

# 2019 Internal Audit Committee Guidelines



**THE VOICE FOR PROFESSIONAL  
EDUCATORS AND STUDENTS**



## To the Internal Audit Committee:

Thank you for serving as the Internal Audit Committee. The Internal Audit Committee plays a critical role in maintaining the integrity of the affiliate's financial reporting.

Your affiliate has fewer than 1,000 members and is subject to an annual audit performed by either an Independent Certified Public Accountant (CPA) or an Internal Audit Committee. Audits performed by a CPA can be expensive. In recognizing the value of an audit, your local has established an Internal Audit Committee of two to five members (depending on the number of members in your local) to review the union's finances. You were selected either from your affiliate's governing board or general membership. You cannot be a committee member if you are the President, Treasurer or a member who is doing the bookkeeping or signing checks on behalf of the union. The affiliate Treasurer will work with you to provide financial records and answer questions.

The purpose of this handbook is to provide a step-by-step process which will give you, as members of the Internal Audit Committee, a reasonable basis for expressing limited assurance on the financial statements of the affiliate. These procedures are intended to provide a uniform approach to the oversight of an affiliate's financial management, thereby safeguarding the assets of the affiliate.

Thank you for serving on the internal audit committee. Please contact us if you have any questions. We hope that this will be a rewarding experience for you.

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# Tasks to be completed by the Internal Audit Committee

## Part 1 - Planning

- Internal Audit Committee Chair to meet with the Treasurer
- Determine the date for the audit
- Decide where the review of the records will take place
- Treasurer to prepare all documents needed for the audit
- Internal Audit Committee to review the guidelines

## Part 2 - Meet to review financial documents and processes

- Review internal controls
- Review cash receipts (income)
- Review cash disbursements (expenditures)
- Balance the checkbook
- Balance other accounts
- Examine supporting documentation
- Verify the accuracy of financial statements

## Part 3 - Write, sign and submit the internal audit committee report to the Executive Board

- Internal Audit Committee Report
- Statement of Financial Position
- Statement of Activities

## Financial records provided to the Internal Audit Committee by the Treasurer

The following list is meant to be all inclusive depending on the size of the affiliate. The affiliate treasurer should provide to the internal audit committee all the applicable financial documents.

- Last year's audit report
- Checkbook/Checking account register
- Savings account register
- Certificates of deposit
- Cash receipts journal
- Cash disbursements journal
- Bank statements for all accounts for the fiscal year, plus one month prior to the beginning of the fiscal year and one month after the end of the fiscal year (14 months).
- Bank reconciliations for that same period
- Budget
- Monthly financial statements for the fiscal year
- Supporting documents, i.e. checkoff lists, vouchers, receipts, invoices, dues billing statements, etc.
- Canceled Checks
- Savings deposits and withdrawal slips
- Payroll records
- All meeting minutes for the fiscal year
- Copies of written financial policies, i.e. financial operating policies, credit card policy, etc.
- Copy of the Constitution and Bylaws
- IRS forms filed

