

The Ohio State Beekeepers Audit Committee Report 10/26/18

Scope of this Report: Review the OSBA Treasurers financial records for 2017

Audit Committee Members:

1. Jeff Gabric, Chairman OSBA Board Member
2. Geoff Westerfield, Portage County Beekeepers
3. Bob Hooker, Past President of OSBA

OSBA Audit Committee Member Statement:

"We have been asked to examine the financial records of The Ohio State Beekeepers Association, Inc. (OSBA). We are not qualified as auditors so cannot express formal audit opinions, nor can any reliance, legal or otherwise, be placed upon our declaration."

"In our capacity as laypeople we have reviewed the records and carefully considered the explanations given to us and have satisfied ourselves that the accounts truly and fairly represent the finances of The Ohio State Beekeepers Association, Inc for the year 2017. The following report is a summary of our findings and answers to questions posed by OSBA members."

The Goal for the Audit Committee is to:

- Review the OSBA financial records for 2017.
- Complete a worksheet that summarizes the year's financial activity, including beginning cash balance, total receipts during the period, disbursements, and ending cash balance, among others. This is often called the financial review worksheet.
- Verify checks written during the year are accounted for and that they have been posted to the proper budget category.
- Verify deposits made during the year have been logged accurately and assigned to the proper budget category.
- Verify that IRS Form 990 and any state forms (incorporation renewal or state tax forms, for example) have been filed as necessary.
- Suggest improvements to internal controls such as record-keeping and cash-handling, if needed.
- Answer financial related questions that have been posed by OSBA members.

The Committee Completed its work on 10/25/2018 and below is a summary of our findings.

On October 25, 2018 the “Audit” Committee conducted a physical review of the OSBA 2017 financial records. Michele Colopy, Jeff Gabric and Bob Hooker were present, Geoff Westerfield was unable to attend the meeting. The questions Geoff submitted were answered.

2017 Total Income and Expense Summary:

| | |
|-------------------|--------------------|
| Total Income | \$129,986.30 |
| Total Expense | <u>\$76,390.07</u> |
| Net Income | \$53,596.23 |

Assets:

| ACCOUNTS | January 1, 2017 | December 31, 2017 |
|---------------------|------------------------|--------------------------|
| CD - 110 | \$13,172.85 | \$13,172.85 |
| CD – 112 | \$20,148.07 | \$20,148.07 |
| OSBA Debit Card | \$100.00 | \$615.77 |
| OSBA Checking 2543 | \$49,618.75 | \$95,495.12 |
| OSBA Savings 6793 | <u>\$4,011.26</u> | <u>\$11,108.62</u> |
| TOTAL Bank Accounts | \$87,050.93 | \$140,540.43 |
| Fixed Assets | <u>\$29.42</u> | <u>\$136.15</u> |
| Total Assets | \$87,080.35 | \$140,676.58 |

1. Banks Statements confirmed that the funds were present on December 31, 2017.
2. The committee looked at a sampling of checks and were pleased with the amount of documentation and readily available receipts attached. The checks corresponded with the transactional report and the transactional report corresponded with the bank statements.
3. Income matches with the increase in Balance Sheet.
4. Deposits were very detailed and could be checked against the deposit paper trail. Each deposit had detailed photocopies of checks attached to the deposit receipt.
5. The IRS form 990 was submitted. On Aug. 21, 2017 the IRS erroneously removed OSBA from its list of current 501c3 nonprofits. OSBA responded immediately to this IRS error, where-in the IRS responded by Oct.4, 2017 that they had made an error; OSBA never lost its nonprofit status, and they have listed OSBA again as a 501c3 nonprofit in good standing.
6. The committee was pleased to note that the Policies and Procedures had been established and implemented rigorously by this Treasurer. Procedures are laid out on an annual and a monthly basis so that during a change of officers the course of action needed to run the finances of the organization are in writing. Also written procedures are in place for reimbursements, debit card use, deposit process, Affiliate applications, and OSBA table events.

