

**FINANCE & AUDIT COMMITTEE (F&AC)**

State Bar of Arizona  
4201 N. 24<sup>th</sup> Street, Suite 100  
Phoenix, Arizona 85016

February 24, 2022  
3:00 p.m.  
Telephonic Meeting

**Minutes (Approved 3/24/2022)**

**MEMBER ATTENDANCE:**

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

**T – David Rosenbaum, Chair**

**T – Kelsi Taylor Lane, Vice Chair**

**T – Dave Byers**

**T – Mignonne Hollis**

**T – Eric Ruchensky**

**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**

**T - Joe Hengemuehler**

**T – Deanna Commack**

**A - Lori Maxwell**

**T - Lisa Panahi**

**T – Roberta Tepper**

**T – Carrie Sherman**

**T – Rachel Williams**

**T – Jessica Iennarella**

**Vanguard:**

**T – Jonathan Manfre**

**Minutes taken by: Jessica Iennarella**

**I. CALL TO ORDER:**

**Called to Order by: David Rosenbaum**

**Time: 3:01 p.m.**

**II. CALL TO THE PUBLIC:**

**Individuals addressing the Committee:** None

**Discussion:** None

**III. Action/Vote – Approval of Meeting Minutes – 1/20/2022**

**Individual(s) addressing the Committee:** David Rosenbaum

**Discussion:** David R. presented the meeting minutes for January 20, 2022 for review and approval.

**Motion/moved by:** Mignonne H. motioned to approve the meeting minutes as presented.

**Seconded by:** Eric R.

**Motion:** Passed unanimously

**IV. Action/Vote – Opportunity Reserve – Asset Allocation & Fund Selection**

**Individual(s) addressing the Committee:** Joel England, Kathy Gerhart & Jonathan Manfre

**Discussion:** Kathy G. presented summary of Vanguard information and recommendations regarding the asset allocation and fund selection for the Opportunity Reserve. Jonathan M. provided additional context for recommendations, including those pertaining to foreign investments.

**Motion/moved by:** Eric R. motioned to approve asset allocation and fund selection for Opportunity Reserve as presented.

**Seconded by:** Dave B.

**Motion:** Passed unanimously

**V. Action/Vote – 2021 Annual Surplus – Reserve Account Allocation**

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

**Discussion:** Kathy G. presented projected 2021 annual surplus, along with recommended methodology for funding the three reserve funds (i.e. Annual Fees Reserve, Capital Reserve, Opportunity Reserve). Clarification provided that vote is for reserve allocation methodology – dollar amounts are not final and timing of investment to be determined.

**Motion/moved by:** Dave B. motioned to approve reserve funding for Capital Reserve based on presented methodology (i.e. depreciation expense less capital spending), and for the remaining surplus to be allocated 25% to Annual Fees Reserve and 75% to the Opportunity Reserve.

**Seconded by:** Eric R.

**Motion:** Passed unanimously

**VI. Action/Vote – Financial Policies and Processes Manual**

**Individual(s) addressing the Committee:** Kathy Gerhart & Jessica Iennarella

**Discussion:** Kathy G. and Jessica I. reviewed the suggested revisions to the manual, including context regarding the recommendations for procurements. Discussion had regarding adding to list of individuals required to undergo financial background checks. Additional discussion occurred regarding adding fourth purpose for use of Opportunity Reserve in Appendix A.

**Motion/moved by:** Dave B. motioned to amend the proposed revisions to add the CEO/ED and Chief Bar Counsel to list of individuals required to undergo a financial background checks, and add

“Unexpected Emergency” to list of uses of Opportunity Reserve. Further motioned to approve the proposed revisions to the Financial Policies and Processes Manual with the amendments included.

**Seconded by:** Mignonne H.

**Motion:** Passed unanimously

**VII. Discussion – 24<sup>th</sup> Street Leasing Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. provided an update regarding negotiations for the lease extension for Ste 140.

**VIII. Discussion – Vanguard Investment Performance Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. provided January 2022 update pertaining to investment of reserve funds, including current outlook as of February 2022.

**IX. Information – State Bar of Arizona December 2021 Year-End Financial Update**

**Individual(s) addressing the Committee:** Jessica Iennarella

**Discussion:** Jessica I. provided updated high-level projections for 2021 year-end financial statements – anticipated surplus continuing to be around \$2.5 million. Compliance with ASC 606 continues to be largest remaining unknown.

**X. Information – State Bar of Arizona January 2022 Financial Update**

**Individual(s) addressing the Committee:** Jessica Iennarella

**Discussion:** Jessica I. provided high-level projections for January 2022 financial statements. Anticipated deficit less than budgeted based on current information. Provided detailed annual fees update – current fees collection is in line with prior years.

**XI. Information – Client Protection Fund December 2021 Year-End Financial Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. provided update on CPF 2021 financial statements – anticipated surplus around \$133K. Also discussed current claim volume and claim payouts approved at February 15<sup>th</sup> Trustees’ meeting.

**Meeting adjourned by:** David Rosenbaum at 4:27 p.m.