# Step 1: Review Internal Controls

- Examine canceled checks, financial reports and executive board minutes to perform the tasks listed below. If your bank or credit union does not return canceled checks, examine the duplicate copies of the checks.
- Determine where the checkbooks and financial records are kept. Are the checkbooks and permanent financial records kept in a secure location, accessible only to those who have the authority to write checks? If not, the audit committee should recommend changes in those practices.
- Examine the front side of each check written during the period. Do two officers sign all the transactions? Are signature stamps used on checks? Signature stamps generally have a thicker signature than a ballpoint pen and the signature always looks the same. Examine the signature card for the bank or credit union that authorizes the signers on the account. Does the signature card say that two signatures are required? If not, the audit committee should recommend corrective action.
- Examine the endorsement on the back of each check. Did the person or firm endorse the check that it was written to? If not, further investigation should be made.
- Determine the starting and ending check numbers for checks written during the period. Look for missing check numbers. Are those checks voided or properly accounted for? Voided should be marked "VOID" across the front of the check and kept in the checkbook or other secure place.
- Look at the blank checks in the checkbook. Are there any blank checks that have already been signed by one officer so that another officer can use the check without having to wait for another signature? If so, the audit committee should require that this practice be discontinued.
- Checks should rarely, if ever, be made payable to "Cash." Even checks to reimburse petty cash should be made payable to an individual responsible for petty cash, such as "Mary Jones - Petty Cash." While examining the front side of each check, look at the payee to determine that it is made payable to an individual or company. Closely examine any checks made payable to cash and recommend corrective action, as necessary.
- Review the executive board minutes for the year. Are financial reports made at every regularly scheduled meeting? These reports should be in writing and attached to the executive board minutes.
- Examine your constitution. Does it have requirement for a budget and assign the responsibility for preparing and adopting the budget? Examine the governing board minutes to see if a budget was adopted for the year. This may have been done at the end of the previous year and may be included in the minutes for that year. Are budgets approved within the financial means of the affiliate? Was any action taken during the year to amend the budget?
- Examine the governing board minutes to see if governing board authorizes expenditures not included in the budget. Most expenditures usually are included in the budget and will not require special approval of the governing board. Expenditures not included in the budget, leases, contracts, loans or new bank accounts, or investments should be approved by the governing board and included in the minutes.

- Examine insurance policies to determine that the affiliate is adequately insured. These policies should include a liability policy, hazard insurance for fire or theft, and workers compensation insurance, if there are employees. A Fidelity Bond insuring affiliates against employee dishonesty is available through Education Minnesota. Affiliates with members in the private sector are required to be insured against employee dishonesty in an amount equal to 10% of the previous year's total income.
- Is there a written accounting manual or written procedure to ensure proper internal controls? If not, the audit committee should recommend the adoption of such procedures.
- Does the local have Political Action Committee funds? If yes, are the funds transmitted on a timely basis (within 10 days of receipt if contribution is \$50 or more, otherwise within 30 days of receipt)? Are the PAC funds segregated from the general fund or kept in a non-interest bearing account?



## Sample Internal Control Checklist

### Authorization and Cash Control

*Done by (initials):*

*Date:*

- All disbursements are made by issuing checks.
- Approval and verification is done before checks are issued.
- No checks have been issued payable to "cash."
- Checks are signed by two officers.
- Bank reconciliations are prepared monthly.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

### Reporting

- A regular accounting is made to the affiliate officers.
- A regular accounting is presented to the membership.
- A budget is established and reported with projections vs. actual expenditures.
- Substantial variances are reviewed and explained.

_____	_____
_____	_____
_____	_____
_____	_____

### Safeguarding of Assets

- Accounting records are stored in a secure, safe area.
- A financial records retention plan has been established.
- There are detailed records of property and equipment.
- Including the date purchased and cost.

_____	_____
_____	_____
_____	_____
_____	_____

## Step 2: Review Cash Receipts (Income)

Examine deposit tickets, cash receipts journals and bank statements to verify the following practices. Some affiliates with only a few transactions each month may not have a cash receipts journal. If your local does not maintain a cash receipts journal, examine the references to deposits on the check stubs.

### Timeliness of Deposits

It is important that funds be deposited immediately after they are received to guard against misplacing checks before they are deposited and to ensure that the maximum amount of interest is earned on interest-bearing accounts. Verify that deposits are made promptly after funds are received. This is done by comparing the date on the documents that were received with the deposit date in the cash receipts journal, and the date of the deposit on the bank statement. If deposits are made by mail, there may be a few days difference between the date that the funds were listed in the cash receipts journal and the date the bank listed the deposit on the statement.

### Accuracy of Dues Deductions

Verify the receipt of payroll deductions from the employer to ensure that all deposits were made and are shown on the bank statements. The number of checks to be deposited will vary according to the employer's system for remitting dues.