Recommendations from the Audit Committee:

1. In light of the extraordinary amount of work involved for the treasurer, this committee recommends that the board consider hiring a bookkeeper to be employed to handle the day-to-day work. A quick survey of the transactional report shows 9 pages of what would be considered checks being written or deposits made. This translates to about 300 to 400 transactions per year, but the underlying work involved in the deposits require an estimated 2500 individual checks from members that need to all be photo copied, collated, and filed.
2. The committee recommends continued exploration by the treasurer and board to identify efficiencies for the treasurer position.
3. The Committee recommends that the OSBA books be reviewed by this committee annually as stated in the Bylaws as a standard practice.
4. Considering the amount of cash kept in the checking account this committee recommends that during the year more funds be kept in a higher interest-bearing account if one can be found. An evaluation and recommendation from the executive committee should be discussed and a policy for the amount of money that should be in the checking account vs CD or savings should be established. This could be determined early in the year during the budgeting process.
5. The CPA contracted by OSBA to complete the yearly 990s has recommended that the "In Kind" donations not be kept as an Income category in QuickBooks. We agree. "In Kind" is a calculation of time, mileage, expenses or money, donated to OSBA by board members, OSBA members, the general public or company. They are not reimbursed for these expenses but donate that value to OSBA. We know there needs to be an accounting for this activity because the 2016 USDA Crop Block Grant requires "In Kind" matching calculations of 25% to be reimbursed for the money OSBA spends towards the grant. We agree with the recommendation of the CPA that the "In Kind" donations should not be registered in QuickBooks but should be kept on a separate spread sheet.
6. While the governing documents of OSBA refer to an "audit committee," the actions of this finance committee did not involve an actual audit as defined by Generally Accepted Accounting Principles (GAAP). As the State Association administering an affiliate program under a nonprofit group exemption OSBA must accurately define, within our governing documents and in practice, actions and activities of every committee.

Audit--An independent audit is an examination of the financial records, accounts, business transactions, accounting practices, and internal controls of a charitable nonprofit by an "independent" auditor. "Independent" refers to the fact that the auditor/CPA is not an employee of the nonprofits but instead is retained through a contract for services, and hence is "independent."

Financial review--The objective of a financial "review" conducted by an independent auditor is to examine the nonprofit's financial statements and determine whether the financial statements are consistent with generally accepted accounting principles.

While this finance committee is currently constrained by the term in the governing documents, the committee also recommends that OSBA clearly, and legally define the roles and responsibilities of the:

Finance committee

A financial review

An Audit

And applying the legal practices and procedures of these legally defined activities appropriately. Please note this committee did not conduct a legally defined audit.

Additional Financial question posed by OSBA members:

- 1. In 2016, 2017 and 2018 what Grants were received by OSBA (name of grants and amounts)?**

Answer: 2016 USDA Specialty Crop Block Grant. The Grant was written in 2016 and implementation started in 2017. This is a 2-year USDA Grant administered by ODA. The Grant awarded \$47,696 in reimbursements for ADK Kits, cost of the Traveling Speakers and survey money. The Grant requires a 25% matching investment in the project by OSBA of either cash or “In Kind” donations.

- 2. How can members gain access/participate in these grants and re-review them?**

Answer: OSBA announces and communicates through the Quarterly Newsletters, direct emails, board representatives, and the OSBA web site. For instance, here is the listing for the request for applications for ADK speakers that was posted in the **January 2017 OSBA Newsletter**:

Applications Now Bee-ing Accepted –

Applications for Traveling Speakers As part of the USDA Specialty Crop Block Grant, OSBA will be creating a PowerPoint presentation and handouts on the topic of “The Importance of Monitoring for Pests and Diseases.” We will be working with a team of instructors to provide this presentation to local associations. Over the next two years, the grant will fund the six instructors and their travel for a total of 30 presentations across the state (approx. 5 presentations per instructor). If your club would like to schedule a presentation, send your request to adk@OhioStateBeekeepers.org . If you are interested in helping educate beekeepers across our state, and you meet the following criteria: A working knowledge of Power Point software, set-up, application, and presentation? Reliable transportation A current driver’s license Ability to drive at night Current car insurance A laptop computer with accessible ports to connect a projector A laptop computer with a current version of Power Point software program. Availability to attend a training session of all ADK Instructors Ability to personally transport presentation materials, lift up to 50 pounds, stand for at least one hour. Eligibility to work in the US, and eligible as an independent contractor for a federal grant funded project. Willingness to complete a W-9 as an independent contractor Applications are available by contacting: adk@ohiostatebeekeepers.org . Applications must be submitted by February 10, 2017.

