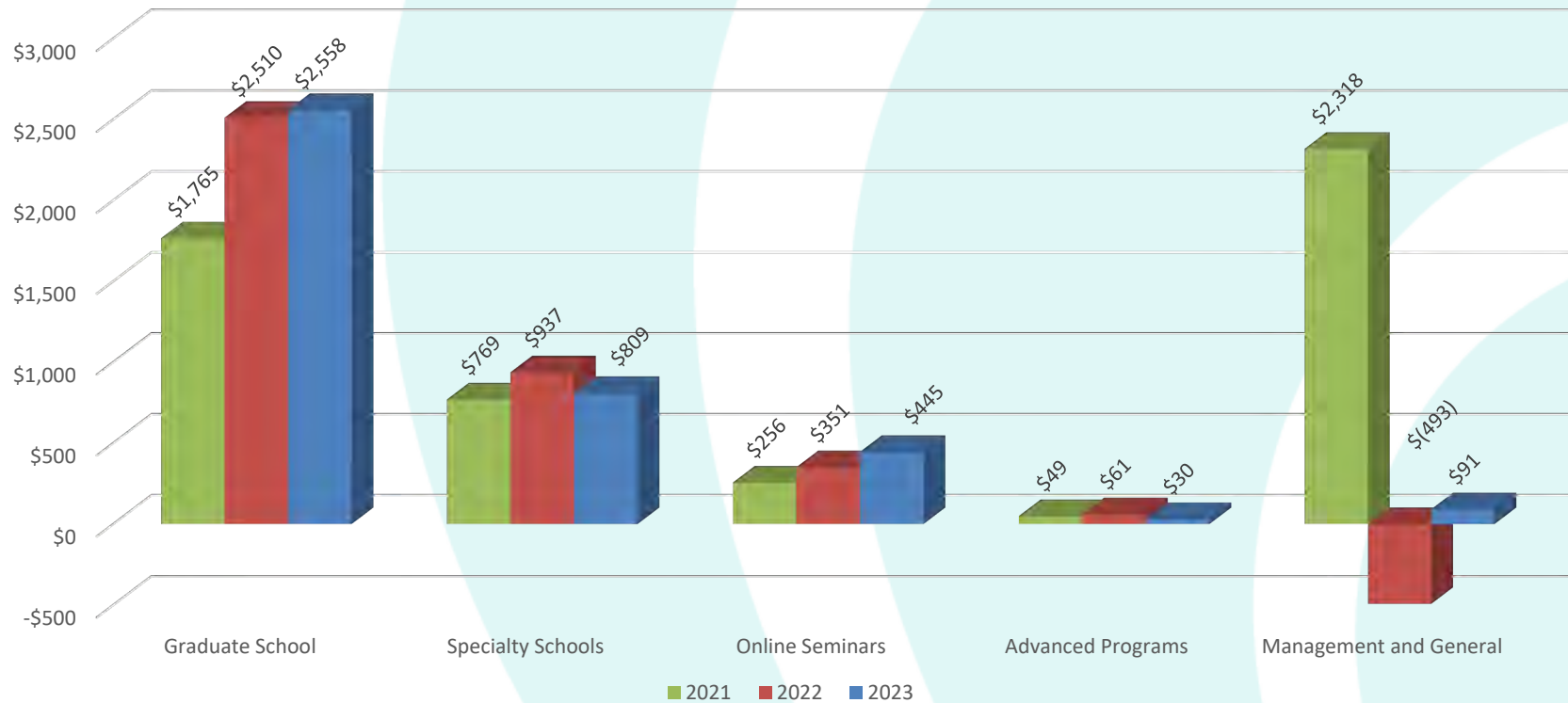
Consolidated Statements of Activities

	Without Donor Restrictions	With Donor Restrictions	2023 Total (Reviewed)	Without Donor Restrictions	With Donor Restrictions	2022 Total (Audited)
Revenues and Public Support						
Program revenue (net of scholarships)	\$ 3,748,184	\$ -	\$ 3,748,184	\$ 3,768,814	\$ -	\$ 3,768,814
Other	100,452	-	100,452	93,075	-	93,075
Net investment return	84,488	-	84,488	(496,032)	-	(496,032)
Releases from restrictions	3,000	(3,000)	-	3,000	(3,000)	-
Total revenues and public support	3,936,124	(3,000)	3,933,124	3,368,857	(3,000)	3,365,857
Expenses						
Program	2,443,572	-	2,443,572	2,595,915	-	2,595,915
Management and general	1,371,458	-	1,371,458	1,188,907	-	1,188,907
Total expenses	3,815,030	-	3,815,030	3,784,822	-	3,784,822
Changes in net assets	121,094	(3,000)	118,094	(415,965)	(3,000)	(418,965)
Net assets, Beginning	9,478,604	18,000	9,496,604	9,894,569	21,000	9,915,569
Net assets, Ending	\$ 9,599,698	\$ 15,000	\$ 9,614,698	\$ 9,478,604	\$ 18,000	\$ 9,496,604