Some employers send checks monthly, while others remit dues following each pay period. If the funds are to be saved for later use, a check should then be written for the deposit to the savings account or other investment. Payroll deduction checks should not be deposited directly to the savings account or other investment.

Also, check the accuracy of the employer's calculations. The employer will usually include a listing of all members from whom dues were deducted and the amount deducted from each member, along with the payroll deduction check.

If the deduction amount is the same for all members, simply count the number of members on the list and multiply by the dues amount to make sure that the employer sent the correct total to the affiliate. Count the actual names on the list rather than relying on the employee totals that may be provided on the employer's list.

If the deduction amounts are different for two or more classes of employees, you will have to count the number of members at each dues rate and multiply that number for each class of employees. Then add the totals for each class of employees to verify the total dues amount. Check the dates of employer deductions and be certain that no pay period was omitted. The audit committee should report any discrepancies to the treasurer so that they may take corrective action with the employer.

### Comparison with Affiliate's Records

The affiliate should have a copy of each dues deduction authorization submitted to the employer showing the date that it was submitted. Check the employer's payroll deductions against the affiliate's membership records to verify that all deductions were made for members who were enrolled for payroll deductions.

## **Direct Dues Payments**

Not all members will sign an authorization for payroll deduction and those who do not will pay their dues directly to the affiliate. The affiliate must maintain records to track the dues payment status of direct dues members. Is there a process in place for billing these members for unpaid dues? Trace all deposits of direct dues paying members through the members' dues records, the cash receipts journal and the bank statement. This will verify that the payment status of members is correct and that all receipts were deposited.

## **Other Income**

Trace the deposit of any miscellaneous receipts through the cash receipts journal and the bank statement. Compare the amounts shown in the cash receipts journal or on the check stubs and make sure that all of those amounts are listed on the bank statements.

## **Grants**

If your affiliate is receiving grants, make sure that the grant money has been received and that funds are being used in accordance with agreements. Misuse of grants can hurt in future requests for grants. Also ensure that financial or narrative reports are prepared on a timely basis as required by grant agreements.

## **Non-Cash Items**

Verify that all deposits shown on the bank statements are included in the cash receipts journal or checkbook. The primary cause for differences here will be items for which no deposit was made by the affiliate, such as interest on the account or corrections to deposit amounts made by the bank. Because no deposit was made for these transactions, the treasurer may have overlooked them on the bank statements.

## Sample Checklist for Review of Cash Receipts (Income)

Obtain the **cash receipts journal** (a detailed record of all monies received) and perform the following:

Done by (initials):

Date:

- (a) Scan the entries for the fiscal year and look for any unusual receipts.

*Purpose: To identify and review any unusual transactions. An unusual transaction differs in nature from the common activities of the organization, or in the amount from the common activities or any item that based on the judgment of the reader warrants further review.*

\_\_\_\_\_

\_\_\_\_\_

- (b) Obtain supporting documentation for entries noted in (a) above.

*Purpose: To obtain support for items identified in (a) in order to validate the transaction.*

\_\_\_\_\_

\_\_\_\_\_

- (c) Trace the total of each month's cash receipts journal to the cash transaction summary prepared by the Treasurer.

*Purpose: To compare the bookkeeping records to an independent internal source to verify that the amounts recorded are accurate.*

\_\_\_\_\_

\_\_\_\_\_

## Step 3: Review Cash Disbursements (Expenditures)

Examine checks, check stubs, cash disbursements and bank statements to verify the following practices. Some affiliates with only a few transactions each month may not have a cash disbursements journal.

- Are all expenditures paid by check?
- Are all checks authorized by the appropriate affiliate officers?
- Are checks pre-numbered and written in numerical order? Make sure that all check numbers are accounted for.
- Review canceled checks for proper payee and endorsement. Voided checks must never be destroyed, but should be clearly marked "VOID" across the face of the check and the check should be retained.
- Verify that each check disbursed is supported by adequate documentation in the form of an original invoice, voucher or receipt. Compare paid invoices, vouchers and receipts with canceled checks. A lease or a contract, instead of a monthly invoice, may support some disbursements, like rent.
- Verify that all disbursements are entered in the cash disbursements journal.

