



SKÅL USA AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

2019 AUDIT REPORT

New Orleans, Louisiana (Winter Executive Committee Meeting)

January 23, 2020

Attendees:

Eric Braendel, Skål USA Administrator
Alton Hagen, Vice President - Finance, Skål USA-2019
Arthur Allis, Vice President – Finance, Skål USA-2020
JoAnne Ford, Auditor, Skål USA
Robert Lowell, Deputy Auditor, Skål USA

I. Purpose of the Audit

A systematic review of the financial records and accounting procedures of Skål USA was conducted January 23, 2020 at the Higgins Hotel, New Orleans (in conjunction with the WEC Meeting)¹. The Skål USA Auditors conducted this review in order to provide the membership an independent examination.

II. Audit Process

JoAnne Ford and Robert Lowell (hereafter, referred to as Auditors) reviewed 2019 records with Alton Hagen, past Vice President of Finance for Skål USA, Arthur Allis, 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, invoices, 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. Additional accounting records were provided prior to the audit through DropBox for the auditors review. Inquiries re: any accounts or details were quickly accessed and reviewed.

¹ The Audit location was changed for cost savings in order to eliminate a separate trip to DC. The availability of Cloud Based Data Storage and Quick Books accessibility make this possible.

III. Review of Previous Year's (2018 Audit) Auditor's Recommendations

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.

*Recommendation was implemented. American Bus Association and Skål USA agreed that current contract continues year after year until cancelled by either party with 90 day notice.

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.

*Cancellation notification will remain at 90 days.

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.

*Recommendation was implemented with the total write-off of the current inventory of \$8,315.79 due to a substantial year-end net income.

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.

*No determination was made in 2019 for future Skål USA contributions.

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.

*Recommendation was presented to members at 2019 AGM.

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.

*Recommendation was implemented.

IV. Auditor's Recommendations for 2020 based on Auditing Year Ended 2019

The Auditors recommend for FVF a \$500 annual contribution from Skål USA. In the past the Skål USA contribution was calculated on a 10% of profit on the cost of goods sold. The current inventory of \$8,315.79 was completely written up in 2019.

The Auditors recommend that all Executive Committee members not covered under the annual travel insurance purchased (Skål USA President and ISC are covered) must purchase travel insurance for Skål USA venues. If insurance is not purchased Skål USA is not responsible for travel reimbursements due to delays, cancellations, etc.

The Auditors recommend that the American Bus Association (ABA) submit a monthly invoice to the President and VP-Finance of Skål USA for approval and payment of their monthly contractual charges as Administrator.

A recommendation by the Auditors was made for those Clubs who sign up for the insurance coverage through Skål USA that the sign-up be made using electronic processing to ensure an accurate count.

The Auditors recommend that all Clubs conduct an annual audit of their Clubs' financials. An Audit Checklist is available and posted on the Skål USA website.

V. Financial

Organization Exempt Income Tax Filing:

This is the only required tax filing; which was completed by Steven M. Phelan, CPA, PLLC and filed for year-end 2018 on May 15, 2019 for a cost of \$850 saving \$350 over the 2017 filing.

Insurance:

The underwriter for Directors and Officers Liability is Navigators Insurance Co. and the underwriter on Crime is with Travelers Casualty and Surety. A policy for Accidental Death & Dismemberment is with Berkley Life and Health Insurance Company. The Agent of Record is CEK. Thirty-eight clubs participated in the program.

<i>Insurance Type</i>	<i>Cost</i>	<i>Cost/Club</i>
Directors and Officers Liability	\$ 6,978	\$178.93
Crime	<u>2,697</u>	\$ 69.16
	\$ 9,675	
Accidental Death & Dismemberment	N/A	\$ 500.00*

*No cost to Clubs. Paid by Skål USA directly

Crime Limit (Employee Dishonesty)	\$ 30,000	\$500 Deductible
Directors and Officers Liability	\$2,000,000 limit	
Accidental Death & Dismemberment	\$ 250,000	

Contracts:

American Bus Association Contract

Skål USA has two-year (as of January 1, 2018) contract with a one year extension with the American Bus Association as the organization's administrator for \$50,000. The contract was extended in late 2019 for 2020 as well as an on-going contract year over year. Should either party wish to cancel said contract, a 90 notice is required.