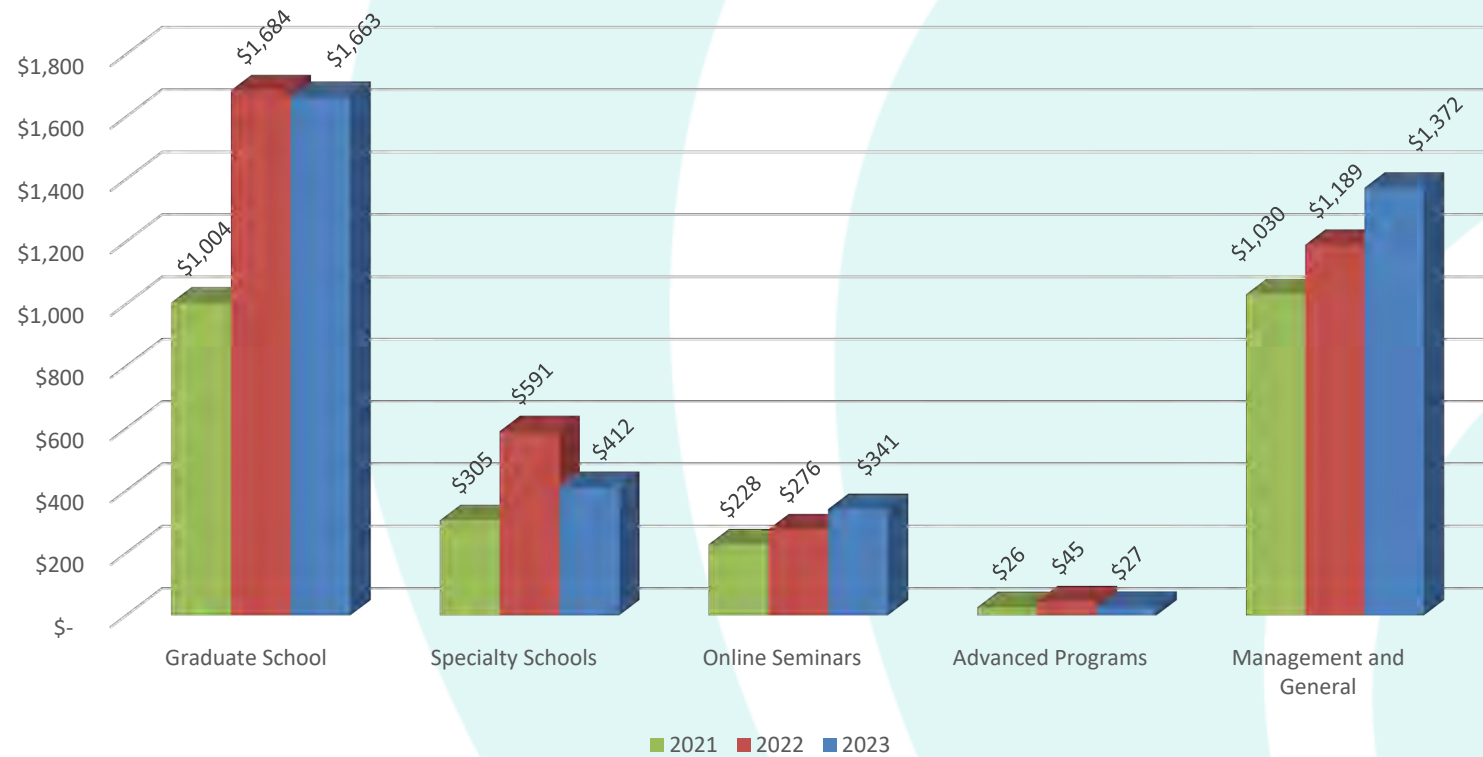
Summary of financial information

Consolidated Revenues by Function (000's)



