

## **Longboat Road Runners**

### **Audit Committee Review for Jan 1 – Dec 31, 2017**

The 2018 Audit Committee, consisting of Julia Barnes, Mike Bedley and Paul Kilbank, met on June 17, 2018 to complete our review of the 2017 financial statements. It is our opinion that the financial statements accurately represent club operations and procedures without any material issues.

Our audit was based upon:

Review of financials for Jan 1 – Dec 31 2017 as provided by the Treasurer.  
Review included consolidated cash entries but not actual cash journals.  
Paper receipts, bank statements or other original sources were reviewed.  
Budget allocations and event management were considered beyond the scope.

A major goal of our review was to ensure integrity of General Ledger by checking material entries for both revenue (e.g. annual club membership) and expenses (e.g. Island Run spending). As part of this review, we also checked if expenses were properly approved and if payments were countersigned as required. We were satisfied this was done appropriately without any major concerns.

Specific areas we want to highlight from our review include

- The potential requirement of T4A forms for race director fees and coach honorariums remains a concern again this year. Our interpretation from reviewing the [CRA website](#) and other sources is that these payments, when totaling more than \$500 in the calendar year, require a T4A be issued. We recommend this be investigated further to avoid a tax exposure for the club.
- Longboat registered for HST in 2017 with the obligation to collect tax on most sales and the ability to recover HST paid on most expenses. This is a new process for the club – we observed that HST was consistently applied to event, coaching and merchandise fees as required and HST was also properly recorded from products and services purchased. We also noted that the net tax was paid to the CRA well before the 3 month filing and payment deadline.
- As per the Financial Statement notes, the Balance Sheet included a \$1,023 inventory of ferry tickets from the original \$8,884 purchase – these unused tickets were likely the result of lower than expected attendance at the Island Run. The executive team and race committee may want to reconfirm the current strategy for future events given the financial risk of unsold tickets and logistics for distributing ferry tickets.

- It is possible that memberships and coaching fees received later in the year have not been captured or have accidentally been recorded as other revenue. Entries in the GL only align with the membership and coaching lists as recorded up to February 28, 2017 and April 20, 2017 respectively.
- We looked at the increased deficit in 2017 and, as widely suggested, consider the Toronto Island race attendance shortfall due to flooding on the island, to be the most significant reason. If the attendance had approached 2016, then the additional contribution would have resulted in a surplus for the year and lessened budget pressures to control the deficit.
- We suggest that the person(s) responsible for medals, clothing and ferry tickets do a year-end audit as it now represents \$4,236 on the balance sheet.

We would also like to flag a few other observations:

General Ledger accounts were well organized and transactions easy to follow. MasterCard and Visa balances were paid on time without any interest charges. HST registration, processing and filing were well done in this initial setup year.

Working notes of our review will be provided to answer any questions and for reference during next year's review.

Regards,

The 2018 Audit Committee  
Julia Barnes, Mike Bedley, Paul Kilbank

# Longboat Road Runners

## Audit Committee 2017 Review Notes

### Objectives

Verify that the financial statements accurately represent club operations.  
Confirm that financial controls as outlined in the constitution are followed.  
Identify any new practices that may help the Treasurer or Audit Committee.

### Audit Test Summary

- Payments should be signed by Treasurer and another officer as a spending control (As per the club constitution so Risk = High)
- Accounting of HST for both sales and purchases (A new process for the club so Risk = High)
- Prior board approval for spending greater than \$500 (As per the club constitution so Risk = Medium)
- Accounting of deposits and advances (Event management is distributed across many members so Risk = Medium)
- General Ledger accounts (Financial integrity of the club so Risk = Medium)

### Test 1. Confirm payments were signed by Treasurer and another officer for the following high value and random cases (cheques, PayPal, credit cards)

\* Sep 07, 2017 CHQ#01667 Certified \$8,884.00 - City of Toronto Treasurer for ferry tickets - certified cheque is not included with paper bank statement.

\* Sep 19, 2017 CHQ#01694- 0200402279 \$11,279.74 - Race Merchandise for the Island Race shirts - cheque was signed by Bill Prest and Rob Hanks

\* Sep 22, 2017 CHQ#01693- 2141687713 \$6,370.94 - Enfield timing for Island Race timing - cheque was signed by Bill Prest and Rob Hanks.

\* April 22, 2017 MasterCard for \$1,830.00 ... Receipt from Brazen Head Pub for "Open food for 65" confirms this expense for the new members brunch.

### Status - Pass

Note to 2019 Audit Committee: We recommend that you include a review of the "signing control" for credit cards and PayPal (similar to dual signing being needed for paper cheques).

**Test 2. Check HST was isolated and recorded to the GL correctly for the following high value and random cases:**

- \* Feb 12 - Brazen Head \$1,473.75 - 146.25 ... payable ... okay (invoice to GL)
- \* April 20 - Online Registrations \$2,429.50 - \$279.50 ... okay (receipt to GL)
- \* Oct 8 - Pubic Storage \$2,210.28 - 254.28 ... payable ... okay (invoice to GL)
- \* Oct 10 Zoom Photo \$3,000 + \$390 ... payable ... okay (Invoice to GL)

**Status: Pass** (the difference between the GL \$8,041.17 DR and the Financial Statement "Paid on purchases" of \$7,970.00 is deemed not material)

**Test 3. Check board approval for the following high value and random cases:**

- \* Sep 07, 2017 CHQ#01667 Certified \$8,884.00 – okay. \$13,000 was allocated for ferry tickets in the budget that was approved by the Board on April 5, 2017
- \* Sep 19, 2017 CHQ#01694- 0200402279 \$11,279.74- okay. For Island Race shirts - \$15,000 was allocated for the race shirts in the approved budget.
- \* Sep 22, 2017 CHQ#01693- 2141687713 \$6,370.94 – okay. To Enfield timing - \$7,500 was allocated for timing in the approved budget
- \* Oct 06, 2017 CHQ#01805- 1143108957 \$1,464.48 – okay. To City of Toronto for paramedic services at Island Run - \$1,765 was allocated for medical (including paramedic services, tent and doctor) in the approved budget
- \* Dec 21, 2017 CHQ#01831- 4140865113 \$1,944.13 – To William Prest for December CC expenses. Assumed to be reimbursement for loans from the Treasurer.

