

SUMMARY OF FINAL REPORT AND RECOMMENDATIONS OF THE AUDIT SUB-COMMITTEE OF THE BOARD OF DIRECTORS

Good evening, I have been asked to provide a summary of the report and recommendations of the Audit Sub-Committee on the accounts that the Board was tasked to audit by the AWSC in May of 2018. Shirley B. was Chair and Board members Janice R. and Carol D. (I) were on the Committee.

Goals to:

- ensure AFG of CT is in compliance with IRS guidelines for non-profit organizations
- make accounts uniform
- mitigate any potential issues with the IRS
- provide continued transparency and consistency

Our overall recommendation is to conduct regular audits. Auditing is our internal way of checking our finances and maintaining our non-profit status with the IRS

We reviewed Area Financials, LDC, Convention and CAWW. The committee found no discrepancies or irregularities. All information was accurate. There were some concerns about noncompliance with our tax reporting obligation.

The following recommendations from Michael C., Board Treasurer, would help to correct these issues of compliance.

- **Taxes 2020:**

Our tax preparer found an unreported \$4,500 balance in the Alateen account. Also, we account for the Convention by looking only at the seed money given and returned. Our Tax Attorney had to build a pro forma P&L to account for the revenue the Convention brought in, an account that had never been reported. These would not have materially impacted our tax liability, but its presence on our 2019 taxes could raise a red flag. Too many red flags and we risk losing our 501c3 designation, and if this non-reporting of income was questioned, we'd be at risk. I will assist our tax preparer by creating a pro forma P&L for the Convention, so we do not have to pay extra for his time.

- **Profit & Loss (P&L) Statements:**

The LDC and Area create P&L statements in different formats. The Convention and Alateen do not. For the 2022 budgets I am recommending that I create a template for a P&L that the LDC and Area will use for tax reporting. The Convention will have its own mini-P&L and roll into the Area. Alateen will roll into the Area. Using the same format can help our tax preparer.

- **Combining Banks & Accounts**

With online banking there is no good reason that we need to work with multiple banks. Suggestion: separate accounts for Area and LDC at one bank. Alateen and Convention and Special events can all work from the Area account. As we plan for 2022, this is a recommendation I will help implement. It'll make adding and removing signatures a lot easier.

Conclusion

These steps, toward better reporting and tax compliance will remove the red flags that could trigger an audit and make reporting to the Area more transparent as we can showcase CTAFG as a single operation with 2 accounts at 1 bank. These are the immediate recommendations. As we continue this financial discussion as a whole, more recommendations may be necessary in the future.

Respectfully Submitted,

Carol D., Board of Directors, President/Chair