



SKÅL USA AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

2018 AUDIT REPORT

Washington, DC

February 15, 2019

Attendees:

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

I. Purpose of the Audit

A systematic review of the financial records and accounting procedures of Skål USA was conducted February 15, 2019 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

JoAnne Ford and Arthur Allis (hereafter, referred to as Auditors) reviewed 2018 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, AFEX Contract for purchase of Euros 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 (2017 Audit) Auditor's Recommendations

As the travel insurance purchased for all Executive Committee and Auditors in previous years was no longer available, it was recommended the practice of purchasing annual travel insurance policies be reviewed. The recommendation was made and implemented that only annual policies be obtained for the President and the ISC, and individual trip policies for all other Executive

Committee members and Auditors be purchased individually, as needed, and reimbursed by Skål USA.

It was recommended and implemented that the Executive Committee and Auditors expense reimbursements should not be paid until two approvals have been received. The approvals shall include the submitters name; date of travel and purpose; i.e. Joan Doe, May 10, 2018, NCM - Washington, DC.

It was recommended and implemented the 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 recommended the Vice President of Finance solicit Club participation in the insurance program earlier in order to obtain competitive bids which the Vice President implemented. This was done, however, clubs were slow to respond.

The Auditors recommended and the Vice President of Finance was successful in finding a less expensive source to file "Organization Exempt Income Tax." The CPA firm of Keller & Owens, LLC, Overland Park, Kansas prepared the 2018 Form 990.

The Auditors recommend and the Administrator implemented the process that all purchases of inventory items of Pins, Awards, etc. be pre-approved by the Vice President of Finance and expensed. Existing inventory prior to 2018 shall be expensed as it is sold.

IV. Auditor's Recommendations for 2019 based on Auditing Year Ended 2018

The American Bus Association, the current Administrator for Skål USA, has a two year contract (as of January 1, 2018) with a one year renewal. The renewal must be exercised by either party and accepted by both 90 days prior to December 31, 2019. The auditors recommend that the Executive Committee exercise the contract renewal and advise the ABA prior to October 1, 2019.

For future contracts with the American Bus Association, it is recommended by the Auditors that a 120 day renewal notice be part of the contract.

A recommendation by the Auditors to revisit the Skål USA inventory later in the year in conjunction with net income for the year and consider a year end write-off of one-third of the inventory per year for the next three years beginning in 2019.

If a write-off of the Skål USA inventory is approved, it is recommended that the Skål USA annual contribution to the FVF be calculated to a percent of sales of inventory items as the current contribution is made calculated on cost of goods sold.

The Auditors recommend that Clubs implement a practice of obtaining the Skål International and Skål USA dues and initiation fees with all membership applications before processing the applications with Skål International.

For the annual election of Skål USA officers, the election results will be attended by the Auditors and Administrator. The current Skål USA President is invited to attend.

V. Financial

Organization Exempt Income Tax Filing:

This is the only required tax filing; which was completed by the CPA firm, Keller & Owens, LLC and filed for year-end 2017 on May 24, 2018 for a cost of \$1,200 saving \$1,530 over the 2016 filing.

Insurance:

The underwriters for Directors and Officers Liability is Navigators Insurance Co. and the underwriters on General Liability plus Crime is with Travelers Casualty and Surety. The Agent of Record is CEK. Thirty-eight clubs participated with 1,661 members as of September 2018.

<u>Insurance Type</u>	<u>Cost</u>	<u>Cost/Club</u>
Directors and Officers Liability	\$ 7,180	\$188.95
Crime	2,534	66.68
General Liability	<u>3,600</u>	2.17 / member
	\$13,114	

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 two-year (as of January 1, 2018) contract with the American Bus Association as the organization's administrator for \$50,000.

Appreciation must be expressed to the American Bus Association who delayed collecting their administrative fee for October-November-December until payment was received from Skål International Miami for their loan to cover their initial deposit to Royal Caribbean Cruise Line for their hosting the Skål International World Congress in September 2019.

Skål USA contracted with AFEX in 2017 to purchase Euros at a predetermined rate of 1.0939. The down payment was \$11,000 for 100,557.64 Euros which was purchased by March 2, 2018 and used to pay 2018 Skål International dues. On March 26, 2018, Skål USA contracted with AFEX to purchase 84,784.95 Euros with a down payment of \$11,000 at an exchange rate of 1.2974 which must be purchased by March 5, 2019 and will be used to pay 2019 Skål International dues. The Executive Committee authorized the early purchase of Euros for payment of 2020 dues to Skål International. The purchase was made on December 4, 2018 at a rate of 1.1975 for 83,507.31 Euros with a down payment of \$10,000.

