



# American Bar Endowment

FY 2025 Overview of Audit Plan

Report to the Finance Committee

May XX, 2025



Finance Committee  
American Bar Endowment

We are pleased to present this report covering the planned scope and timing of our audit of the American Bar Endowment's (the Endowment) June 30, 2025, consolidated financial statements.

This report is designed to help you understand our audit approach, including the importance of communication, our emphasis on understanding how your organization functions, and our incorporation of concepts like materiality, internal control and risk assessment into tailoring audit procedures to the unique aspects of your organization.

It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Endowment.

[Firm Signature]

*This report is intended solely for the information and use of the Finance Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.*

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# Summary of key planning areas

We will take an unbiased, risk-based approach in designing audit procedures. The nature, timing and extent of procedures performed will be consistent with our risk assessments and our audit approach.

## Audit Timeline

Preliminary audit work will take place the week of July 7, 2025. Procedures included updating our understanding of the Endowment, walkthroughs of transaction cycles and preliminary analytical review procedures.

We have scheduled year-end audit fieldwork to commence on September 8, 2025.

For additional details, refer to *Timing of the Audit* on page 11.

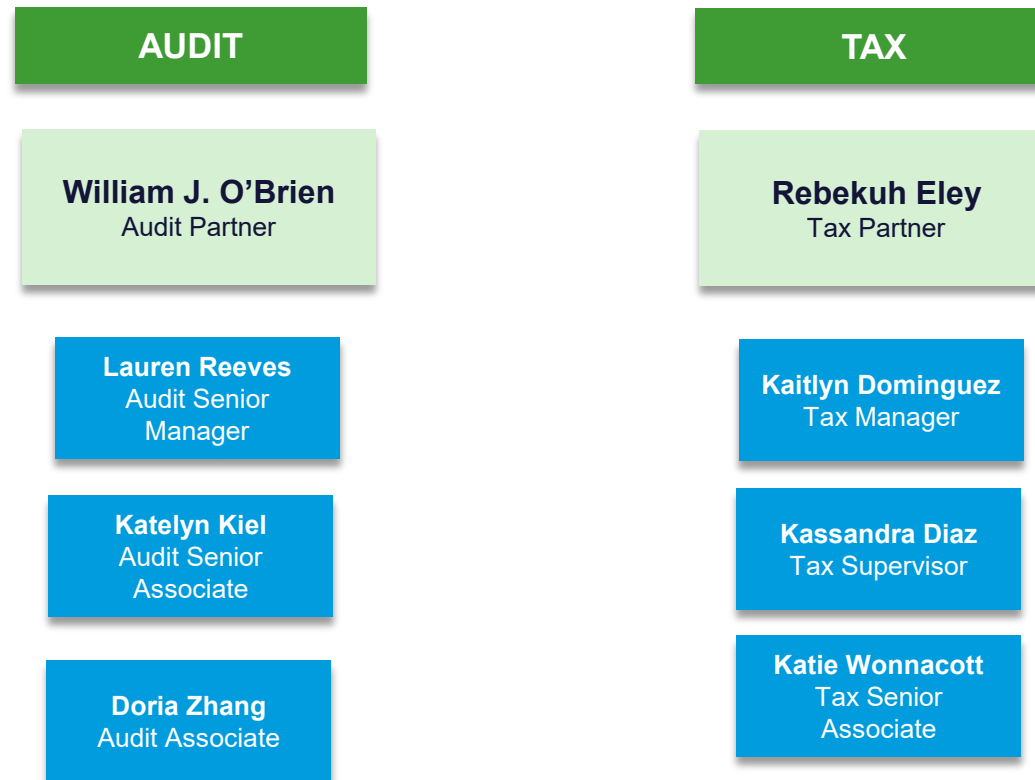
## Emphasis Areas

Key areas of focus during this period's audit include those deemed to be significant risks, which are found on page 10.

We plan to use the work of valuation specialists in testing the Endowment's pension liability.

# Engagement team

Our team approach emphasizes assigning professionals with the right level of experience for each aspect of the engagement. The chart below depicts how the engagement team is organized. William J. O'Brien, Audit Partner, serves as the engagement leader and your main point of contact.



# Communication

Effective two-way communication between our firm and the Finance Committee is important to understanding matters related to the audit and developing a constructive working relationship.

Your insights may assist us in understanding the Endowment and its environment, identifying appropriate sources of audit evidence and providing information about specific transactions or events.

## Our responsibilities

### We will:

- Discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken.
- Timely communicate to you any instances of the following that are identified during the audit:
  - Fraud involving senior management and other fraud that causes a material misstatement of the financial statements.
  - Noncompliance with laws and regulations (unless they are clearly inconsequential)
  - Disagreements with management and other serious difficulties encountered in performing the audit.
- Communicate the following matters to you:
  - Significant deficiencies or material weaknesses in internal control that become known to us during the audit.
  - Significant unusual transactions, matters that are difficult or contentious for which we consulted outside the engagement team, and circumstances that affect the form and content of the auditor's report.
  - Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process.

## Your responsibilities

### We expect that you:

- Timely communicate to us any matters you consider relevant to the audit, which might include:
  - Strategic decisions that may significantly affect the nature, timing and extent of audit procedures.
  - Your suspicion or detection of fraud or violations or possible violations of laws or regulations.
  - Any concerns you may have about the integrity or competence of senior management.

# Independence

## Shared responsibilities: AICPA independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Finance Committee, and RSM each play an important role.

