



SKÅL USA AUDIT REPORT FOR YEAR ENDED DECEMBER 31, 2016

2016 Audit Report
Washington, DC
February 16, 2017

Attendees:

Eric Braendel - Skål USA Administrator
Alton Hagen - Skål USA Vice President, Finance
Anita Peck - Skål USA Auditor
Arthur Allis - Skål USA Auditor

1. Purpose of the Audit

A systematic review of the financial records and accounting procedures of Skål USA was conducted on February 16, 2017. The Skål USA Auditors conducted this review in order to provide an independent examination.

2. Audit Process

Anita Peck and Arthur Allis (referred to hereafter as the auditors) reviewed 2016 records with past and present Vice President of Finance, Alton Hagen and the Skål USA Administrator, Eric Braendel. The records provided the auditors included the checking account, savings accounts, general ledger, expense reports, invoices and Florimond Volckaert Fund records. QuickBooks, the Skål USA accounting system was projected on the screen, which was easily visible. Inquiries re: any accounts or details were quickly accessed and visible. Hard copies of invoices and expense reports were readily available and randomly examined

SKÅL USA AUDIT

3. **2015 Auditor's Recommendations**

The recommendations to write off unaccounted inventory items were done but the remaining balance of Skål USA web site in the amount of \$10,664.72 still remained on December 31, 2016.

4. **The Auditor's Recommendations for 2016**

It is recommended to not separate the Membership Development Fee and the AGM and NASC Host Club Fee as part of the annual membership dues. For 2018, the dues invoice will read "includes Membership Development and the \$1.00 NASC and AGM Host Club support fees. The line item 1013.2 National Development should be eliminated.

It is recommended to obtain three competitive bids for General, Liability, Crime plus Directors and Officers Liability Insurance coverage. This did not happen in 2016, but noted that bids are currently being sought for the year beginning September 1, 2017.

Travel Insurance coverage is through an agent who is a skalleague and the premium cost is very favorable to Skål USA.

As Skål USA's website was completely redone in 2016, the remaining costs associated with the previous website which were capitalized and placed on the balance sheet no longer exist. Consequently, an adjustment was needed to recognize the remaining cost of the former website, effectively reducing the value of the asset to \$0. A "Loss On Disposal" adjustment of the remaining costs is recommended.

Continue the policy buying Euro's in advance thereby eliminating the risk of losing dollars on the fluctuating exchange rate by collecting dues on what was actually paid.

SKÅL USA AUDIT

5. Financial

Tax Returns

The only required tax filing was the Form 990 which was completed and filed by RSM US LLP in a timely manner for a fee of \$2,500.

Insurance

General Liability plus Crime Insurance coverage is underwritten by Travelers Casualty and Surety while Directors and Officers Liability is Underwritten by RSUI Indemnity. Arthur G. Gallagher in Kansas City is the Agent of Record for all three policies,. September 1, 2016 – August 31, 2017 is the current period of coverage at a total premium cost of \$15,569.00. Thirty nine clubs participated which included 1,999 members. The Crime and Directors and Officers Liability premiums were based on the number of clubs while the General Liability premiums were based on the number of members in the participating clubs.

Crime:

Limit (Employee Dishonesty \$30,000 Deductible \$500

Directors and Officers Liability:

Limit - \$2,000,000

General Liability:

| | |
|--|-------------|
| Limit (Bodily Injury and Property Damage | \$2,000,000 |
| Limit (Products/Completed Operations | \$2,000,000 |
| Limit (Personal and Advertising Injury | \$1,000,000 |
| Limit (Each Occurrence) | \$1,000,000 |
| Limit (Fire Damage) | \$ 100,000 |
| Limit (Medical Expense) | \$ 5,000 |

SKÅL USA AUDIT

Contracts:

Skål USA has a contract with the American Bus Association as the administrator of the organization. The contract for 2016 was for \$35,200.

Litigation

There is no pending or threatened litigation at this time.

Balance Sheet (Checking and Savings Accounts)

The Skål USA accounting software system is QuickBooks. The Skål USA Administrator and two staff members have access. The access password changes at the end of the year and the VP Finance for 2016 did not request the password and therefore has not accessed the QuickBooks accounting system.