## Sample Checklist for Review of Cash Disbursements (Expenditures)

Obtain the cash disbursements journal (a detailed record of all checks issued) and perform the following:

	<i>Done by (initials):</i>	<i>Date:</i>
<input type="checkbox"/> (a) Scan the checks listed for the fiscal year and look for any unusual items or payees as well as high dollar amounts.	_____	_____
<input type="checkbox"/> (b) Obtain supporting invoices for each item noted in (a) above. <i>Purpose: To obtain support for items identified in (a) in order to validate the transaction.</i>	_____	_____
<input type="checkbox"/> (c) Examine the check numbers to determine that they were listed in sequence and no check numbers were skipped in each month as well as between months. Verify the retention of void checks. <i>Purpose: To account for all pre-numbered checks.</i>	_____	_____
<input type="checkbox"/> (d) Examine a few checks at random from each month to determine that the appropriate officers signed them and that the amount, date and payee agree with the disbursement journal. <i>Purpose: To determine that proper procedures were followed in the disbursement of funds.</i>	_____	_____
<input type="checkbox"/> (e) Examine unused checks and determine that the next check available is in sequence with the last check entered in the disbursement journal. <i>Purpose: To account for all pre-numbered checks, in association with (c).</i>	_____	_____
<input type="checkbox"/> (f) Trace the total of each month's cash disbursement journal to the cash summary prepared by the treasurer. <i>Purpose: To compare the bookkeeping records to an independent source.</i>	_____	_____
<input type="checkbox"/> (g) Verify that paid invoices/bills comply with the minutes of the affiliate. <i>Purpose: To determine that proper procedures were followed in the disbursement of funds.</i>	_____	_____
<input type="checkbox"/> (h) Scan the bills paid in the fiscal year to determine that they were disbursed in accordance with the Bylaws and Constitution. <i>Purpose: To determine that proper procedures were followed in the disbursement of funds.</i>	_____	_____

## **Step 4: Balance the Checkbook**

The treasurer should have reconciled the checking account every month shortly after the statement was received from the bank. The principle behind balancing the checkbook is that there may be deposits that were mailed or checks that were written that have not yet cleared the bank as of the date of the statement. The bank statement has to be reconciled to the affiliate's financial records. This reconciliation can be done as of the last day of each month, no matter what date during the month the statement is received. Simply list transactions dated between the statement date and the end of the month as outstanding. If your affiliate's treasurer has been balancing the checkbook at the end of each month, your job is that much easier. You will only have to review their work. The process is the same as that which you may use to balance your personal checkbook at home.

## **Step 5: Balance Other Accounts**

Your affiliate may have other cash accounts in addition to the checking account such as savings accounts or other investments. The procedures for reconciling those accounts will be the same as for the checking accounts, with a few exceptions. There will be fewer transactions and there won't be any checks written on the account.

## Sample Checklist for Review of the Balances on the Checking Account and Other Accounts

	<i>Done by (initials):</i>	<i>Date:</i>
<input type="checkbox"/> Obtain the checkbook and verify that the balance for each month agrees to the cash summary prepared by the treasurer. <i>Purpose: To compare the bookkeeping records to an independent source.</i>	_____	_____
Obtain a bank reconciliation for each month in the fiscal year and perform the following:		
<input type="checkbox"/> (a) Compare the checkbook balance on the bank reconciliation to the checkbook for each month. <i>Purpose: To determine that the amounts used in reconciling the bank statements are accurate.</i>	_____	_____
<input type="checkbox"/> (b) Compare the bank balance on the bank reconciliation to the bank statement for each month. <i>Purpose: To determine that the amounts used in reconciling the bank statements are accurate.</i>	_____	_____
<input type="checkbox"/> (c) Review every reconciling item for each month. Check the following month's bank statement and/or cash disbursements to verify that the items were resolved.	_____	_____



## Step 6: Examine Supporting Documents

Each transaction should have a document that supports it. This is true for receipts, disbursements and transfers between accounts. The purpose of this step is to ensure that all transactions have such justification.

