

Financial Review Committee Report

April 29, 2024

Robinson Crew Booster Club (RCBC)

Overview

As per the RCBC bylaws, a committee made up of 3 individuals from the membership was tasked to audit the Club's financial statements. The initial charge to the committee was to review financial statements for the fiscal year ending (FYE) June 30, 2023. However, upon closer review it was determined that an internal audit had not been done in many years. Therefore, we expanded our review to include the following:

- Bylaws of the Club
- 990 Tax returns for FYE 6/30/20, 6/30/21 and 6/30/22 (FYE 6/30/23 has not been submitted by the independent tax accountant at this time)
- Minutes of Board meetings for FYE 6/30/22, FYE 6/30/23 and FYE 6/30/24
- Insurance coverage
- Loan documents
- Fixed asset inventory
- Payroll and tax statements
- Bank statements and reconciliations from 7/1/19-3/31/24
- Internal financial statements: Balance sheet and income/expense reports
- Related detail support items

Responsibilities of the RCBC Board

It is the responsibility of the Treasurer and Board of Directors to maintain the Club's financial statements, which give an overview of the company's financial position, cash flows, and financial performance, along with formulating and executing the necessary financial controls to ensure the accuracy of the financial records. This responsibility also includes the maintenance of accounting records to prevent fraud.

Per the RCBC bylaws, the Board is required to initiate a review of books and accounts on an annual basis. The Board is required to make the results of the review available to all members.

Responsibilities of the Financial Review Committee

The Financial Review Committee's responsibility is to plan and execute a review of the Club's financial statements to obtain reasonable assurance that the financial statements present an accurate portrayal of the Club's financial management and financial position. The committee did not perform a formal audit, though this committee included a RCBC member with professional audit experience. The Financial Review Committee's responsibility is to present an unbiased opinion on the financial statements and issue a report to the Board for dissemination to the membership.

Summary of Recommendations

Overall, we found some inconsistencies in financial reporting, all of which we believe can be corrected with the support of the Club's independent accounting firm. While we have included more detail on our findings and recommendations below, we have three primary recommendations that we would like to highlight:

1. We recommend that the Club institute a more formal process around cash transactions to ensure there is oversight and accountability anytime cash is being received or deposited. Specifically, we recommend that there should be two signers on all checks over \$500.
2. We recommend that the Board develop a detailed turnover binder that would contain the standard operating procedures for any future Treasurer, including training on QuickBooks software. This will help to mitigate the inconsistencies that come from high turnover in a volunteer Board position, along with providing important information and "how-to"s to incoming Board members. Additionally, the Treasurer and At Large Finance should complete an introductory nonprofit finance training (many are available online, and can be specific to board members).
3. We recommend that the Club contract an accounting firm to conduct a financial compilation or a financial review (step down from a formal audit) at a regular interval of no more than four years. There is a cost to either process that would have to be budgeted, but would result in a level of financial oversight that would be beneficial.

Detailed Findings

Issue: Fundraising/Tag Day Deposits

The statement of activity or Income Statement is maintained monthly through QuickBooks. Income is primarily derived from membership dues and fundraising with Tag Day being the largest single source of fundraising revenue. We were able to verify revenue FYE 6/30/22, 6/30/23, and 3/31/24 using independent reports from VASRA, membership spreadsheets, Board minutes with documentation of assessment of membership fees, and verified current year (CY) and previous year (PY) Tag Day initial deposits. Membership dues plus Tag Day together account for about 75% of the total revenue each of the years mentioned above.

Finding: Currently, there is no clear process in place to make immediate deposits on or immediately following Tag Day, which is the largest single fundraiser of the year and produces a significant amount of cash and checks. Additionally, there is currently only one individual who maintains control of and deposits the Tag Day cash.

Recommendation: Due to Tag Day's high volume of cash and checks, it is recommended that the Club put additional controls in place to track donations, along with maintaining records of deposits. The Club currently tracks the donations collected by each route using a spreadsheet, which is helpful data for many uses. We recommend an additional sign off from the driver and the initial cashier taking in the money for the count, and recommend that documentation is maintained by the Treasurer. Because of the high volume of donations, there should be a deposit form that is created that day including both the volunteer cashier's initials and the Treasurer or at large Board member to verify bank deposits. There

should not be commingled funds from any other event in that deposit. Two people should use the overnight deposit services if available at the bank that same day. If that is not possible, then donations should remain secured with the Treasurer and deposited immediately the following Monday.

The same process should be utilized when a large volume of checks comes in from the PO Box.