All bank statements are reconciled on a timely basis, with detailed supporting spreadsheets. Copies are distributed monthly by the Skål USA administrator to VP Finance.

All checks received have been deposited with 24 hours of receipt to The General Operating Account (GOA). The ABA assistant opens the mail, another person matches the check to an invoice, deposits checks and posts. The auditors have noted that these records are extremely organized and could be easily audited.

The GOA and savings accounts are maintained by Wells Fargo Bank. The total interest income was \$1,062.20: Savings account \$9.22 and CD interest \$1,052.98.

SKÅL USA AUDIT

Investment Funds

Investments are in compliance with Skål USA Bylaws; MOI, and Executive Committee approvals.

FDIC Insurance Coverage – Bank account balances do not exceed FDIC \$250,000 limit

Funds are invested in CD's: one for \$50,000 matures on 2/17,2017, another for \$50,000 matures on May 18, 2017 and a third for \$150,000 matures on July 6, 2017. Interest earned on CD's for 2016 was \$1,052.98.

Accounts Receivable

Auditors verified listing of current Accounts Receivable with General Ledger

It was determined that all entries were consistent with Generally Accepted Accounting Principles (GAAP) and were posted in a timely fashion.

There were no Accounts Receivable that were determined not collectible

Inventories (Jewelry, Awards, Officer Pins, Etc.)

A list of inventory as of December 31, 2016 valued at \$9,042.38 was presented to the auditors. It was determined by the auditors that the value of the inventory is correct. The previous auditors had recommended \$5,240.00 of inventory items unaccounted for be written off and this recommendation was followed. There were several Past President SIUSA Medallion Ribbons and approximately 5 dozen SIUSA Rep pins that should be taken out of inventory and replaced by SKÅL USA Rep Pins and Past President SKÅL USA Medallions in 2017.

SKÅL USA AUDIT

Fixed Assets

None

Intangible Assets

As the former website was replaced in 2016, it is no longer an asset, so the remaining balance of \$10,664.72 should be written off in 2017.

Other Assets

The laptop is fully depreciated

Accounts Payable

Verify listing of all accounts payable with general ledger and all items are valid payables YES

The list of Accounts Payable consists of Clubs that have over paid on their account and funds Skål USA is holding from the treasury of eight clubs that have disbanded for a total amount of \$4,61078.

Short term liabilities were \$1,857.13 due to SI for end of year membership dues and \$105.18 payable to SI for FVFund for a total of \$1,962.31.

Statement of Activities - Revenue

Verify revenue trails and income shown in General Ledger are correct.

Accounts from clubs were reviewed. Entries via QuickBooks show that GAAP are being adhered to.

SKÅL USA AUDIT

Disbursements

Review all disbursements to verify they have been disbursed in compliance with approved contracts, by-laws, MOI and EC minute approvals.

Disbursements are made on the 15th and end of the month, YES

Verify all disbursements have proper supporting documentation/receipts and approvals.

Yes, the auditors determined there is documentation and applicable approval to support all disbursements.

Verify VP-Finance is being provided with a copy or access to monthly Disbursement Journal

The Skål USA Administrator has generated these reports:

All financials have been distributed to VP Finance on a monthly basis for review. These documents are then distributed to the Executive Committee and Auditors and simultaneously posted on the web site.

The 2016 VP Finance did not request the password to access QuickBooks.

The monthly and quarterly financials were received in a timely basis as well as requests for additional information during the year.

Expense Reimbursements

Verify that all expense reimbursements have been approved by VP-Finance and the President, and appropriate receipts are attached. Items without receipts should be reasonable amounts, i.e. gratuities, etc.

The Auditors tested many invoices and determined the approval procedure was followed.

SKÅL USA AUDIT

All expenses must be approved by the VP Finance before being forwarded to the SKÅL USA Administrator for disbursement of funds. They are approved by the President and require the President's and VP Finance's approval. Note the approval can come in the form of an e-mail that acknowledges approval specifically.