Verify that each receipt (income item) has documentation to support it. This may be in the form of a letter that accompanied the check, a check stub or a voucher from the firm that sent the check. If cash was received, a receipt should have issued to the payer. Make sure that the amount in documentation agrees with the amount deposited. Verify that each disbursement has documentation to support it. This will usually be in the form of an invoice, an expense voucher, a receipt issued by the payee or a similar document. All invoices should be original copies so as to avoid duplicate payments. Make sure that the amount in the documentation agrees with the amount deposited.

If a payment is a recurring payment, the documentation may be in the form of a long-term lease or contract. For example, monthly rent payments are not usually invoiced, but there should be a lease in the file to document the amount of the payments and the due dates.

If a payment is an unusual one, it may be supported by a copy of the appropriate governing board minutes. All transactions that are not included in the budget, all new bank accounts or investments, and all long-term leases or contracts should be approved by the governing board and reported in the minutes.

Has an investment policy been adopted? For example, must all deposits be in banks insured by the Federal Deposit Insurance Corporation (FDIC)? Careful attention should be paid to FDIC limits (currently \$250,000) to protect the affiliate's funds.

Keep a list of all transactions that are not documented and discuss them with the treasurer.

# Step 7: Verify the Accuracy of the Financial Statements

In steps 1 through 5, you have verified the totals in the financial records and reconciled those totals to the bank statements. The financial statements are a summary of the financial records and, therefore, should reflect the totals that you have already verified.

The same income and expense categories should be used as in the affiliate's budget:

- Verify that the total of each of the categories in the cash receipts records is listed as income on the Statement of Activities.
- Verify that the total of each of the categories in the cash disbursements records is listed correctly on the Statement of Activities.
- Verify that the totals of income and expenditures are correct, and that the difference between the two (surplus or deficit) is correct.
- Verify that the checking account balance and the balances of all other assets and liabilities are listed correctly on the Statement of Financial Position.
- Verify that the totals of the assets and liabilities are correct.
- Verify that the beginning Net Assets is the same as the ending Net Assets for the previous year.
- Verify that the Change in Net Assets is the same as the surplus or deficit for the current year.

**Sample Statement of Activities  
For Period Ending August 31, (year)**

	<b>ANNUAL BUDGET</b>	<b>CURRENT YEAR-TO-DATE 9/1 TO 8/31</b>	<b>BUDGET BALANCE</b>
<b>INCOME</b>			
Dues From Members	31,000	30,861	139
Interest Income	263	272	-9
Misc. Income	750	695	55
<b>TOTAL INCOME</b>	<u>32,013</u>	<u>31,828</u>	<u>185</u>
<b>EXPENSES</b>			
Rent	5,400	5,400	0
Telephone	1,500	1,527	-27
Office Supplies	1,200	1,098	102
Postage	600	580	20
Insurance	575	578	-3
Equipment	2,500	2,609	-109
Executive Board Meetings	500	480	20
Other Meetings	1,500	1,350	150
National Conferences	1,500	1,725	-225
Officer Stipends	2,000	2,000	0
Conventions	1,500	1,500	0
Newsletter	1,800	1,669	131
Legal & Arbitration	2,500	2,000	500
Contributions	500	500	0
Negotiations	2,500	2,333	167
Membership Recruitment	2,500	2,123	377
Misc. Expenses	750	1,199	-449
<b>TOTAL EXPENSES</b>	<u>29,325</u>	<u>28,671</u>	<u>654</u>
<b>CHANGE IN NET ASSETS</b>	2,688	3,157	-469

## Sample Statement of Financial Position As of August 31, (year)

### ASSETS

Cash – Checking	5,049	<i>(Note 1)</i>
Cash – Savings	11,790	<i>(Note 1)</i>
<b>TOTAL ASSETS</b>	<b>16,839</b>	