AFEX Contracts for Euro Purchases

Skål USA contracted with AFEX on March 26, 2018 to purchase 84,784.95 Euros with a down payment of \$11,000 at an exchange rate of 1.2974 which was purchased by March 5, 2019 and 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 and will be used to pay 2020 Skål International dues. Due to issues related to Skål International Digital Transformation, payment of 2020 dues to Skål International will be held until Skål International can provide Skål USA with a correct list of Club members.

No early purchase of Euros was made in 2019 for payment of 2021 dues as the Euro has remained constant at an exchange rate of around 1.10. There was also concern regarding Skål International's Digital Transformation and website and the future handling of Skål dues. Purchase of Euros for 2021 dues will be contracted in March/April 2020 timeframe.

Novatross/Simpo

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 auditors reviewed the Balance Sheet; examined the Accounts Receivable; verified the CD investment and Euro purchases; and reviewed the loan to Skål International Miami for the World Congress Cruise and its payment in full in 2019 to Skål USA.

Investment Funds:

Balance sheet shows \$259,191.57 in Certificates of Deposit at Access National Bank. CDs that matured in 2019 were rolled over with maturity dates late in 2020 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	\$ 50,860.54	\$ 52,223.39	December 19, 2020
2930162	153,483.46	156,399.61	November 5, 2020
2951838	50,963.13	51,931.42	December 20, 2020

Accounts Receivable:

The accounts receivable were reviewed and discussed relative to any deemed uncollectible. The Auditors have concerns about the Jacksonville Club owing \$1,867.00: \$265 in finance charges,

\$602 in outstanding Club member dues and \$1,000.00 for the 2018 and 2019 NASC. The Auditors have advised the Executive Committee of the situation.

There were a few Clubs with outstanding charges for the 2019 NASC, however, payment is expected in early 2020.

Notes Receivable:

Skål USA loaned Skål International Miami \$60,000 in 2018 in order to make the deposits for the 2019 World Congress Cruise. In 2019, Skål International Miami paid back the \$60,000 plus 6% interest or \$3,450 which was taken in kind for accommodations for Skål USA President and ISC.

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

The inventory valued at \$8,315.79 as of December 2018 was written off in its entirety in 2019 due to a substantial net income as of December 31, 2019.

FVF:

Year-end current liabilities from 2018 of \$1,584.65 were 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. \$11,584.65 was sent for 2019 approximately \$6,000 more than 2018.

Other Short-Term Liabilities:

No short-term liabilities were noted for 2019.

Long Term Liabilities:

\$130.00 from disbanded St. Thomas Club was reverted to Skål USA in early 2019 as the By-Laws state that these funds are to be held for three years.

The Atlantic City, Austin, Ft. Worth, Memphis and Richmond Clubs closed in 2019. The Ft. Worth Club sent Skål USA \$1,111.68 on December 30, 2019 which was received by Skål USA in early January 2020. The \$1,111.68 will be held in the Club Disbandment Fund for three years should the Ft. Worth Club reinstate or reverted to Skål USA after three years.

The Atlantic City, Austin, Memphis and Richmond Clubs did not forward any remaining Club funds at their disbandment. The Executive Committee were made aware of the situation for follow up.

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 2019 Actual Travel and Meeting Expenses of \$48,004 equates to 37% of the \$130,413 2018 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

The dues payment to Skål International for 2019 was made on time with Euros secured in 2018 at a rate of 1.2974 from AFEX. The option to purchase 84,784.95 Euros at the pre-determined exchange rate was contracted in March 2018. 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

The Florimond Volckaert Fund is not held in a separate bank account. 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. \$11,584.65 was sent for 2019 of which \$1,584.65 was carried over from 2018.

XII. Budget

In the opinion of the Auditors the budgeted Net Income of \$4,891 is reasonable. Based on 2019 actuals the Skål USA Dues Income as well as SI Membership Dues appear in line with expected 2020 membership. Travel and meeting expense budget exceed 2019 actual by approximately \$3,500.

Skål International Orlando will host the 2021 NASC. The allotment provided the Club for hosting of up to \$4,000 will be paid in 2020, however, was not included in the 2020 budget.

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,

<i>JoAnne Ford</i>	<i>March 2, 2020</i>
JoAnne Ford (SI Nashville)	Skål USA Auditor
	Date

<i>Robert Lowell</i>	<i>March 2, 2020</i>
Robert Lowell (SI Northern New Jersey)	Skål USA Deputy Auditor
	Date