



## 2004 Financial Review Report

### Financial Review of Year Ending December 31, 2004

The financial situation and business processes of the ASTD Cascadia Chapter are the responsibility of the chapter Board. The responsibility of the reviewers is to examine and assess the financial health of the chapter and the financial business procedures. The reviewers also express observations regarding procedures and practices and suggest improvements.

On June 7, 2005 the Strategic Financial Committee conducted a field review of ASTD Cascadia Chapter Financial records for 2004. Assessment of the review findings was completed on June 24, 2005.

#### Participants

In accordance with ASTD requirements, two general members and a member of the board conducted the review. The VP of Finance and Business Manager assisted with establishing review requirements and providing access to records.

##### Reviewers

- Larry Ferguson      Past President
- Rick Fowler         Volunteer Member
- Dion Kerr            Volunteer Member

##### Assisting Participants

- Liza Greene         VP of Finance
- Kathleen Bergquist   Business Manager

#### Scope and Purpose

The review is performed to verify that policies, procedures, and controls are being followed, and that records are accurate and complete.

The following items were examined in the field review

1. Monthly and annual financial statements from QuickBooks
2. Financial reports to the Board and to general members
3. Bookkeeping of programs and events
4. Reconciliations of bank statements to QuickBooks accounts
5. Investment and reserve funds
6. Dues collected
7. Insurance policies
8. Federal and State reporting



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The review included examining evidence on a test basis, selecting and verifying one or more examples of each area to be examined.

### Summary of Review Findings

The financial status of ASTD Cascadia Chapter is very sound. The processes, procedures, and controls are in place and diligently being followed. Care is taken to ensure that records are complete, accurate, and accessible.

1. The Chapter maintains records in QuickBooks on a cash-accounting basis. See Chart of Accounts for list of Accounts, Categories, and Classes in QuickBooks.
2. The chapter presents to the Board a monthly statement of revenue, expenses, and funds.
3. As a test case the April, 2004 program (Working Across Cultures: The Critical Competencies You Need to Stay Relevant and Effective in a Global Economy) was examined in detail:
  - a. All expenses were reconciled to original receipts.
  - b. Revenue was reconciled in several test cases against credit card and cash receipts.
  - c. Overall bookkeeping for the program was reconciled to the monthly statement to the Board.
  - d. Note: The Business Manager reconciles all credit card transaction charges (usually 2 to 3 %). Although the bookkeeping process for this was examined the actual calculations were not computed as part of the review.
4. Bank accounts were reviewed.
  - a. Account numbers were verified.
  - b. Purpose of accounts was noted.
  - c. Signatories on accounts were verified.
  - d. Reconciliation of bank accounts to Quickbook accounts was verified.
5. Investment and reserve funds were verified.
6. Test cases were reviewed to confirm dues of members were collected.
7. D & O, and Commercial Liability insurance policies were confirmed active and in good standing.
8. Federal and State tax filings and reports were reviewed and reconciled to QuickBooks.

**Board Response:** The Board agreed with the aforementioned steps taken by the Financial Review Committee, and approved all review findings.

### Observations

Bookkeeping practices of the Business Manager are fully compliant with all national ASTD guidelines. In addition there are several features that are beyond the minimum requirements:

- Off-site back up of all electronic records.
- Retention of hard copy documents that enable resolving problems arising from member questions, disputes, or an unforeseeable loss of bookkeeping details.

**Board Response:** The Board approved the bookkeeping practices; all members were pleased with the features that exceeded the minimum requirements.

### Suggestions

The Financial Review team makes the following suggestions:

1. Have the Chapter's CPA review its current and projected accounting system, weighing advantages and disadvantages of continuing on a cash vs. accrual basis. Particular attention should be called to the fact that the Chapter's budget has grown significantly over the past two years since converting to QuickBooks and maintaining a cash basis.

**Board Response:** The Board is open to hearing more about the advantages and disadvantages of a cash versus accrual accounting system. There was a discussion about the two systems, where it was described that a cash system is based on real-time cash flow. With the accrual method, the Chapter would record income when it is earned, not when it is paid, and expenses recorded when the obligation arises. The board recognized that for the first time in 2005, the chapter's budget exceeded \$100,000. Additionally, the chapter has continued to generate revenue and increase membership throughout the past eight months, which demonstrates that it will continue to grow financially. Thus, the VP of Finance will partner with the current President, incoming President, and Business Manager by October 2005 to discuss recommendations of continuing or changing the Chapter's basis of accounting, as well as next steps, which could include a conversation with the Chapter's CPA, changes to QuickBooks, and notifying the IRS re: the chapter's tax return.

2. Executive Committee, and key Board Members, should test and evaluate the current Business Interruption Plan and Disaster Recovery Plan in a simulation. The plan documentation would then be reviewed and enhanced based on observations. Repeat simulation and enhancement of procedures at regular intervals.

**Board Response:** The Board believes a test and evaluation of the current Business Interruption Plan and Disaster Recovery Plan would be highly beneficial. They expressed that the timing works well with the review of the Business Manager role.



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The Executive Committee will discuss execution during the next committee call and will determine who should be involved, identify specific simulation milestones, and will finalize a completion date.

3. Establish an Internal Review Orientation that would take place in alternate years that an Internal Financial Review is *not* occurring. In February the Business Manager, VP of Finance, and the Financial Review Committee would meet and walk through the review process. This would provide continuity of process knowledge through the years that no Internal Financial Review is conducted. Preparation and support of the External Audit could be done as part of this session.

**Board Response:** The Board expressed that the Internal Review Orientation would be beneficial for the VP of Finance, as well as the Financial Committee members. The Board agreed with the timing and asked that the VP of Finance and the committee help to implement the system for a 2006 roll-out.

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