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts Payable	0	
<b>TOTAL LIABILITIES</b>	<b>0</b>	

#### NET ASSETS

Fund Balance, September 1, (year)	13,682	<i>(Note 2)</i>
Changes in Net Assets	3,157	<i>(Note 3)</i>
<b>TOTAL NET ASSETS</b>	<b>16,839</b>	

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>16,839</b>	
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*Note 1: Reconciled bank balance at the **end** of the fiscal year*

*Note 2: Fund balance at the **beginning** of the fiscal year*

*Note 3: Changes in net assets – (refer to the Statement of Activities)*

## Step 8: Write the Audit Committee Report

Now that you have verified the totals contained in the financial records, reconciled them to the bank statements and traced them through the financial reports, you are ready to write the Audit Committee Report. The report should be written on the affiliate's letterhead and contain the following information:

- The full name of the organization.
- The dates encompassed by the review.
- Whether or not the books were found to be in good order.
- Any deficiencies uncovered.
- The live signatures of all committee members to show that all concur with the report.
- Footnote any items that are important to the affiliate's financial position but are not clearly explained in the financial statements.
- Attach a copy of the affiliate's Statement of Financial Position and Statement of Activities to the Audit Committee's Report or Financial Report (option for locals with less than 50 members) to the Audit Committee Report.
- Submit the internal audit committee report to the Executive Board.

# Sample Internal Audit Committee Report #1

Date

We have examined the financial records of the (Affiliate) for the period Sept. 1, (year) through Aug. 31, (year), and found them to be in good order. This examination was performed by a committee made up of members from (Affiliate).

Based upon our examination, we consider the attached financial statements for period Sept. 1, (year) through Aug. 31, (year), to be an accurate summary of transactions conducted during that period.

Sincerely,

*(signature of the member)*

Name of Member

*(signature of the member)*

Name of Member

*(signature of the member)*

Name of Member

# Sample Internal Audit Committee Report #2

Date

We have examined the financial records of the (Affiliate) for the period Sept. 1, (year) through Aug. 31, (year), and found them to be in good order. This examination was performed by a committee made up of members from (Affiliate).

During the course of our examination we discovered that (List concerns below):

1. While there was adequate documentation maintained for all expenditures, documentation was not available for all income. This was primarily due to checks that were received that were not accompanied by letters or other documentation. In the future, if a check is received without documentation, a copy of the check will be made before the check is deposited.
2. The dues deposits check from the school district for the month of April was deposited in June. In the future, any funds should be deposited immediately to guard against misplacing of checks and a negative bank balance.
- 3.
- 4.

Based upon our examination, we consider the attached financial statements for period Sept. 1, (year) through Aug. 31, (year), to be an accurate summary of transactions conducted during that period.

Sincerely,

*(signature of the member)*  
Name of Member

*(signature of the member)*  
Name of Member

*(signature of the member)*  
Name of Member





# Sample Audit Reports

## Sample#1

1. Statement signed by the local president and at least one other elected general officer
2. Internal Audit Committee report signed by all committee members
3. Statement of Financial Position
4. Statement of Activities

## Sample# 2 (local with less than 50 members)

1. Statement signed by the local president and at least one other elected general officer
2. Internal Audit Committee report signed by all committee members
3. Financial Report

**Sample #1: Statement signed by the local president and at least one other elected general officer**

**ABC Education Association, Local #1234  
5678 Union St.  
Minneapolis, MN 56000**

Feb. 12, 2019

Education Minnesota  
41 Sherburne Ave.  
St. Paul, MN 55103

Please find attached the audit committee report for ABC Education Association, Local #1234 for the fiscal year ending Aug. 31, 2018. The audit committee report was presented to the ABC Education Association Executive Board on Jan. 11, 2019 and to the general membership on Feb. 11, 2019. The report has been published and is available to our members.

