

# VAST Club CPA Reviews





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# Bylaws

The VAST Board of Directors and our membership, at the 2017 VAST Annual Meeting, voted in favor of an addition to the VAST Bylaws (Article II, Section 5) called Right to Audit. (Bylaws updated Sept 7 2019)

## Section 5 Right to Audit

All Clubs shall establish and maintain a reasonable accounting system that enables them to readily identify assets, expenses, and track use of funds. VAST's chosen auditing firm or CPA shall have the right to audit, to examine, and to make copies of or extracts from all financial and related records (in whatever form they may be kept, whether written, electronic, or other). Such records shall include, but not be limited to, accounting records, written policies and procedures; all paid vouchers including those for out-of-pocket expenses; other reimbursement supported by invoices; ledgers; cancelled checks; deposit slips; bank statements; journals; and supporting documentation; (payroll documents and timesheets as applicable).

The Club shall as requested by VAST, at Club's own expense make such records available for inspection and audit (including copies and extracts of records as required) by an auditing firm or CPA selected by VAST. Such records shall be made available *in accordance to VAST policy*.

Costs of any audits conducted under the authority of this right to audit and not addressed elsewhere will be borne by VAST. If the audit identifies substantive findings related to fraud, misrepresentation, or non-compliance to VAST audit policy, VAST may recoup the costs of the audit work from the Club. Any adjustments and/or payments that must be made as a result of any such audit or inspection of the Club's invoices and/or records shall be made within a reasonable amount of time (not to exceed 90 days) from presentation of findings to the Club.



# Clubs selected for CPA Reviews 1 of 2

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2018 & 2019

1. Lyndon Sno-Crusiers, Inc., Inc.
2. Ludlow Side Hill Cronchers, Inc.
3. The Middle Valley Polar Bears, Inc., Inc.
4. Twinfield Snow Travelers
5. Malletts Bay Lakers Snowmobile Club, Inc
6. Mount Holly Snowflyers, Inc.
7. White River Valley Snowgoers, Inc
8. Newbury Border Riders

Oct 2021 for 2020 & 2021

1. West Windsor Moonlighters
2. Green Mountain Climbers
3. Country Riders
4. Grafton Outing
5. Green Mountain Trail Blazers
6. North Country Mountaineers
7. Wardsboro Pathfinders
8. Canaan Border Riders



# Clubs selected for CPA Reviews 2 of 2

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July 2022

1. Cavendish GM Snow Fleas
2. E.A.S.T.
3. Coles Pond Sledders
4. Glover Trail Winders



# CPA Review Timeline 1 of 2

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- ▶ VAST Board Meeting – selection of clubs for next CPA Review is done post completion of riding season (**May, June, July**)
- ▶ Notification of CPA Review Letter is sent to the club by the VAST Executive Director
  - ▶ The County Director and County President are also been given copies of the notification letter.
  - ▶ The Club shall make records available for inspection and CPA review by an auditing firm or CPA selected by VAST. Such records shall be made available according to the VAST policy. **Club records do NOT need to be shared with VAST. Club shall send record information to CPA directly.**
    - ▶ **Initial email from CPA may request the following information be sent to the CPA by the club:**

• Bylaws of the Club	Board Meeting Minutes
• Tax Return Filings	Bank Statements
• Treasurer Reports	Deposits
• Expenses	Club Policies if available
• Listing of Elected and Appointed Officers and Terms of Appointment	



# CPA Review Timeline 1 of 2

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- ▶ Notification Letter from the VAST Executive Director includes what will be required and who the club should contact.
  - ▶ *Noncompliance for any of these actions will result in funding from VAST to stop until the club has met the listed conditions. This includes any grants, groomer payments and the ability to sell TMAs.*
- ▶ Executive Summary from CPA – 6 mo to 1 year to complete – depending on scheduling with Club and CPA and depth of audit



# General CPA Review Findings & Recommendations

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- ▶ Club Bylaws, Policy, Treasurer Reports, Club Meeting Minutes
  - ▶ Reports/Minutes should **detail activity, bank balances for checking an/or savings accounts**
  - ▶ Treasurer's report should **include date** showing balance of checking and Money Market Balance **based on the same time period**
  - ▶ Treasurer's report should **include Check Numbers** and **all transactions listed separately** based on date and amount
  - ▶ Bylaws should speak to use of debit cards and authority to use them
  - ▶ Bylaws should include officer responsibilities, non-exempt status category, fiscal year and meeting schedule.
- ▶ Bylaws state fiscal year is one way (example May to June), while tax return is prepared on a calendar year
- ▶ Reimbursements to officers and volunteers should be through a **standard expense report**. Without having an accountable plan, the reimbursements could become taxable to the recipients
- ▶ A **deposit detail** system, which identifies **what and from whom** each item in a deposit represents (see example on next slide)



# General CPA Review Findings & Recommendations

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## ► EXAMPLE: Reporting formats for Check Registers and Deposit Details

