



SKÅL USA AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

2017 AUDIT REPORT

Washington, DC

February 23, 2018

Attendees:

Eric Braendel, Skål USA Administrator
Alton Hagen, Vice President - Finance, Skål USA
Arthur Allis, Sr. Auditor, Skål USA
JoAnne Ford, Auditor, Skål USA

I. Purpose of the Audit

A systematic review of the financial records and accounting procedures of Skål USA was conducted February 23, 2018 in the offices of the American Bus Association, the Skål USA Administrator. The Skål USA Auditors conducted this review in order to provide the membership an independent examination.

II. Audit Process

Arthur Allis and JoAnne Ford (hereafter, referred to as Auditors) reviewed 2017 records with Alton Hagen, past and current Vice President of Finance for Skål USA and Eric Braendel, Skål USA Administrator. The records provided to the auditors included the checking account, savings account, general ledger, expense reports, Florimond Volckaert Fund records and Certificate of Deposit records. Quickbooks, the Skål USA Accounting System was accessed and projected on a screen, which was easily visible. Inquiries re: any accounts or details were quickly accessed and reviewed. Hard copies of invoices and expense records were readily available and randomly examined.

III. Review of Previous Year's (2016 Audit) Auditor's Recommendations

It was recommended and implemented to not separate the Membership Development Fee, the AGM and NASC Host Club Fees as part of the annual membership dues. For 2018, the dues

invoice therefore read “includes Membership Development and the NASC and AGM Host Club support fees.

The line item 1013.2 National Development was eliminated as recommended.

A reduction in Insurance Expense and a change of Agent was accomplished. It was previously recommended and followed to obtain competitive bids for all Insurance coverage.

A “Loss-On-Disposal” adjustment for the remaining development costs of the Skål USA Website which was being carried on the books were written off in 2017 per the Auditor’s recommendation from the 2016 Audit.

The recommended policy of buying Euro’s in advance was continued; thus, eliminating the risk of losing dollars on the fluctuating exchange rate by collecting dues on what the Euro actually cost Skål USA. It is estimated that this saved members approximately \$14,000.00.

IV. Auditor’s Recommendations for 2018 based on Auditing Year Ended 2017

The travel insurance purchased in previous years will no longer be available. We recommend a review of the practice of purchasing annual travel insurance policies for all members of the Executive Committee and Auditors. This standard was implemented some years ago when travel was more extensive and included six Regional Vice Presidents visiting clubs. The Executive Committee should consider annual policies only be obtained for the President and the ISC, and individual trip policies for all others.

EC expense reimbursements should not be made until two approvals have been received. It is recommended the approval transmission include: the submitters name; date of travel and purpose; i.e. Joan Doe, September 22, 2017 , NCM - Washington, DC, approved by VP Finance.

Travel expense reports and substantiating receipt copies should initially be e-mailed to both the Vice President of Finance and the President for approval in order to expedite the process. The Vice President of Administration shall provide the alternate approval, when either the President or Vice President of Finance incur out-of-pocket expenses,.

The auditors recommend the Vice President of Finance solicit Club participation in the Insurance program earlier in order to obtain competitive bids.

We recommend finding a less expensive source to file “Organization Exempt Income Tax.

The auditors recommend that all purchases of inventory items of Pins, Awards, etc. be pre-approved by the Vice President of Finance and expensed. Existing inventory shall be expensed as it is sold.

V. Financial

Organization Exempt Income Tax Filing:

This is the only required tax filing; which was completed and filed for year-end 2016 in a timely manner April 10, 2017 for a fee of \$2,500. This was verified on web site "Guide Star".

We discussed sharing this filing with members of our governing body.

Insurance:

The underwriters for Directors and Officers Liability was changed to Navigators Insurance Co. from RSUI; the underwriters on General Liability plus Crime remains with Travelers Casualty and Surety. Changed the Agent of Record from Arthur G. Gallagher to CEK. A savings of \$2,000 was achieved by CEK putting all policies out for bid. Thirty-nine clubs participated with 1819 members as of September 2017.

<u>Insurance Type</u>	<u>Cost</u>	<u>Cost/Club</u>
Directors and Officers Liability	\$7,180	\$184.11
Crime	2,557	65.57
General Liability	<u>2,203</u>	1.22 / member
	11,940	

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

Directors and Officers Liability \$2,000,000 limit

General Liability

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

Contracts:

Skål USA has one contract with the American Bus Association as the organization's administrator for \$35,200, with a \$2,000 addendum to provide for writing minutes of EC meetings.

ABA notified Skål USA in September that they could no longer manage Skål USA without losing money at the then current fee; and that they would continue until such time as a smooth transition could take place.

A committee was appointed with Tom White as Chairperson to seek a replacement. The committee sent out RFPs to four qualified management companies, but only one bid was returned at \$78,000. Tom White negotiated with ABA and the results were submitted to the Executive Committee at the January 2018 Winter Meeting.

Skål USA contracted with AFEX to purchase Euros at a predetermined rate of 1.0939. The down payment was \$11,000 for 110,000 Euros which must be purchased by March 2, 2018. AFEX is represented by a Skålleague.

There is an agreement with Novatross/Simpo Sites to promote website development, so clubs may mirror the Skål USA website. There is no financial obligation to Skål USA.

Litigation:

There is no pending or threatened litigation at the time of the audit.