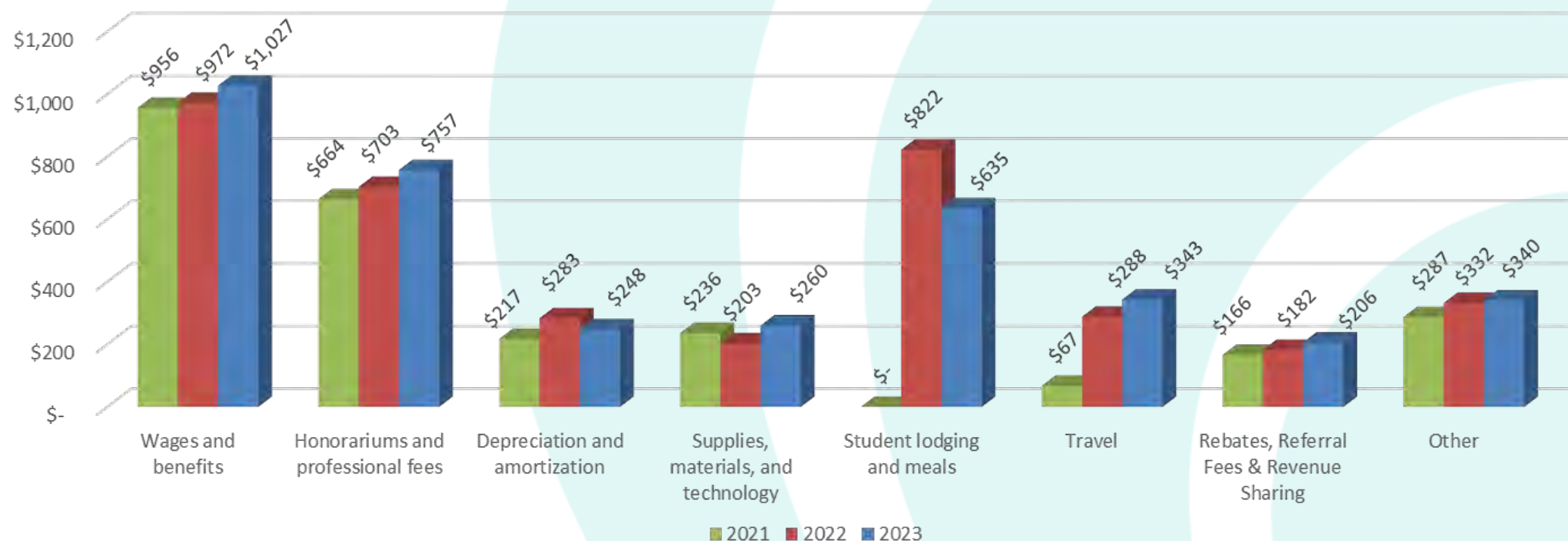
Summary of financial information

Consolidated Expenses by Function (000's)