ABC Education Association has filed IRS Form 990-N (e-Postcard). The filing confirmation is attached.

Sincerely,

*Jane K. Smith*

Jane K. Smith,  
President, ABC Education Association

*Matthew Adams*

Matthew Adams,  
Vice President, ABC Education Association

## Sample #1: Internal Audit Committee report signed by all committee members

**ABC Education Association, Local #1234  
5678 Union St.  
Minneapolis, MN 56000**

Dec. 18, 2018

Education Minnesota  
41 Sherburne Ave.  
St. Paul, MN 55103

We have examined the financial records of the ABC Education Association, Local #1234 for the period Sept. 1, 2017 through Aug. 31, 2018, and found them to be in good order. This examination was performed by a committee made up of members from ABC Education Association, Local #1234.

Based upon our examination, we consider the attached financial statements for the period Sept. 1, 2017 through Aug. 31, 2018, to be an accurate summary of transactions conducted during the period.

Sincerely,

*Ruth Jones*

Ruth Jones, Chair

*Eric Anderson*

Eric Anderson, Member

*Dave C. Johnson*

Dave Johnson, Member

*Nancy Lee*

Nancy Lee, Member

## Sample #1: Statement of Financial Position

### ABC Education Association, Local #1234 Statement of Financial Position As of August 31, 2018

#### ASSETS

Cash – Checking	\$	6,625
Cash – Savings		<u>10,080</u>
<b>TOTAL ASSETS</b>	\$	<u><u>16,705</u></u>

#### LIABILITIES AND NET ASSETS

##### LIABILITIES

Accounts Payable	\$	<u>0</u>
<b>TOTAL LIABILITIES</b>	\$	0

##### NET ASSETS

Fund Balance, September 1, 2017	\$	14,426
Changes in Net Assets		<u>2,279</u>
<b>TOTAL NET ASSETS</b>	\$	<u><u>16,705</u></u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<u><u>16,705</u></u>
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## Sample #1: Statement of Activities

### ABC Education Association, Local #1234 Statement of Activities For Period Ending August 31, 2018

		Current Year-To-Date 9/1 to 8/31
<b>INCOME</b>		
Dues From Members (excludes pass through dues)	\$	19,500
Interest Income		13
Misc. Income		1,500
<b>TOTAL INCOME</b>	\$	<u>21,013</u>
<b>EXPENSES</b>		
Executive Board Meetings	\$	1,035
Other Meetings		2,450
Officer Stipends		2,500
Negotiations		3,130
Audit Committee		300
Conventions/Conferences		2,712
Professional Development		1,929
Membership Recruitment		1,002
Teacher of the Year		643
Scholarships		1,500
Public Relations		650
Office Supplies		136
Retirement & Gifts		648
Misc. Expenses		99
<b>TOTAL EXPENSES</b>	\$	<u>18,734</u>
<b>CHANGE IN NET ASSETS</b>	\$	<u>2,279</u>

**Sample #2: Statement signed by the local president and at least one other elected general officer (local with less than 50 members)**

**ABC Education Support Professionals, Local #1235  
5679 Union St.  
Minneapolis, MN 56000**

Feb. 12, 2019

Education Minnesota  
41 Sherburne Ave.  
St. Paul, MN 55103

Please find attached the audit committee report for ABC Education Support Professionals, Local #1235 for the fiscal year ending Aug. 31, 2018. The audit committee report was presented to the ABC Education Association Executive Board on Jan. 11, 2019 and to the general membership on Feb. 11, 2019. The report has been published and is available to our members.

ABC Education Support Professionals has filed IRS Form 990-N (e-Postcard). The filing confirmation is attached.