VI. Balance Sheet

The auditor's reviewed the balance sheet; examined the Accounts Receivable; verified the CD investments; and the loan to Skål International Miami for the World Congress Cruise.

Investment Funds:

Balance sheet shows \$253,359.91 in Certificates of Deposit at Access National Bank. CDs that matured in 2017 were rolled over with maturity dates later in 2018 for cash flow purposes as the vast majority of Skål USA income is generated in the first quarter of the year.

<u>CD No.</u>	<u>Jan. 1, 2017</u>	<u>Dec. 29, 2017.</u>	<u>Matures</u>
2951820	\$ 50,143.02	\$ 50,528.18	August 18, 2018
2930162	150,726.56	152,271.08	October 5, 2018
2951838	50,310.37	50,560.65	November 20, 2018

Accounts Receivable:

The accounts receivable were reviewed and discussed relative to any deemed uncollectable. We have concerns about Jacksonville \$1,003.17. Following the audit, the Auditors emailed the Jacksonville President and Secretary-Treasurer to verify 2017 receivable. They requested another detailed invoice or statement.

We discussed the \$500 assessment to Clubs who failed to attend the AGM. Portland also has not paid. Attempts have been made to collect.

Notes Receivable:

Skål USA is loaning Skål International Miami \$60,000 in order to make the deposits for the 2019 World Congress Cruise. The first \$30,000 is shown on the balance sheet as "Notes Receivable - SI Miami." The second \$30,000 is payable in March 2018. The interest rate is 6% payable with in-kind services. The \$60,000 is scheduled to be paid back by year end 2018.

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

The inventory valued at \$9,129.32 as of December 2017 was examined; however, there have been merchandise sales in 2018. Our four years' experience in spot checking the inventory prompted our recommendation to expense all future purchases and expense cost of sales of the existing inventory as they occur.

FVF

Year-end current liabilities include \$408.08. These donations collected are sent to Spain only once per year as there is a cost of \$35 to \$45 involved in transmitting Euros. \$10,517.68 was sent earlier in the year.

Other Short-Term Liabilities

These are late expense reports totaling \$732.

Long Term Liabilities:

Skål USA is holding \$4,740.78 from disbanded clubs. The By-Laws state that they are to be held three years.

VII . Statement of Activities - Revenue

Revenue trails and Income shown in the General Ledger were verified and correct. Accounts from member clubs were reviewed. Entries in Quickbooks show that Generally Accepted Accounting Practices are being adhered to.

VIII . Disbursements

The auditors reviewed disbursement in order to verify that payments have been disbursed in compliance with approved contracts, By-Laws, the MOI and Executive Committee minutes approval.

Two members of the Executive Committee are required to approve all disbursements prior to payment. The Auditors determined that proper documentation and applicable approvals supported disbursements. We did find rare cases where the disbursement was made prior to the receipt of a second approval. We recommend that the approvals be received by ABA prior to the disbursement.

Disbursements are made twice a month utilizing Wells Fargo payment services in lieu of cutting checks. The auditors approve this change, which was implemented during an Executive Committee meeting that included positive comments from the Auditors. It is important to note, that this procedure is endorsed as long as ABA maintains Skål USA accounting.

IX. Executive Committee Travel and Meeting Expenses:

The following were verified: No un-authorized expenses; all reimbursements were for legitimate expenses; hotel, meal, airfare, mileage, gratuity policies were adhered to.

The total travel and meeting expenses for the Executive Committee were \$54,403; 43% of the previous year's \$126,607 Skål USA Membership dues collected and \$1,730 less than the previous years. The By-Laws limit these expenses to 50% of the previous year's Skål USA Membership dues collected.

The auditor's review of travel expense reports and supporting receipts showed compliance with policies and proper documentation; but did reveal inconsistent approval. See recommendation for 2018. As noted under "Short Term Liabilities" there were two late expense reports at year end.

X. Administration:

Dues payment to Skål International was made on time with Euros secured in 2016 at a rate of 1.0939 from AFEX, which is represented by a Skål member. The option to purchase 110,000 Euros at the pre-determined exchange rate was contracted in March 2016. This eliminated the risk of losing dollars on the fluctuating exchange rate by setting and collecting SI dues on what the Euro actually cost Skål USA.

XI. Florimond Volckaert Fund:

Accounting for the fund is found in Quickbooks under a separate ledger account that reveals the receipt of donations and their transfer to Skål International in Spain. \$10,517.68 was sent earlier in the year, with \$408.08 remaining year end.

XII. Budget

In the opinion of the Auditors the budgeted Net Income of \$4,800 is reasonable. Based on 2017 actuals the Skål USA Dues Income appears overly optimistic, as would be SI Membership Dues, which would of course be off setting. Travel and meeting expense budget exceed 2017 actual by \$10,000.

XIII. Review of Board Minutes

The auditors audited Monthly Executive Committee Conference Calls, the Winter EC meeting, AGM and NCM; and the minutes of these meetings in order to be aware of any issues that could have a financial impact. The auditors were in agreement with the change in transmitting disbursements, and travel arrangement changes.

XIV. Administrator - Skål USA

Skål USA is the only Skål organization the ABA represents.

Respectfully Submitted,

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

JoAnne Ford (Skål International Nashville). Skål USA Auditor Date