Issue: Financial reporting

Club expenses are primarily payroll for our coaches, regatta expenses, rental expenses for the boathouse storage, equipment purchases/maintenance, fundraising expenses, and insurance premiums. These categories represent approximately 90% of total expenditures.

Finding: The current Treasurer found that QuickBooks was double counting some entries, including entries related to payroll taxes. It was determined that all payroll taxes are being reported accurately to the state and that there is no concern about impact to the coaches' payroll.

Recommendation: Journal entries are necessary for PY and CY activity to ensure financial statements are accurate and reconciled. The Treasurer is working with the independent accountant to correct the QuickBooks software to prevent this issue from recurring.

Regatta expenses were verified to invoices sent to the coach.

Finding: The annual rental agreement was reviewed and payments made. It appears that there was an overlap between FY 6/30/21 to FY 6/30/22 to FY 6/30/23 within the internal income statements; however, in reviewing invoices, all payments were made but may not be attributed to the correct year. This may have been resolved in the 990 Tax return with journal entries that were never pushed through to the QuickBooks books.

Recommendation: Internal financial reports should agree with the federally filed income tax returns, which may require adjustments to previous year internal reports. Tax returns do not need to be adjusted and there is no additional reporting needed to the IRS.

Finding: Several items are incorrectly classified in the financial statements. Loan payments for the new shell are currently reflected on the income statement, which is the incorrect classification for those transactions. Additionally, purchases of boats, oars, motors, ergs, and rowing shoes are currently recorded on several different income statements across PY and CY as an expense.

Recommendation: The internal financial statement requires some reclassification as the loan payments for the new shell should be applied against the Liability Loan on the balance sheet and not the income statement. Best practice would be to determine a dollar amount (recommend \$5,000), above which any equipment purchased would be considered a fixed asset. Any equipment purchased for an amount below that determined threshold would be an expense, and would not be depreciated over time. That is not the current practice, and would require a significant shift in accounting procedures. If the Club chooses to continue with the current practice of all purchased equipment as fixed assets, purchases of any equipment on the physical inventory list should be considered a fixed asset. These assets should be listed as an asset to be depreciated over 5-7 years on the balance sheet.

Finding: In looking at the internal income statement, the net income showed a profit FYE 6/30/2022, but the balance sheet of the tax return showed a loss. This discrepancy resulted in a \$14,780 deficit. The tax return, which is prepared by the accountant, should be considered the benchmark document that is accurate, and the internal income statement should match the tax return. It appears as though management is not closing the books accurately through QuickBooks at the end of the year, and this results in discrepancies in reporting. Financial reports are printed each month, and show the continued discrepancy month over month, which indicates a need for additional training in QuickBooks.

Recommendation: It is recommended that the Board develop a simple standard operating procedure for financial reporting through QuickBooks that can be passed down to future Treasurers in a turnover binder. This will ensure that proper procedures are established and continued through Board transitions in the future. The current reporting, Statement of Activity (Income Statement) and Statement of Financial Position (Balance Sheet) may not be the most useful tools for the Board to rely on for major decisions for the Club. It may be more helpful to utilize a Cash Flow Analysis and Forecasted Monthly Budget versus Actual reports.

Finding: From discussions with the current Treasurer, there was an issue with QuickBooks to clear checks and deposits appropriately. It was noted that the June 30, 2022 bank statement reconciliation, internal cash account and 990 tax return were all within normal limits. The June 30, 2021 cash accounts from the 990 tax return and bank statement were within normal range. There was no printout of the balance sheet as of June 30, 2021; however, the May 31, 2021 and July 31, 2021 were in the files. The Club does have a Venmo account that is primarily for the snacks provided at the tent for each regatta. These individual transactions are relatively small in nature and a pass-through and have not been reviewed during this audit.

Recommendation: If Venmo becomes a more significant method of payment collection for the Club, there will need to be further review of Venmo transactions. No further recommendations at this time.

Issue: Maintenance of required reserve funds

RCBC bylaws require that the Club maintains “reserve funds to cover the purchase of a new boat and oars or ‘worst-case scenarios’, such as the ability to pay for outstanding obligations like boat loans and existing financial contracts.” The required reserves should equate to roughly \$50,000 but can fluctuate from year to year. The Treasurer recommends the reserve as part of the annual budget approval process, and is required to notify the Board if the reserves are at risk. The bylaws also stipulate that the Board must vote to approve expenditure of reserve funds.

Finding: The committee was not able to find documentation of reserve funds, either through the budgeting/approval process, through Board votes to approve disbursement of reserve funds, or from financial statements. All cash appears to be unrestricted. We understand there have been challenges in the past with maintaining a separate account for reserve funds. We can provide further recommendations on how to maintain the required reserves after speaking with the board to better understand the past challenges.