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 \$256,490.69 in Certificates of Deposit at Access National Bank. CDs that matured in 2018 were rolled over with maturity dates late in 2019 for cash flow purposes as the vast majority of Skål USA income is generated in the first quarter of the year.

<u>CD Number</u>	<u>Purchase Amount</u>	<u>Maturity Amount</u>	<u>Maturity Date</u>
2951820	\$ 50,528.18	\$ 50,860.54	December 19, 2019
2930162	152,271.08	153,483.46	October 5, 2019
2951838	50,560.65	50,963.13	November 20, 2019

Accounts Receivable:

The accounts receivable were reviewed and discussed relative to any deemed uncollectible. The Auditors have concerns about the Jacksonville Club owing \$797.00: \$297.00 in finance charges and \$500.00 for the 2018 NASC. The Auditors have advised the Executive Committee of the situation.

Central California, a newly organized club, has an outstanding receivable of \$1,870 covering the members Skål International and Skål USA initiation and 2019 annual dues. The Vice President of Membership has been advised for follow up with the Club.

Notes Receivable:

Skål USA loaned Skål International Miami \$60,000 in order to make the deposits for the 2019 World Congress Cruise as noted on the Balance Sheet as “Notes Receivable - SI Miami.” The interest rate is 6% payable with in-kind services. As of December 31, 2018, the \$60,000 scheduled to be paid back by year end 2018 has not been received. The Miami Club advised the

Vice President of Finance that \$30,000 is scheduled to be paid back in January 2019 with the remaining balance to be paid back shortly thereafter.

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

The inventory valued at \$8,315.79 as of December 2018. A review of the list of inventory items was discussed. It was decided that a revisit of the inventory should take place later in 2019 with the consideration to write off a third of the inventory each year for three years beginning in 2019.

FVF:

Year-end current liabilities include \$554.65 which will be carried over to 2019. FVF donations collected over the course of the year are sent to Spain only once at the end of the year due to a wire transfer fee of \$35-\$45 per transaction. \$4,903.08 was sent for 2018 approximately \$5,000 less than 2017.

Other Short-Term Liabilities:

The American Bus Association deferred payment of their administration fee for October, November and December totaling \$12,500.01 due to cash flow constraints from Skål USA's \$60,000 note receivable from the Miami Club for their hosting the 2019 World Congress. Skål USA plans to repay this liability in early 2019.

Long Term Liabilities:

Skål USA held \$4,740.78 from the San Antonio, Knoxville, Tallahassee, San Diego and Palm Springs, Phoenix and St Thomas clubs. All funds were reverted to Skål USA in September except for the funds held for the Phoenix Club which were given to the newly reinstated Club in late 2018. \$130.00 from disbanded St. Thomas club still remains on the Balance Sheet which will revert to Skål USA in early 2019 as the By-Laws state that these funds are to be held for 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.

Disbursements are made twice a month utilizing Wells Fargo payment services in lieu of cutting checks. The auditors approve this process. It is important to note, that this procedure is endorsed as long as ABA handles Skål USA's accounting.

IX. Executive Committee Travel and Meeting Expenses

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

The By-Laws limit total travel and meeting expenses to 50% of the previous year's Skål USA membership dues collected. The 2018 Actual Travel and Meeting Expenses of \$49,009 equates to 36% of the \$135,961 2017 Skål USA Membership Dues collected.

The auditor's review of travel expense reports and supporting receipts showed compliance with policies and proper documentation

X. Administration

Dues payment to Skål International was made on time with Euros secured in 2017 at a rate of 1.0939 from AFEX. The option to purchase 100,557.64 Euros at the pre-determined exchange rate was contracted in March 2017. 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. \$4,903.08 was sent for 2018, with \$554.65 remaining at year end to be paid in 2019. The \$554.65 represents year end donations and the contribution from Merchandise Sales.

XII. Budget

In the opinion of the Auditors the budgeted Net Income of \$6,162 is reasonable. Based on 2018 actuals the Skål USA Dues Income as well as SI Membership Dues appear in line with expected 2019 membership. Travel and meeting expense budget exceed 2018 actual by approximately \$5,000.

XIII. Review of Board Minutes

The Auditors reviewed the Monthly Executive Committee Conference Calls, the Winter EC Meeting, AGM and NCM Minutes in order to determine of any issues that could have a financial impact and where needed were noted during the audit.

XIV. Administrator - Skål USA

Skål USA is the only Skål organization the ABA represents.

Respectfully Submitted,

JoAnne Ford *March 12, 2019*
JoAnne Ford (Skål International Nashville) Skål USA Auditor Date

Arthur B. Allis *March 12, 2019*
Arthur B. Allis (Skål International Tucson) Skål USA Auditor Date