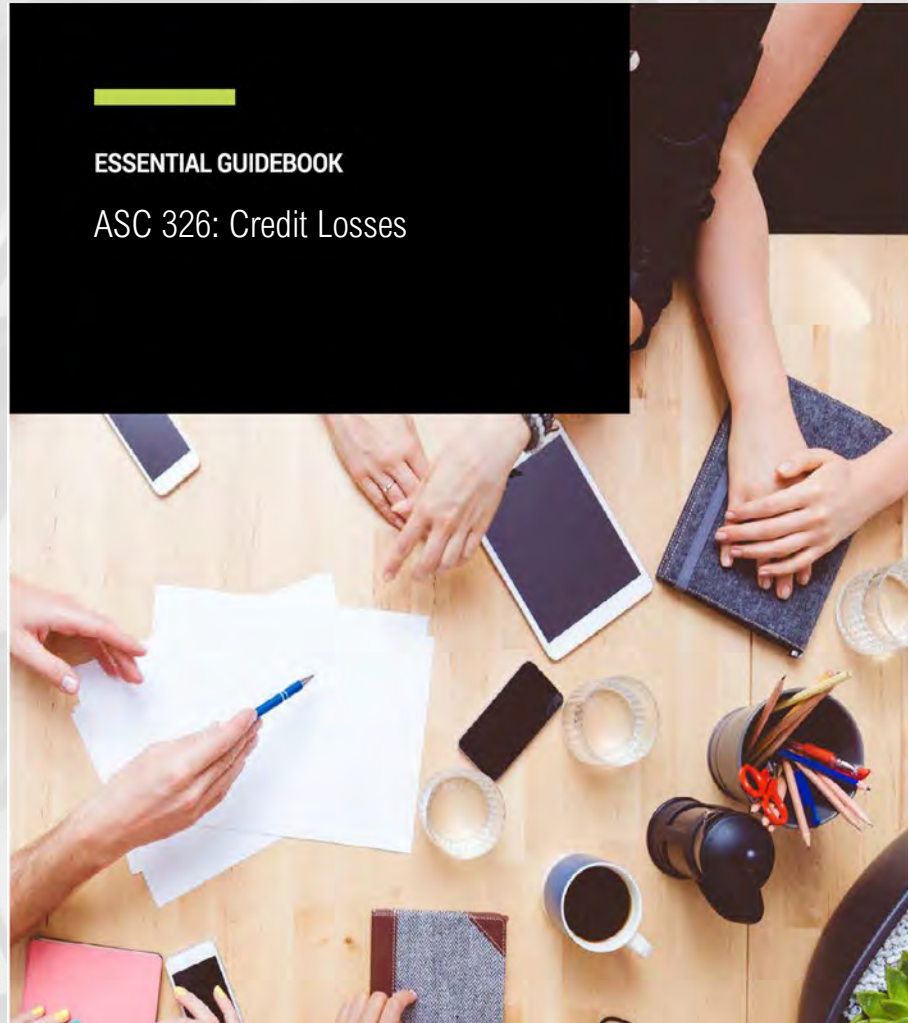


Summary of financial information

Consolidated Expenses by Nature (000's)



Accounting Developments



- Measurement of credit losses

ACCOUNTING DEVELOPMENTS

ASU No. 2016-13, *Financial Instruments-Credit Losses Topic (326): Measurement of Credit Losses on Financial Instruments*

- Significant shift in the way credit losses are recorded requires entities to estimate and record credit losses expected over the contractual life of an asset or liability on day one
- Goal is to improve financial statement users' access to more timely information about credit losses
- Standard does not prescribe one method for estimating expected losses but does provide examples so entities can decide what makes sense for their organization
- Dollar impact after adoption will be recorded through a cumulative effect adjustment to net assets
- Main financial instruments affected: loans, receivables, and financial guarantees

Nonpublic companies will be required to apply the standard for annual periods beginning after Dec. 15, 2022 (fiscal 2024).



ASU No. 2016-13, *Financial Instruments-Credit Losses Topic (326): Measurement of Credit Losses on Financial Instruments*

CECL adoption considerations



CECL implementation

- CECL training
- Gap analysis
- Data stratification
- Model selection and validation
- Parallel runs
- Governance, compliance, and risk restructuring
- Internal controls testing



CECL outsourced modeling

- Staffing augmentation
- Fully outsourced modeling
- Model back testing



CECL model validation

- Review of processes, documentation, and policies
- Partial or full replication of CECL model
- Back-testing of estimates
- Stress-testing and sensitivity analyses



Data analytics and model risk management

- Leveraging data collected for models to inform broader business processes and decision making
- Loan portfolio analytics
 - Stress testing and scenario analysis
 - Capital adequacy analysis
 - Data quality



Industry trends



Insights: growing impact of inflation on not-for-profit organizations

Inflation impact areas to consider

- Donations and pledges
- Investments and market volatility
- Expenses, including salaries and wages

Stay up-to-date with Baker Tilly Insights and the impact of inflation



Ransomware attacks

Cybersecurity and data privacy risks for not-for-profit organizations continue to increase exponentially. Not-for-profit organizations are particularly vulnerable to cyberattacks due to stored donor information and limited funding to maintain and upgrade IT systems.

Understanding and implementing leading cybersecurity practices in board governance will help you manage and protect your organization.

Visit our dedicated [cybersecurity resource page](#) or download the [ransomware prevention guide](#).

2/3rd

Of cyberattacks target small to medium sized businesses or NFPs

56%

Of NFPs do not require multifactor authentication

59%

Of NFPs do not provide any cybersecurity training to their staff on a regular basis

70%

Of NFPs do not perform vulnerability scanning

FORM 990:

Top 10 areas of focus for board members

A board director serves to shepherd the organization to long-term sustainability. The **board director role carries risk** if individuals are not aware of their obligations related to the issues and concerns that the Internal Revenue Service (IRS) has attempted to address in the information reporting form, the Form 990.

[Download the infographic](#) to learn more about the top 10 areas of the Form 990 that should be a focus for boards.



Save
the
date

NFP Governance and Fiscal Workshop 2024

June 5 and 6

Topics will include:

- Top challenges faced across NFP organizations
- Panel discussion on NFP mergers and acquisitions
- Managing workforce challenges and HR considerations
- Cybersecurity
- Compliance
- And more...

[Learn more and save your spot!](#)

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

[Visit the resource page.](#)



Questions? Let's connect.



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