Here is a letter sent out to about 5000 Ohio Beekeepers, including all OSBA members, announcing the need for speakers in 2018:

From: OSBA Newsletter Editor <osbanewseditor@woh.rr.com>

Sent: Friday, January 26, 2018 8:08 AM

Subject: OSBA Hive Updates

Dear Fellow Beekeepers,

You can help support our work for beekeepers

OSBA is now part of the **Kroger Community Rewards Program**. When you register your Kroger Plus Card, each time you shop for groceries and use your Kroger Plus Card, OSBA automatically starts earning a Kroger Rewards donation.

For more information: <https://www.kroger.com/topic/community-rewards-9>. Type in “Ohio State Beekeepers” when it asks the donation group and designate OSBA as your recipient of Kroger Community Rewards. *I would like to thank beekeeper Sue Donahue for suggesting this partnership!*

Classes for beekeepers: Facebook How-To and Honey Judging 101

Registration is now open for two OSBA sponsored classes this quarter: <http://www.ohiostatebeekeepers.org/classes/>

1. **OSU Extension’s Device Ready Class** (flyer attached) is designed to assist beekeepers and club leaders to navigate and use social media to boost their business or association. This is a hands-on class, so bring your wi-fi enabled computer or tablet.
2. Become an OSBA Certified Ohio Honey Judge. Start your journey with the **OSBA Honey Judging 101 class**. This all-day class will cover honey judging requirements, and discuss in detail the common honey entries at most fairs. Class includes book, handouts, lunch, and hands-on judging of sample entries in the afternoon.

Applications to be an OSBA Traveling Speaker

We are currently taking applications for beekeepers interested in becoming part of our **Traveling Speaker 2 Program**. You must have experience in Nuc creation and production, speaker experience, and travel availability. Speakers will be paid an honorarium, and mileage for providing the **OSBA Managing for Sustainability: Nucs** presentation. You are an Independent Contractor, required to sign a contract and have your own vehicle and insurance. There is no guarantee of the number of presentations. Contact osbanewseditor@woh.rr.com for a Traveling Speaker Application Packet. **This packet must be filled out and returned by February 9, 2018.**

Order your ADK, Save Money, and Pick it up SWOBA or Tri-County

OSBA will be attending the Tri-County Beekeeping Workshop on March 2-3, and the Southwestern Bee School on March 23rd. Stop by our table to learn more about OSBA, renew your membership, and to meet your OSBA Officers. Pre-order your OSBA Apiary Diagnostic kit, or laminated, spiral bound Monitoring for Sustainability manual at special conference prices. Only \$45 for the Kit, or \$20 for the manual. Club bulk pricing on the manual is available.

Contact webmaster@ohiostatebeekeepers.org to place your order.

Terry Lieberman-Smith
President, Ohio State Beekeepers Association
Connecting Beekeepers Across Ohio

3. **Was there a cost in obtaining those Block Grants?**
Answer: Volunteer time and minimal mileage charges to attend Block Grant Meetings.
4. **Did OSBA pay Grant Writers (if so who and how much)?**
Answer: No. USDA Grant was written by board members who volunteered their time.
5. **Did the OSBA BOD vote on and approve the grant applications?**
Answer: The board approved money to buy the initial beta kits to test the efficacy of the project before the grant was approved. The board was aware that this was the direction they were headed and no negative responses from the board were noted. The board also approved the purchase of 300 extra kits that could be purchased by non-new beekeepers from the web site.

6. Who decides on how the grants are spent?

Answer: The USDA Administrator sets forth how the USDA Specialty Crop Grant money is spent as set forth in the grant contract.