**Status: Pass** (CC expenses and loans from Treasurer not investigated further)

**Test 4. Check that deposits and advances are being recorded properly**

- \* Apr 10, 2017 Transfer from Personal Payee ONLINE \$5000.00 (received in TD account Apr 10 / recorded in GL as "Transfer fr online Mem & Coach" Apr 4) ... okay although recorded early.
- \* May 30, 2017 Transfer from Personal Payee ONLINE \$4791.20 (received in TD account May 30 / recorded in GL as "Transfer from OnLine IR" May 5) ... okay although recorded early.
- \* Aug 30, 2017 Transfer from Personal Payee ONLINE \$4873.80 (received in TD account Aug 30 / recorded in GL as "Transfer from on line SS" Aug 8) ... okay although recorded early.
- \* Sept 9 Loan from Treasurer #1662 \$6,691.60 ... okay, and all items are confirmed on vendor invoices (although GL title is misleading (general reimbursement not actually for ferry tickets)
- \* Oct 10 Brazen Head deposit for AGM \$250 ... okay, reflected on the December 2 receipt for \$1,223.75.

**Status: Pass** (timing of GL entries was not investigated further)

## Test 5. Basic General Ledger Integrity

- \* Opening and closing balances were verified on the TD Bank statements
  - January 1, 2017: \$46,359.96
  - December 31, 2017: \$42,986.17
  
- \* Coaching revenue was verified from receipts and coaching list:
  - 2,200.00 GL <> 2,150.00 online reservations + 50.00 (Trevor cheque)
  - Aligns with the 43 athletes registered for coaching up to the date of the receipt
  
- \* Coaching revenue is not recorded for the 9 athletes who registered for coaching after April 20, 2017 (when the receipt for \$2,150 in online registrations was issued). We recommend confirming the late coaching fees and any late membership fees have been received and accounted for in the right place, updating the GL if appropriate.
  
- \* Coaching expenses were verified by the coaching list:
  - Confirmed that the 7 coaches who received payments in 2017 all had coached athletes assigned to them in that year.
  
- \* Membership revenue was verified from receipts (not membership list):
  - 6,231.00 GL <> 5,295 online reservations + 306.50 cash cheques
  - Membership list indicates that total membership revenue should be about \$7,425. The Online Registration receipt and GL entry are dated Feb. 2<sup>nd</sup> while the final entry on membership list is dated Feb. 28. As noted above, we recommend confirming that any late membership fees have been received and accounted for in the right place, updating the GL if appropriate.
  
- \* Sunset shuffle revenue was verified from receipts (the 22.44 difference deemed to not be material):
  - 7,822.44 GL <> 7,800 online reservations receipt
  
- \* Island Run revenue was verified from receipts (the 20.00 over / under on registrations versus Runners Shop was deemed to be not material)
  - 68,144.01 GL <> 60,954.01 online reservation + 7,190.00 Runners Shop
  - The online registration receipt matches the number of registrants in registrant list provided with audit materials. However, there is an additional entry of \$916.58 for Island Run registration in the GL on October 10, after the receipt was printed.
  - Recommend ensuring final registrant count is accurate for purpose of comparison over years.

**Status: Pass**

## Review Notes for 2017 Deficit

GL Account	Amount	Category
700-04 IR Timing and Scoring	5,638.00	Fixed
700-05 IR Photos	3,000.00	Fixed
700-06 IR Insurance	2,185.92	Fixed
700-07 IR Vehicle Expenses	1,262.80	Fixed
700-09 IR Medical incl paramedics	1,807.69	Fixed
700-10 IR Race Director fee	6,000.00	Fixed
700-11 IR AC Accreditation	1,351.33	Fixed
700-13 IR Marketing (Brochures, Flyers, Design)	1,593.45	Fixed
700-15 IR Sound System, Radios	1,034.18	Fixed
700-16 IR Entertainment incl Piper	328	Fixed
700-17 IR Prize Money - Awards	1,700.00	Fixed
700-18 IR Race Permit	689.62	Fixed
700-19 IR Post Race refreshments	195	Fixed
700-21 IR Website Maintenance	26.98	Fixed
700-22 IR Miscellaneous	728.88	Fixed
700-30 IR Vehicle Ferry Permits	465.42	Fixed
700-01 IR T-Shirts	9,982.07	Variable
700-02 IR BBQ	5,686.49	Variable
700-03 IR Medals	10,132.57	Variable
700-08 IR Race kits incl bibs	1,247.64	Variable
700-12 IR Ferry Tickets	8,224.81	Variable
Fixed	28,007.27	
Variable	<u>35,273.58</u>	
	63,280.85	
	<b>2017</b>	<b>2016</b>
Revenue per person	42.94	43.96
Variable cost per person	24.84	27.55
2017 Attendance Shortfall	692	
2017 Margin Shortfall per person	<u>18.10</u>	
2017 Margin shortfall total	12,524.43	

Note the average revenue per person was consistent with 2016 while the variable cost per person was actually lower in 2017. If the attendance matched 2016, then the additional 692 attendees would have contributed \$12,524 that would have resulted in a surplus for the year. Therefore, the shortfall in Island Run participants due to flooding, is a legitimate reason for the club deficit in 2017.