Sincerely,

*Jane K. Smith*

Jane K. Smith,  
President, ABC Education Association

*Matthew Adams*

Matthew Adams,  
Vice President, ABC Education Association

**Sample #2: Internal Audit Committee report signed by all committee members  
(local with less than 50 members)**

**ABC Education Association, Local #1235  
5679 Union St.  
Minneapolis, MN 56000**

Dec. 18, 2018

Education Minnesota  
41 Sherburne Ave.  
St. Paul, MN 55103

We have examined the financial records of the ABC Education Support Professionals, Local #1235 for the period Sept. 1, 2017 through Aug. 31, 2018, and found them to be in good order. This examination was performed by a committee made up of members from ABC Education Support Professionals, Local #1235.

Based upon our examination, we consider the attached financial statements for the period Sept. 1, 2017 through Aug. 31, 2018, to be an accurate summary of transactions conducted during the period.

Sincerely,

*Ruth Jones*

Ruth Jones, Chair

*Eric Anderson*

Eric Anderson, Member

*Dave C. Johnson*

Dave Johnson, Member

*Nancy Lee*

Nancy Lee, Member

## Sample #2: Financial Report (local with less than 50 members)

### ABC Education Support Professionals, Local #1235 Financial Report For Period Ending August 31, 2018

<b>CASH – Checking as of September 1, 2017</b>		\$	1,610.00
<b>INCOME</b>			
Membership Dues	\$	18,753.50	
Misc. Income		<u>0.00</u>	
<b>TOTAL INCOME</b>			18,753.50
<b>EXPENSES</b>			
Dues to Education Minnesota (State and National)	\$	17,522.30	
Membership Meetings		126.40	
Misc. Expenses		<u>17.84</u>	
<b>TOTAL EXPENSES</b>			17,666.54
<b>CASH – Checking as of August 31, 2018</b>		\$	<u><u>2,696.96</u></u>



# GLOSSARY

## Assets

The amount the affiliate owns or is owed that has a positive value. An asset may be in the form of cash, dues receivable and office furniture.

## Accrual Basis Accounting

That system of accounting whereby income and expense is recognized in the fiscal period in which they belong, regardless of the time cash is received or expended. Accrual basis accounting requires maintaining accounts receivable or account payable accounts not found in a cash system.

## Bank reconciliation

A comparison of the affiliate's checkbook/account balances with the records of the bank statement, listing the differences to bring the balances into agreement. A bank reconciliation should be prepared monthly.

## Cancelled check

An original check which has cleared through the bank.

## Cash Basis Accounting

That system of accounting whereby income and expense are recognized in the fiscal period only when cash is actually received or expended.

## Fiscal Year

The 12-month period on which the affiliate budgets and reports its financial activities. The fiscal year may or may not be the calendar year. The fiscal year is usually defined in the affiliate's constitution.

## Internal Controls

A set of policies and procedures used within the organization's accounting system that protects the affiliate's funds. Examples of internal controls are: a requirement for two signatures on every check, keeping blank checks in a locked drawer or cabinet, requiring regular treasurer's reports, etc.

## Liability

A liability is debt owed by the affiliate. It may be in the form of a loan, accounts payable, payroll taxes owed, or any amount that must be paid in the future, such as severance pay or accumulated vacation pay.

## **Net Assets**

The amount that would be left over if all of the affiliate's assets had to be sold to satisfy all of the union's liabilities. It is the difference (net) between the total assets and total liabilities. This is sometimes called Fund Balance or Net Worth.

## **Statement of Activities**

Often referred to as the Statement of Revenue and Expenses. It is the financial statement that summarizes all the transactions for a specific period. It shows how much income was received, expenditures paid and the surplus or deficit at the end of the period.

## **Statement of Financial Position**

Often referred to as the Balance Sheet. The financial statement lists the assets, liabilities and net assets of the affiliate as of a specific date.





**THE VOICE FOR PROFESSIONAL  
EDUCATORS AND STUDENTS**

41 Sherburne Ave., St. Paul, MN 55103  
651-227-9541 800-652-9073 Fax 651-292-4802  
[www.educationminnesota.org](http://www.educationminnesota.org)

*Education Minnesota is an affiliate of the American Federation of Teachers,  
the National Education Association and AFL-CIO.*

6/2019