7. Were Journal Entries “actual checks/expenses” that were paid for by OSBA?

Answer: Journal entries in QuickBooks are every transaction that happens in the books. There is a journal entry for a check that is written, a debit card charge that was made and deposits for income received. Every transaction must be recorded as a journal entry.

There are journal entries in 2017 that did not incur a direct cash expense and those were called In Kind. See Answer to Question 14 for information on “In Kind”.

8. Why was there no detail on many/most of the “Deposit Entry’s”?

Answer: Deposits when made are assigned an income category as they are entered. The detail is located in those assignments. For instance, one deposit might contain a check for OSBA membership along with another check for a website purchase. When this deposit for OSBA is recorded, the two checks are divided by expense category and a split is noted. A split does not show in detail in a summary report, but detail is shown in the income category.

9. Why is there no detail on many of the checks written? Isn’t this required by the By-Laws and Constitution?

Answer: The Constitution and Bylaws do not require details for each check written. But the Policies and Procedures established by our current treasurer does require these details. While the memo section in QuickBooks may not print that in detail in a summary report, it is noted in the memo section of the original check and noted in a detailed report. There is a photo copy of each check written and the audit committee found no checks that did not have the detail in the memo section of the original check and found that the receipts were attached, and they were properly filed.

10. We would like to see where and when specific talks were given?

Answer: A total of thirty talks were given for the ADK presentations in 2017/2018, under the 2016 USDA Specialty Crop Block Grant. 25 talks were given in 2018, not related to the grant, and subsidized by OSBA. At the end of the questions is attached the is a listing of all the dates, talks and the instructors for 2017 and 2018.

11. Was anyone on the board paid through the grant, where it wouldn’t appear on the books?

Answer: No.

12. What does direct public support mean on entries?

Answer: There were 2 checks deposited for direct public support. One payment was for \$4980 and another for \$20. These donations were really one payment through PayPal from Syngenta. PayPal does not allow for a \$5000 deposit, so it was broken up into two payments. These donations were direct support for OSBA's support of the Beekeeping and Pollinator Habitat project at Camp Manatoc in the Cuyahoga Valley National Park in collaboration with partners and funders: Camp Manatoc, Cascade Subaru, Pollinator Stewardship Council,

Summit County Beekeepers Association, Syngenta, Ohio State Beekeepers Association, and the Medina High School Senior Class of 2018.

13. Was Reimbursement ODA grant money being paid to OSBA?

Answer: YES. ODA manages/administers the USDA 2016 Specialty Crop Block Grant. It is a reimbursement grant, meaning that the money has to be spent by OSBA and then is reimbursed through ODA but the funds come from the USDA.

14. Office expenses-some listed in-kind. Was this labor or monies that counted for something in the grant?

Answer: "In Kind" is a calculation of time, mileage, expenses or money spent by board members, OSBA members, or anyone or company that donated these items. They are not reimbursed for these expenses, but the 2016 USDA Specialty Crop Block Grant required that OSBA match of 25% of the project in cash or in-kind donations. For instance, there was over \$12,000 of in-kind donations in 2017 towards the ADK program. This included all the time it took to secure, build, store, and ship over 370 kits that were donated to OSBA.

15. Strategic planning-motel, food, and mileage; some are listed as journal entries, some are not. Why the difference?

Answer: Journal entries in 2017 are donations. These items were donated mostly by board members as expenses for the Strategic Planning Meeting. In other words, board members donated their travel expenses to OSBA by submitting an expense report, but they did not receive money but donated the money to OSBA. These mostly included mileage and meals. Some board members donate, while some request compensation for their expenses. This is totally up to the board member.

In 2018, per the current CPA, the "in kind" donations entered as journal entries of this type will not be entered in QuickBooks as journal entries but will be kept on a separate spreadsheet.

