



# ACCOUNTING ISSUES FOR MYSA CLUBS FEBRUARY 9, 2019

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# Why be the financial officer of a membership organization?


- Good Pay
- Exceptional recognition for your efforts
- Get your kids on the "A" team
- Nothing better to do with your time
- Tired of watching "Reality TV"

**NOT!!!!**



FOR THE GOOD  
OF THE KIDS!

Banking regulations are requiring federal tax I.D. numbers to establish new bank accounts

- ❑ Request of IRS for identification number
  - ❑ IRS begins to look for annual tax filings
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- A decorative graphic consisting of several parallel white lines of varying lengths, slanted diagonally from the bottom right towards the top right, set against a blue gradient background.

Club organization structure is typically a corporation

- For Profit
- Non – Profit (can solicit contributions, possible sales tax exemption)

# How to become a non-profit corporation?

- ❑ Requires IRS approval
- ❑ Obtain approval by filing IRS form 1023 & paying an IRS fee
- ❑ Need your organization governing documents to get through this process
- ❑ Probably requires assistance of a tax professional to prepare the IRS form 1023

IRS approval will take much longer than expected. There will be questions.

- ❑ From 2010 to 2016, IRS personnel reduced by approximately 20%
- ❑ Tax exempt area especially hurt because of scandal(a few years ago) targeting conservative organizations
- ❑ Find someone qualified in your membership group that can assist with this

What if we have been in operation for years, but now want to file for non-profit status?

- Fresh start
  - Public perception
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Outside reporting requirements in addition to reporting to the club membership...

## For Profit Corporations

IRS Form 1120 and Minnesota Corporation Tax Refund  
1099's and payroll reports

## Non-Profit Corporations

IRS form 990  
Minnesota Charities Report  
1099's and payroll reports





WE NEED TO  
DISCUSS THE  
F... WORD!

- ❑ Gambling
- ❑ Personal financial problems



- ❑ It happens everywhere in nominal amounts
- ❑ Your accountant probably won't catch it
- ❑ Your financial reporting software may not provide an adequate audit trail

## GENERAL INFORMATION REGARDING FRAUD

# Some information on fraud

Three major categories

- ❑ asset misappropriation
- ❑ corruption
- ❑ fraudulent financial statements

# Data from Study's of Association of Certified Fraud Examiners

- ❑ Yearly U.S. loss estimated at \$660 million per year
- ❑ Almost 50% of the cases take place in organizations with less than 100 employees
- ❑ 12% of the cases involved non-profit organizations with a medium loss of \$100,000

# Cash misappropriations most likely issue for clubs

- ❑ About 75% of cases involved fraudulent distributions
- ❑ Remaining cases involved cash stolen before or after it is recorded on the organization's books
- ❑ New area of concern is outside party theft of banking information

# Best practices for clubs do not include:


- ❑ Complete trust in “Bill” because he has done the clubs finances forever
- ❑ Not requiring periodic reporting to the governing board and membership of the organization
- ❑ Dual signature checks
- ❑ No review of banking activity

# Best practices for clubs would include:

- ❑ Segregate duties where possible
- ❑ Regular reporting to governing board and comparison of financial results to expected amounts
- ❑ Establish an oversight team to perform limited testing of financial transactions
- ❑ Segregation of activities where cash transactions are involved



## Best practices continued:

- ❑ Require oversight approval before disbursements are made
  - ❑ Have the bank statement sent to an individual independent of the accounting tasks
  - ❑ Establish a “tip hotline” for reporting problems
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The word "GOALS" is rendered in large, 3D block letters. Each letter is a different color: 'G' is red, 'O' is orange, 'A' is yellow, 'L' is light green, and 'S' is dark green. The letters are standing on small, grey, cylindrical pedestals. The background is a plain, light-colored surface.

## YOUR GOAL...

- Your goal is to establish a system that can be used by future financial officers that minimizes "opportunities"

# New area of concern – CYBERCRIME

- ❑ Lack of IT resources devoted to cybersecurity
- ❑ Membership information
- ❑ Ransomware attacks
- ❑ Bank transfer fraud

**Education and discussion with volunteers and staff is key.**


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# Cost of data breaches is high and not budgeted for

- ❑ The average cost of a data breach issue is about \$225 per record (notification costs to stakeholders)
  - ❑ Consider insurance coverage for cybersecurity issues
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# Current IRS trends for non-profit tax filings

- ❑ Defining certain expenses as unrelated business income (UBIT) requires filing of 990-T and paying tax
- ❑ Revenue officers down approximately 40% from 2010-2016



Thank  
you!!



QUESTIONS  
AND  
PRACTICAL  
DISCUSSION  
OF ISSUES...