

Financial Audit Report 2017/2018

Hawaii Writers Guild

February 25, 2019, Rev. 1 (3/6/19)

Audit Committee Participants: Diane Revell, Bruce Stern, Duncan Dempster, Bob Lupo

Summary: The Audit Committee met on February 25th at Tutu's House to conduct a financial audit of the 2017 and 2018 records of the Hawaii Writers Guild. The group was able to reconcile the records of transactions (checkbook register, receipts, and monthly finance summaries by the treasurers) with the bank statements for both 2017 (first year of the Guild) and this past year, 2018. The committee discussed the current finance policies and procedures, and made suggestions related to the role of the treasurer, dues collection policy, and training for future audits.

Background: Duncan Dempster was the Guild's treasurer for 2017 up to February 5th of 2018. At that point the role of treasurer was transferred to Bob Lupo who served through the rest of 2018 and is also treasurer for 2019. Bob and Duncan were present to provide insight into the records and answer questions that came up in the process of the audit review by Bruce Stern and Diane Revell. Bob Lupo brought the set of finance records arranged by year. He also had the records for our new account at American Savings Bank, but those were for 2019 and were not included in this audit. Diane Revell took notes and agreed to write up the audit report.

Results: [Actions to take and decisions made are in **bold** letters.]

The 2017 records were reviewed first, and the monthly running summary of income/expenses created by Duncan Dempster proved useful in analyzing the data compared to the check register records and the bank statements. Bob Lupo had created a 2017 budget actuals summary that was also used in the audit. The January 8, 2018 Board Meeting Minutes were referenced in determining the year end numbers and an error was found of \$20 in the yearend total balance in the minutes, but Bob's budget actuals and the end of year bank statement matched. Bruce Stern determined the finance records were complete and consistent for 2017. The summaries created by Duncan were deemed very useful and it was suggested a similar spreadsheet summary should be adopted for the future. **Diane agreed to create an Excel template similar to the summaries Duncan used, but with an added field for expenses check number for use by Bob.**

The 2018 records were reviewed next. **Bob had not yet created a 2018 yearend budget actuals summary but agreed to do that by the time of the next HWG Board meeting on March 5th.** Bruce confirmed the bank statements and check transaction records matched. Diane and Bruce checked some of the expense reimbursements compared with the corresponding receipts to ensure they matched Board approved budget expenditures. They did. Bruce Stern determined the finance records were complete and consistent for 2018.

Duncan suggested the Guild should engage a CPA or a bookkeeper to train our treasurer in the best way to keep the records for future audits, and how to best conduct audits especially as we move to become a 501(c)(3) qualified nonprofit charity. Who should take on this action had not been decided. Bruce did mention his wife has been a bookkeeper, but he did not know if she would volunteer to help with this training. Diane mentioned that Holly

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Algood has worked in non-profits before and may be willing to help with the training if that is in her area of knowledge.

We discussed collecting new member dues 1) at the full rate for a year and track renewal of dues based on the quarter a member initially joined (as is now done) or 2) change to make all dues due in January and only pro-rate for new members who join in other than the first quarter of the year. The second method per Duncan would complicate the PayPal dues payment option. Also, the initial effort to set up a new member is front loaded, so it makes more sense to charge the full dues for each new member versus prorating. The set up of the members bio and a page for them on our website which provides the new member with an immediate advantage and our policy of 3-months delinquent dues suspension policy and removal after 6-months of being delinquent, could provide a major benefit for a prorated price of \$10 if they joined in the last quarter of a year, but then did not pay in January. So, **it was decided to leave the dues collection as it is. The specifics though would be in the Guild's policies and procedures versus in the updated bylaws.**

NOTE: This revision to the February 25, 2019 Financial Audit Report provides the year-end budget actuals for 2017 and 2018 along with a preliminary budget estimate for 2019 based on feedback from the March 5, 2019 HWG Board Meeting. The update is the table of actuals and draft budget along with an associated page of notes,