16. Explain why it was such a financial burden to include 2017 in the audit.

Answer: The Board has voted to perform an audit through an outside firm following the close of the 2018 books; on just the 2018 books. This is not required audit. The cost is over \$5000 per year audited. At this time, the board feels it is an unnecessary and burdensome expense to audit additional years. OSBA has established an Audit Committee and they will be reviewing the 2017 books. Moving forward there will be an audit committee that will review the books annually as required in OSBA bylaws.

Speaker list for 2017 and 2018 relating to the 2016 USDA Specialty Crop Block Grant

| ADK Presentations 2017 - 2018 | | | NUC Presentations 2018 | | |
|-------------------------------|---------------------------|--------------|------------------------|--------------------------|---------------|
| Date | Location | Instructor | Date | Location | Instructor |
| 3/9/2017 | Scioto Valley | P. Garnes | 3/8/2018 | UBCO | Peggy Garnes |
| 3/28/2017 | Northwest Ohio Beekeepers | J. Walters | 4/10/2018 | Greene County Beekeepers | Tim Arheit |
| 3/29/2017 | Tri-County | J. Kovaleski | 4/17/2018 | Maumee Valley | Jamie Walters |
| 4/11/2017 | Defiance | P. Garnes | 4/24/2018 | NWOBA | Tim Arheit |
| 4/11/2017 | Greater Grand Lakes | J. Walters | 4/26/2018 | Summit County | Peggy Garnes |
| 4/17/2017 | Knox County | J. Grafton | 5/7/2018 | Guernsey Nobel | Bob Hooker |
| 4/29/2018 | ECOBA | P. Garnes | 5/7/2018 | Miami Valley Beekeepers | Tim Arheit |
| 5/10/2017 | Nationwide | P. Garnes | 5/15/2018 | Richland | Peggy Garnes |
| 5/16/2017 | Maumee | C. Cain | 5/17/2018 | Athens County | Bob Hooker |
| 5/18/2017 | BGBA | J. Walters | 5/20/2018 | Portage | Peggy Garnes |
| 5/22/2017 | Jefferson County | B. Hooker | 5/21/2018 | Lake County Beekeepers | Peggy Garnes |
| 5/23/2017 | ORBS | J. Grafton | 6/4/2018 | Sandusky Beekeepers | Peggy Garnes |
| 6/5/2017 | Guernsey Noble | B. Hooker | 6/10/2018 | Warren County Beekeepers | Tim Arheit |
| 6/12/2017 | Medina | C. Cain | 6/10/2018 | Trumbull County | Joe Kovaleski |
| 6/28/2017 | COBA | J. Grafton | 6/12/2018 | Greater Grand Lakes | Tim Arheit |
| 7/9/2017 | Warren County | J. Walters | 6/18/2018 | Medina Beekeepers | Joe Kovaleski |
| 7/11/2017 | Brown County | J. Walters | 6/23/2018 | Ashtabula | Peggy Garnes |
| 7/16/2017 | Columbiana Mahoning | B. Hooker | 6/26/2018 | ORBS | Bob Hooker |
| 7/18/2017 | RABA | C. Cain | 7/10/2018 | BSBA | Tim Arheit |
| 7/23/2017 | Geauga | P. Garnes | 7/15/2018 | Columbiana/Mahoning | Joe Kovaleski |
| 8/10/2017 | UBCO | C. Cain | 7/19/2018 | Adams County | Joe Kovaleski |
| 8/15/2017 | GCBA | J. Walters | 8/14/2018 | Brown County Beekeepers | Tim Arheit |
| 8/26/2017 | Summit | P. Garnes | 8/14/2018 | Coshocton | Bob Hooker |
| 9/9/2017 | Harrison County | J. Kovaleski | 8/17/2018 | Carroll County | Joe Kovaleski |
| 9/13/2017 | Greater Cleveland | P. Garnes | 8/18/2018 | Tri-State | Bob Hooker |
| 9/20/2017 | COBA | P. Garnes | | | |
| 10/19/2017 | Tri-State | B. Hooker | | | |
| 1/15/2018 | Lake County | P. Garnes | | | |
| 2/27/2018 | Mid Ohio Beekeepers | J. Kovaleski | | | |
| 3/10/2018 | Trumbull | P. Garnes | | | |