Recommendation: We recommend that the required reserve funds be maintained in a separate (ideally savings) account and distinguished on the balance sheet as restricted funds. We also recommend that

the Board institute a practice of voting on the recommended reserve during the budget approval process and documenting all reserve-related transactions and discussions clearly in the meeting minutes.

Finding: Through discussions with the current Treasurer it was noted that the Truist account which holds the Raise Right fundraiser proceeds is still in Mark Davis' (former President) name, and his is the only name on the signature card. It is our understanding that only the current Treasurer is on the Atlantic Union signature card.

Recommendation: The checks state that any amount over \$500 requires two signatures. Therefore, we recommend having two Board members' names on the signature card. The current Treasurer was able to close out many credit card accounts of former Board members and coaches and now only has one coach and the Treasurer with a credit card, which we believe is a better position for the Club.

Issue: Inventory of Fixed Assets

It was determined that the fixed assets of the Club are not regularly inventoried. This can impact financial statements as well as insurance coverage. The Board of directors are working on a physical inventory of what we own and will have that document in May 2024. In reviewing internal balance sheet FYE 6/30/21 and 6/30/22 they have not been updated for the reclassifications of fixed assets referenced above and do not match the 990 tax returns. The same is true for the FYE 6/30/23 and current year balance sheet. These discrepancies have also inflated the Club's net worth (retained earnings) by double FYE 6/30/2022 and going forward.

Recommendation: It is the recommendation of the audit committee that an annual physical review of equipment be conducted in June of each year, once the racing season is complete. This ensures that the statement provided to the insurance company is accurate for its renewal each August. At this point in time we cannot verify if the Club is over or under insured. This physical inventory in the late spring will also assist in preparing for the preparation of the 990 tax return that is due each November.

Issue: Board and membership meeting minutes

It is required that minutes are kept for all Board meetings, to include Regular Meetings, Annual Meetings and Special Meetings. The meeting rules are at the discretion of the President. The committee reviewed the Board minutes for the past 3 years and had the following findings:

- The minutes do not include a consistent record of motions made (there were fewer than five motions recorded over the last three years), which is required for any Board action.
- The bylaws state that any *capital* expenditure over \$500 should be approved by Board vote and that any *unbudgeted* expenditure over \$5,000 must be approved by the membership prior to disbursement. We could not verify that either of those practices are in place.
- All requests for "reduced financial obligations" (referred to in the meeting minutes as "scholarships") should be submitted to the Board. The Board is then required to approve requests by majority vote. There were instances of scholarships being discussed in the meeting minutes, but no record of a vote or Board approval.
- The annual budget must be approved by the Board and presented to the membership at the October General Membership Meeting. We did not find any records of motions or votes to

approve the annual budget. Additionally, the bylaws require that the budget be voted on and approved by at least 25% of the membership during the October meeting. There is currently no practice in place of recording the total number of members in RCBC or the number of members present at each membership meeting. There is also no historic practice of recording the names of Board members present at each Board meeting. We did find that the current Board is recording names of all Board members present for meetings.

- The bylaws require that all books and accounts be reviewed at least once annually either by a qualified independent auditor or by a committee of at least three individuals. That review should be completed by the end of each calendar year. For the past 5 years or so there has been an automatic 6 month extension on completing the 990 tax return that is due November 15 each year. Therefore, adjusted reports are not available to reconcile until late May. This is also the height of the crew season and not an ideal time to staff volunteers for this review committee.

Recommendations:

- The committee recommends that the Board follows Robert's Rules of Order for Board and general meetings to include use of motions and recorded votes to record all Board action. We also recommend that all discussion of sensitive issues (coach salaries, personnel challenges) occur during a separate executive session of the Board. Minutes should be kept for all executive sessions, but do not need to be made available to the membership.
- Attendance should be recorded for all Board meetings and general meetings to ensure there is a quorum present on the Board and that 25% of members are present for required votes. General (membership) meetings can include the number of members present without names.
- If reduced financial obligations are approved, that full amount should be recorded as negative revenue on a separate revenue line item. Any approval for reduced financial obligations should also be recorded in the minutes. Additionally, we recommend that detailed discussion of reduced financial obligations be held with only the President, Treasurer and VP Membership to protect the privacy of rowers and families.
- It is recommended to either change the bylaws to reflect that statements from two years prior will be reviewed by December 31 each year or that the Board ensure the 990 is submitted in a timely manner so that it is completed by the November 15 deadline.

Sincerely,

Michelle Huber

Mary Beth Bruggeman

Matthew Mattice