



KEEPING THE CLUB ON SOUND FINANCIAL FOOTING: AN INDEPENDENT REVIEW OF FINANCES AND FINANCIAL PRACTICES

The Laramie Amateur Hockey Club (LAHC) was formed in 1975 and has been recognized as a 501(c)3 federal non-profit organization since 1977. The club's bylaws specify that the club ensures that it maintains its federal non-profit status. Beginning in the fall of 2017 the LAHC Board began discussions with local accounting firm ACM regarding financial review. As a result of those discussions, ACM recommended as an initial course of action a process known as Agreed-Upon-Procedures, wherein ACM would review LAHC's finances and financial practices. The intent of the review was to evaluate the completeness and accuracy of financial statements and reporting, the adequacy of internal controls, and to determine if there were irregularities that might suggest further examination (e.g., an audit) was warranted. As part of the review, ACM also provided recommendations on additional practices that might be implemented to help LAHC maintain financial integrity.

We are pleased to report that no red flags were raised during ACM's financial review of cash flow and bank statements! ACM also found that the internal controls and checks used by LAHC on cash receipts and disbursements were adequate and were conducted in accordance with our bylaws, which task the Treasurer with the responsibility for all functions related to budgeting, and managing income and expenses. This probably worked well when the club was smaller, but the club has grown considerably since 1977 and the hockey season has gotten longer. Accordingly, the Treasurer's workload has also increased. In light of this and in consideration of ACM's recommendations, the board has identified a Finance Team to manage these responsibilities. The Finance Team will be headed by the Treasurer, but team members will have separate financial duties, such as receipt and accounting of incoming funds, receipt and accounting of disbursement of funds, reconciling bank statements, etc. This will help to reduce the overall workload on any one person and help ensure conformity and security in financial matters. An alternative would be to hire outside personnel to help manage club finances, but that would represent an additional expense and would likely result in increased fees for families in LAHC. Therefore, the Board decided that the club would be best served at this time by having a team of volunteer individuals engaged in managing the club's finances.

Summary of ACM Financial Review and Recommendations

As part of the review process, ACM evaluated:

- *The cash basis profit and loss reports for the fiscal years ending April 30, 2018, April 30, 2017 and April 30, 2016 comparing the revenue and expenses as summarized below:*

Description	4-30-18	4-30-17	4-30-16
Total Revenue	\$ 115,632.99	\$ 122,273.59	\$ 126,703.40
Total Expenses	115,944.17	109,035.47	115,632.99

- *The monthly bank reconciliations prepared by the Treasurer in the software program Quicken for accuracy and unusual items for the periods ending May 31, 2017 through December 31, 2018. The bank account was reconciled by the Treasurer and reviewed by the board president in a timely manner.*
- *The monthly bank statements for the periods ending May 31, 2017 through December 31, 2018 for unusual or unexpected activity. Nothing came to our attention that would be considered unusual or unexpected.*

ACM also reviewed and evaluated the internal controls over cash receipts and disbursements for the Organization. In summary, ACM found that:

- *Currently, the Board Treasurer performs a majority of the accounting functions for the organization including signing checks preparing bank deposits and reconciling the bank account. The bank reconciliations are reviewed monthly by the Board President or another board Member and designated board members do have online access to the bank account to review as deemed necessary. Additionally, the Treasurer includes a listing of disbursements for approval at the board meetings and the invoices are made available for review upon request.*
- *The Organization uses an online program for registration and payment of fees. The fees are automatically deposited into the Organization's bank account through the software system. The Organization has access to reports that tracks unpaid balances for members.*
- *Other miscellaneous deposits from fundraising events, activities and sponsorships are deposited as received. Unpaid amounts are followed up on by the treasurer or other board members.*
- *Financial statements are presented and approved at the monthly board meetings. For individual tournaments or events, the Organizations posts activity to the applicable item and tracks the costs and related revenue.*

Finally, ACM provided several recommendations intended to bolster the efficiency and/or integrity of the management of the club's finances. The recommendations were:

- *Segregation of Duties for cash receipts and disbursements: Segregation of duties requires that no one employee have access to both the physical assets and the related accounting records. The small size of the Club's staff limits its ability to fully establish proper segregation of duties, and we recognize that hiring personnel to achieve full segregation of duties is not cost effective.*
- *We recommend that the checks are signed by a designated board member other than the treasurer or the Organization require that all checks have two signatures.*
- *All invoices should be initialed and dated as approved then marked as paid when presented for signature to avoid duplicate payment.*
- *Cash deposits should be prepared by a designated board member other than the treasurer and the treasurer should make the deposit in the bank and post the amounts to the proper accounts.*
- *The bank reconciliation should continue to be reviewed by a designated board member other than the treasurer. The reconciliations should continue to be initialed and dated when reviewed. During this review, a listing of outstanding checks and accounts receivable should be included for reviewed as well.*

As mentioned above, the Board has instituted these recommendations by identifying a Finance Team with members having separate duties and responsibilities. It is heartening to recognize how much the club has grown, and there may come a time when future boards must wrestle the decisions of with whether hiring external personnel is preferable or warranted. For now, we feel that the approach outlined here is a more cost-effective and efficient approach.
