

FINANCE & AUDIT COMMITTEE (F&AC)

State Bar of Arizona
4201 N. 24th Street, Suite 100
Phoenix, Arizona 85016

May 21, 2020
3:00 p.m.
Telephonic Meeting

Minutes (Approved (TBD))

MEMBER ATTENDANCE:

P = present in person; T = present telephonically; A= absent.

T – Benjamin Taylor, Chair

T – Jessica Sanchez, Vice Chair

T – Dave Byers

T – Lori Higuera

T – David Rosenbaum

A – Doreen McPaul

T – Sandra Etherton (Client Protection Fund Board Liaison/Non-voting F&AC member)

OTHER ATTENDEES:

State Bar Staff:

T - Joel England

T - Maret Vessella

T - Kathy Gerhart

A - Joe Hengemuehler

T – Deanna Commack

T - Lori Maxwell

T - Candice French

T - Lisa Panahi

T – Lisa Deane

A – Carrie Sherman

T – Jessica Iennarella

T – Mauri Hawkins

Minutes taken by: Jessica Iennarella

I. CALL TO ORDER:

Called to Order by: Benjamin Taylor

Time: 3:01 pm

II. CALL TO THE PUBLIC:

Individuals addressing the Committee: None

Discussion: None

III. Action/Vote – Approve Meeting Minutes 4/23/2020

Individual(s) addressing the Committee: Benjamin Taylor

Motion/moved by: Dave B. motioned to approve the meeting minutes for the proposed month.

Seconded by: Jessica S.

Motion: Passed unanimously.

IV. Action/Vote – CLE by the Sea 2020

Individual(s) addressing the Committee: Mauri Hawkins, Lisa Panahi

Discussion: Mauri H. presented the key reasons why SBA believes CLE by the Sea should be canceled for 2020 (i.e. concern for attendees & faculty, ability to attract participants, hotel's lack of experience – SBA would be first group for 2020). SBA was able to negotiate converting the 2020 contract to an extension for 2024 with no penalty. The rates and F&B minimum negotiated for 2024 are higher than the 2020 amounts to account for appropriate inflation. SBA will be issuing refunds to participants already registered for 2020.

Lisa P. commented regarding the force majeure clause in the current contract which does not allow for an adequate time frame to notify attendees and faculty. She confirmed the re-negotiation was the least expensive option for addressing 2020.

Motion/moved by: Dave B. motioned to approve canceling the 2020 event and converting the contract into an extension for 2024.

Seconded by: David R.

Motion: Passed unanimously.

V. Discussion – Key Financial Issues

Individual(s) addressing the Committee: Kathy Gerhart, Joel England

Discussion: Kathy G. and Joel E. provided an update regarding the impact of COVID 19 on both the revenues and expenses of SBA, as well as the financial audit.

- 1) Kathy G. reviewed the anticipated impact on revenues on SBA due to COVID 19, including SBA's annual convention, CLE offerings and advertising revenues. Also discussed the natural expense savings which will occur with the parsed down offerings.
- 2) Joel E. discussed the caveats and assumptions built into the projections.
- 3) Dave B. requested that SBA undertake further evaluation of revenues and expenses to see if the current projections are on track with reality, and to also come up with a plan involving more intentional reductions of expenses (i.e. not just those which occur naturally). Kathy G. will coordinate setting up a June meeting to discuss such evaluations.

- 4) Kathy G. explained the financial audit has been delayed from an April 30th completion date to a July 31st completion date. She confirmed Wells Fargo has granted a corresponding loan covenant extension.
- 5) Kathy G. provided updates regarding the audit of SBA's 401(k) plan. The audit is nearly complete, and the related financial statements are being drafted.

VI. Discussion – Financial Information

Individual(s) addressing the Committee: Kathy Gerhart, Sandra Etherton

Discussion: Kathy G. reviewed the preliminary April 2020 high-level statements, the 1st quarter 2020 reports and the CPF statements for the 1st quarter of 2020.

- 1) She noted that Pro Hac Vice revenue, and SBA staff travel expense are both trending less than budgeted.
- 2) Sandra E. noted that CPF has awarded approximately \$25,000 in claims. CPF's budget is being decreased for 2020 (both revenue and expenses) based on information discussed during the last CPF meeting. CPF intends to pursue changing financial institutions as an independent entity, rather than in conjunction with SBA.
- 3) Kathy G. discussed that the required notices regarding the production timing of financial information for each month have not been met. She has set calendar reminders, with increased diligence in providing such notice in the future.

Meeting adjourned by: Benjamin Taylor at 3:52 p.m.