Check Register

LEGEND

DC = Debit Card

ATM = Automated Teller With

AD = Automatic Deposit

CHECK

AP = Automatic Payment

BP = Online Bill Pay

TR = Online or Phone Transfer

CURRENT BALANCE

\$3,311.00

#/CODE	DATE	TRANSACTION	DESCRIPTION	WITHDRAWAL	DEPOSIT	BALANCE
	8/10/2019	Woodgrove Bank	Opening Balance		\$2,000.00	\$2,000.00
1001	8/18/2019	School of Fine Art	Kelly's art class - 6 weeks	\$100.00		\$1,900.00
		Deposit (See Detail on				
	8/18/2019	Next Tab)			\$1,500.00	\$3,400.00
DC	8/21/2019	Southridge Video	Movie rental + \$10 cash back	\$16.00		\$3,384.00
ATM	8/24/2019		Cash for dining out	\$50.00		\$3,334.00
BP	8/29/2019	The Phone Company		\$23.00		\$3,311.00
Totals		Transaction count: 5		\$189.00	\$3,500.00	\$3,311.00

Deposit Detail

LEGEND

DC = Debit Card

ATM = Automated Teller With

AD = Automatic Deposit

AP = Automatic Payment

BP = Online Bill Pay

TR = Online or Phone Transfer

Deposit

Date	Name	Description	Amount	TOTAL
8/18/2019	A. Smith	TMA	\$ 135.00	
	S. Jones	TMA	\$ 350.00	
	B. Johns	TMA's	\$ 1,015.00	\$1,500.00

Note: This deposit equals the deposit on your check register

P Companik/VAST Treasurer  
7/20/2021 UPDATED: October 25 2022



# General CPA Review Findings & Recommendations

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- ▶ Issuing of 1099's (requirements for filing 1099's for payments made to individuals in excess of \$600)
- ▶ Gaming activities (pull or breakopen tickets) can create unrelated income in a non-profit and require filing and paying of taxes on a 990-T
- ▶ Filing of Tax Returns
- ▶ Bylaws state the organization is a 501(c)3, tax returns should be filed as a 501(c)3
- ▶ W-3, W-2 filings
- ▶ Registered and in Good Standing with the State of Vermont AND the IRS



# CPA Executive Summary Letter

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- ▶ Sent by CPA upon completion of Club Review
- ▶ Standard Format which Includes:
  - ▶ SCOPE
  - ▶ SOURCES OF INFORMATION
  - ▶ CURRENT FINDINGS
  - ▶ RECOMMENDATIONS
  - ▶ CONCLUSIONS



# CPA Review Follow up

## Executive Summary Recommendations

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- ▶ Club has one fiscal year from receipt of Executive Summary to implement recommendations
- ▶ Club, County Director and County President will be sent a letter to remind the club of CPA recommendations and upcoming follow-up review **We are working on the letter format**
- ▶ Review of implemented recommendations to be done by VAST leadership
- ▶ Feedback from VAST leadership review is provided to club president, county president, county director and VAST BOD's
- ▶ Lack of implementation of the recommendations, within a reasonable amount of time set by VAST from receipt of Executive Summary, will result in funding from VAST to stop until the club has met the listed conditions. This includes any grants, groomer payments and the ability to sell TMAs. Club is considered to be no longer in good standing with VAST.



# Communication to Clubs

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Two important communication pieces

1. Directors to ensure clubs are aware of VAST CPA review and process
  - ▶ Directors can share this presentation with their clubs
2. Communication to Clubs who have already had an CPA review - regarding review of implementation of CPA recommendations – *We are working on this letter*



# Resources

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- ▶ VAST has a Budget line item to support clubs in need of CPA support
  - ▶ Process to engage for CPA support – contact Cindy Locke directly
- ▶ When to file – Fiscal Year in Club Bylaws
  - ▶ If you use a fiscal year (tax year ending on the last day of any month other than December), your return is due on or **before the 15th day of the fourth month after the close of your fiscal year**
- ▶ Who is required to file a 1099?
  - ▶ Form 1099-NEC must be filed if **a business paid a non-employee \$600 or more in the tax year**. A non-employee might be an independent contractor or any person hired on a contract basis to complete work, such as a graphic designer, writer, or web developer.
- ▶ What is a 990-t filing?
  - ▶ Exempt organizations use Form **990-T** to: Report unrelated business income. ... Claim a refund of income tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed long-term capital gain.
- ▶ What is difference between 501c and 501c3?
  - ▶ Difference Between 501c and 501c3

**Both types of organization are exempt from federal income tax**, however a 501(c)3 may allow its donors to write off donations whereas a 501(c) does not.