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Hawaii Writers Guild Budget--2017 & 2018 are Actual, 2019 Estimated:

Revenues - Expenses = Retained Earnings Surplus / (DEFICIT)

	2017A	2018A	2019 Est'd
Revenues:			
Year-End Retained Earnings	0	\$918.48	\$2,737.35
Dues--Existing Assessed Members (43 in '17; 51 in '18; (67 est'd '19)	\$1,670.00	\$2,040.00	\$2,680.00
T-Shirt Revenues		\$0.00	\$80.00
Cash Donations		\$2,320.00	\$1,100.00
Total Operating Revenues	\$1,670.00	\$4,360.00	\$3,860.00
Operating Expenses:			
Anna Ranch-- Dinner Rental	\$156.24	\$208.33	\$225.00
Annual Dinner Supplies		\$400.00	\$774.87
Other Annual Dinner Expenses		\$160.00	\$0.00
Thelma Parker Library Rental		\$275.00	\$150.00
Room Workshop Rentals /TV Training		\$50.00	\$400.00
Legal 501-c-3 Expenses		\$600.00	\$600.00
Business Licenses + Pens _+ New Checks	191.84		\$100.00
Speaker+/T-Shirts/Banners/Tri-fold	51.60	\$490.80	\$80.00
Kamehameha Christmas / November Festival + Other Festivals		\$225.00	\$800.00
Website Hosting/Domain Name Services	\$351.84	\$0.00	\$346.86
USPS P.O. Box		\$82.00	\$82.00
Savings Account Setup @ HCFCU +ASB Initial Deposit		\$50.00	\$100.00
ASB Account Service Fee			\$71.40
Total Operating Expenses	\$751.52	\$2,541.13	\$3,730.13
Total Operating Income	\$918.48	\$1,818.87	\$129.87
Year-End Estimated Retained Earnings	\$918.48	\$2,737.35	\$2,867.22

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Note:

Financials for 2017 and 2018 have been justified to actual income flows and expenses and fully corroborate with both transaction and dues records as well as the Guild's Audit Committee's findings on February 25, 2019.

In normal operating years, our revenue generation hinges primarily on member renewal dues and initial dues from new members but is enhanced by periodic and necessary donations from members.

Please note that current estimates for 2019 are preliminary and will likely vary from these estimates.

Also, please note, that following our Board Meeting on 3/5/19, I revised several financial items to reflect likely expenses this year, particularly increased Festival Fees to \$800 from \$500 previously estimated, ASB's account service fees of \$71.40 annually, and miscellaneous expense items (pens / checks) to \$100 from \$50.

Consequently, I increased estimated Year-end 2019 membership to 67 from 64 and increased Cash Donation to \$1,100 versus \$500 previously. (The Guild's membership has increased by 6 members to year-to-date, fyi.)

Hence, estimated 2019 revenues now total \$3,860 versus \$3,140, and estimated 2019 Operating Revenues now aggregate \$3,730.13 against \$3,126.73 previously.

Again, absent estimated donations of \$1,100 for the year and the modest rise in estimated memberships, our operating income balance of \$129.87 for 2019, would be a Deficit of \$(1,090.13).

Our checking account bank balance (Retained Earnings) as of 12/31/2018 was \$2,737.35.

The Guild opened an account at American Savings Bank (ASB) in Waimea on 1/8/2019 with an initial deposit of \$100.

Our current account at HCFCU, with a present balance of \$1,833.26 will be closed in March 2019 and with Savings of \$50.11, will be deposited into our ASB account.

Check #923 to Na Leo O' Hawaii for \$100 was made out on 1/8/2019 but has not yet been cashed.

Our current checking account balance with ASB totals \$604.05 as of February 28, 2019 (and currently).

The total checking account balance between the two banks currently totals \$2,437.31.

The total Guild Operating balance between the two banks, including savings, is currently \$2,487.42.