There have been occasional untimely submittals of expense reports that result in expenses appearing on the financial statements later in the year.

Verify that expense reimbursements have been made in accordance with By-Laws; MOI and EC Approvals. YES

The auditors randomly checked expense reports and determined approval. Procedure was followed and proper support documentation was supplied.

Verify unauthorized expenses have not been reimbursed (i.e. alcohol, private transfers, excessive phone or internet charges, etc.) YES

All expense reports are being reviewed by the VP Finance and our examination found no evidence of reimbursement for unauthorized expenses.

It should be noted that EC members saved Skål USA money by using credit card and airline awards to cover expenses and they absorbed other travel expenses. Some EC members were also able to plan company business trips to coincide with Skål USA meetings, thereby enabling them to charge some related costs to their employer.

Board Meetings

Verification of correct number of room nights approved by EC and VP Finance

There were no variations to this policy

SKÅL USA AUDIT

International Congress

Verify that excessive room nights have not been reimbursed.

There were no excessive nights lodging reimbursed

Verify other expenses are appropriate (meals, gratuities, transportation)

Review of expense reports indicate expenses were reimbursed only for legitimate expenses

Gratuities, Meals and Mileage

The Skål USA gratuity guideline is 15 %

Meal Allowance is \$60.00 per day including breakfast, lunch and dinner

Mileage allowance is \$.53.5 per mile

These policies are being adhered to

Airfares

Coach Fare is reimbursable: however, the airfare should be a promotional fare and not economy plus or full coach. Non-promotional fares should be documented.

The auditors did not find the use of first class or business class reimbursed for Skål USA travel

Air tickets purchased should be supported by a copy of the airline E ticket receipt showing the confirmation number, flight itinerary, ticket number issued by the airline, form of payment and ticket cost attached to the expense report. Receipts were attached

SKÅL USA AUDIT

Hotel Accommodations

Standard accommodations , not mini-suites or suites (exception may be approved by the EC for President and Skål USA, NASC Congress or Skål International Congress)

This policy is being adhered to. Many EC members have hotel rooms supplied by clubs, saving Skål USA funds. Awards have also been used for accommodations.

6. Administration

Skål International Filings

Verify annual dues to Skål International have been filed on a timely basis to eliminate any penalties YES

The auditors agree that Skål USA is in compliance

Payment of Dues to Skål International in Euros

Dues paid to SI for 2016 were paid with Euros secured in July of 2015. On May 10, 2016 an exchange rate of 1.1654 was secured with a 10% down for the purchase of 100,000 Euros. These were used to pay dues for 2017.

SKÅL USA AUDIT

Florimond Volckaert Fund

A separate general ledger account is maintained for FVF receipts in order to account for fund receipts and disbursements. These funds are periodically sent to SI. Receipts from 29 clubs for 2016 totaled \$9,100.00. Six other donations totaling \$455.00 were received in memory of Dick Knorpp and Gerald Di Pietro and 10% of sales of Skål logo's items (\$387.41) brought the total receipts to \$9,942.41. All 2016 receipts, with the exception of \$105.18 (accounts payable on December 31, 2016) were sent to SI.

Budget Review current year and proposed budget to determine if it appears to be realistic

The budget is realistic and Skål USA had a positive fund balance for 2016 of \$36,913.12.

2016 financial reports were sent to SI Yes

Board Minutes

Review all EC minutes for any issues that could have a financial impact.
Yes

The EC minutes are posted on the SkålUSA.org website after each meeting and reviewed during the year by the auditors.

Skål USA Administrator

Verify Executive Director is not holding the same position with another Skål member organization

The contract with the ABA creates a completely separate entity for this position. The Skål USA administrator does not hold this position with any other organization.

Conclusion

The Auditors are satisfied that all Skål USA policies and procedures have been followed and the 2016 financial statements presented by the Administrator and VP Finance are accurate and fully disclosed.

Respectfully Submitted,

Anita W. Peck

5/8/2017

Anita W. Peck (Skål International Albany), Skål USA Auditor

Date

Arthur B. Allis

5/8/2017

Arthur B. Allis (Skål International Tucson), Skål USA Auditor

Date