### Our responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### Your responsibilities

- Timely inform RSM, before the effective date of transactions or other organizational changes, of the following:
  - New affiliates, directors, or officers.
  - Change in organizational structure impacting affiliates.
- Provide necessary affiliate information such as new or updated organizational structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Endowment and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Endowment.

# Overall audit strategy

## Our independence policies and procedures

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example:

- Our partners and professional employees are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliate of a client.
- If an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with firm policy.
- Our policies prohibit us from providing certain non-attest services and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

## The audit planning process

Our audit approach places a strong emphasis on obtaining an understanding of how your organization functions, which enables us to identify key audit components and tailor our procedures to the unique aspects of your organization.

- **Understand the organization.** The development of our audit plan begins by meeting with you and with management to obtain an understanding of the Endowment's objectives, strategies, risks and performance.
- **Materiality.** We obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes.
- **Internal control.** As part of obtaining an understanding of your organization and its environment, we obtain an understanding of your system of internal control.
- **Risk assessment.** We use this understanding of your organization, its environment, and its system of internal control to identify risks of material misstatement, which provides us with a basis for designing and implementing responses to the assessed risks of material misstatement.
- **Discussions among the engagement team.** We conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.



# Materiality and internal control

## The concept of materiality in planning and executing the audit

We apply the concept of materiality in planning and performing the audit; evaluating the effect of identified misstatements on the audit and the effect of uncorrected misstatements, if any, on the financial statements; and forming the opinion in our report in the following ways:

- **Professional judgment.** Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements.
- **Overall materiality.** We establish an overall materiality for audit purposes.
- **Performance materiality.** We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit.
  - We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.
- **Quantitative and qualitative considerations.** Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations.
  - Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods.
- **Accumulation of misstatements.** We will accumulate misstatements identified during the audit, other than those that are clearly trivial.
  - At the end of the audit, we will inform you of all individual uncorrected misstatements aggregated by us in connection with our evaluation of our audit test results.

## Our approach to understanding your system of internal control

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and determine the nature, timing and extent of audit procedures to be performed. A financial statement audit is not designed to provide assurance on internal control or identify significant deficiencies or material weaknesses. Our review and understanding of the Endowment's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

# Significant risks of material misstatement

Our audit of the financial statements includes the performance of risk assessment procedures in order to identify risks of material misstatement, whether due to fraud or error. As part of these risk assessment procedures, we determine whether any risks identified are a significant risk.

As part of our initial risk assessment procedures, we identified the following risks as significant risks. Additional significant risks may be identified as we perform additional audit procedures.

Risk Name	Risk Description	Planned Response
<b>Fraudulent Revenue Recognition (Contribution Revenue)</b>	The Endowment could record unrealized or fictitious contribution revenue.	<ul style="list-style-type: none"><li>• We will review the revenue recognition policies of the Endowment and perform walkthroughs over contribution revenue cycles. We will also perform specific testing to address existence and valuation related to proper revenue recognition for contribution revenue.</li></ul>
<b>Management Override of Controls</b>	Management can override controls that are in place to falsify or manipulate financial data.	<ul style="list-style-type: none"><li>• We will perform testing over manual journal entries throughout the year, with an emphasis on fiscal year-end, as fiscal year-end is where the engagement team identified that management override of controls is the most prevalent.</li></ul>
<b>Allowance for Refunds of Dividends (Valuation)</b>	There is an increased level of subjectivity as it relates to management's calculation of the allowance for those credits that may be claimed as refunds by plan participants.	<ul style="list-style-type: none"><li>• We will assess management's estimation process and perform recalculations of the allowance estimate, using past and current year activity and trend analysis.</li></ul>
<b>Valuation of Certain Alternative Investments Which are Valued at Net Asset Value per Share</b>	There could be a significant difference in valuation and/or activity during the six-month period from the related alternative investments' audited financial statement reporting period-end (December 31, 2024) and the Endowment's fiscal year-end (June 30, 2025).	<ul style="list-style-type: none"><li>• We will perform valuation testing, as of the related alternative investments' audited financial statement date, as well as detail testing during the six-month rollforward period, including reviewing significant activity and changes in valuation.</li></ul>

# Timing of the audit

The schedule below outlines the expected timing of the audit.

Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

June / July	Preliminary planning meetings with Endowment management
	Preliminary audit work (week of July 7)
----- [June 30, 2025] -----	
Sept.	Final audit fieldwork (weeks of September 8, 15 and 22)
Oct.	Review of audit work by manager, partner and quality reviewer
Nov.	Presentation to the Finance Committee and issuance of financial statements and other deliverables

# Nonprofit update

We are pleased to provide real-time, relevant perspectives to help clients anticipate and address the unique issues and challenges facing their organizations and the industries in which they operate. We believe the following resources will be useful to you. For more articles, guides and webcasts, [view all RSM Insights](#).

01

## [Economic Headwinds - Nonprofit Industry](#)

Quarterly insights specific to nonprofit industry

05

## [Nonprofits face unique challenges with cybersecurity](#)

02

## [The Real Economy](#)

A monthly economic report for middle market leaders

06

## [Nonprofits need to cultivate a new type of workforce](#)

03

## [The role of nonprofit-focused business application solutions](#)

04

## [How nonprofits can protect donor information from cyberattacks](#)

# RSM contacts

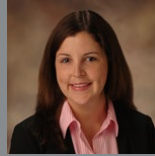


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