# Resources

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- ▶ What is a W3 tax document?
  - ▶ The W-3 **form**, officially the Transmittal of Wage and **Tax** Statements, is a summary for the SSA of all the business' employee wages and contributions for the previous year. This summary **document** provides a quick overview of the W-2 forms that are attached and sent with the **form**
- ▶ What is a W2 form
  - ▶ W-2 tax form shows the amount of taxes withheld from your paycheck for the year and is used to **file** your federal and state taxes.
- ▶ What is a W9
  - ▶ What is the purpose of a W 9 tax form?
  - ▶ Use **Form W-9** to provide your correct Taxpayer Identification Number (TIN) to the person who is required to file an information **return** with the IRS to report



# CLUB QUESTIONS/CPA RESPONSE

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QUESTION: 990-T - does the club need to file this for revenue received from raffles for Sleds, ATVs, Trailers, etc / items of significant value\$ (Exempt organizations use Form 990-T to: Report unrelated business income)

CPA response: I am making the assumption that the raffle of these items is fundraising for the club and if this is the case, it is not taxable for the 990-T. The 990-T is for earned income outside the purpose of the club. For example, if the club owned real estate and rented an apartment out. The rent would be includable in the 990-T as it has nothing to do with the purpose of the club.

QUESTION: 1099G - Does the club need to issue 1099G to the winning recipient of a sled, trailer, ATV or any item of significant value \$

CPA RESPONSE: Yes

QUESTION: For the two items above (990T and 1099G) - if yes, what is the \$ value required to care for these items

CPA RESPON: Any value, no limit

QUESTION: 1099 - Do clubs need to issue a 1099 for contractors who's labor is >600.00 but they are NOT incorporated

CPA RESPONSE: Yes, they do

QUESTION: What method/form should a club file - requirements/thresholds for each option - general guidelines

CPA RESPONSE:

- 990-N e-postcard Gross receipts are normally \$50,000 or less
- 990 EZ can filed if gross receipts are less than \$200K and assets are less than \$500K
- 990 – All that do not qualify for 990-N or 990 EZ



# CLUB QUESTIONS/CPA RESPONSE

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QUESTION: Clubs which have contractors doing trail work for them - should they require the contractor to show proof of insurance?

CPA response: Clubs should require a W9 and proof of insurance from contractors

QUESTION: Contractor bills for labor and parts, Example: excavating and provides the culvert - how should the club handle this?

CPA response: Club issues 1099 for labor only (separate cost of culvert/parts)

QUESTION: If a club is currently making changes to bylaws, policy, updating the State of VT and IRS - how will it effect the audit?

CPA response: Absolutely, Let the CPA and VAST know what you are doing - being proactive will not negatively impact your audit

QUESTION: Should all clubs have BOND Insurance for Grant \$ (USDA requires it)

CPA response: Yes

QUESTION: What are the retention requirements (years) are for hanging onto receipts, checks, etc?

CPA response/Cindy: 4 years



# Resources – Secretary of State

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Secretary of State – Club is registered and is in Good Standing

- ▶ <https://bizfilings.vermont.gov/online/Home/>

As a business entity **registered with the state of Vermont**, the business entity must maintain its **good standing** for as long as it does business in Vermont.

- ▶ What does it mean to be in good standing with the Office of the Secretary of State?
  1. Your **required annual/biennial report** or **renewal filings** are up to date.
  2. Your registered agent, registered office (physical business address of agent), and agent's **mailing address** are up to date.
  3. Your principal office (the business's physical address) and **business mailing address** are up to date.
  4. Your principal personnel (i.e. **officers, directors**, managers, members, or partners as applicable) are up to date.




# Resources –Secretary of State - Example

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## ONLINE SERVICES





**One Click Annual Report Filing**  
(no login required)  
No Change Only


 **File Your Annual/Biennial Report**


 **Start or Register Your Business**


 **Renew Your Trade Name**


 **File Business Amendments**


 **File UCC lien**


 **Change your Registered Agent**


 **UCC Search**


 **End Your Business**

 **Business Search**

 **Obtain Certificate of Good Standing**

 **Trademark Search**

 **Verify Certificate of Good Standing**

 **Temporary Officiant**

## Express Search

I would like to search by:

☒ Starts With ☐ Exact Match ☐ Contains

☒ Business Name:

Lunenburg

☐ Show me similar sounding business names

☐ Business ID:

☐ Filing Number:

**Note:** This is different from a File Number

☐ Previous Business Name:

## Business Information

### Business Details

**Business Name:** LUNENBURG POLAR BEARS SNOWMOBILE CLUB

**Business ID:** 0043281

**File #:** N02214

**Business Type:** Domestic Non-profit Corporation

**Business Status:** Active

**Date of Incorporation / Registration Date:** 04/13/1973

**Business Description:** SNOWMOBILE CLUB

**Principal Office Business Address:** 517 S LUNENBURG RD, LUNENBURG, VT, 05906, USA

**Principal Office Mailing Address:** P.O. Box 164, LUNENBURG, VT, 05906, USA

**Citizenship / Domestic Jurisdiction:** Domestic/VT

**Last Annual Report Year:** 2021

**Last Report Filed:** 04/23/2021

**Next Filing Due Date:** 01/01/2023

### Principals Information

#### Name/Title:

Gregg Williams/President

Richard Santaw/Vice President

Dana Nason/Treasurer

#### Physical Address:

Baptist Hill Road, Lunenburg, VT, 05906, USA

P.O. Box 171, LUNENBURG, VT, 05906, USA

P.O. Box 121, LUNENBURG, VT, 05906, USA



# IRS Filings

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7/20/2021 UPDATED: October 25 2022

P Compantik/VAST Treasurer

- ▶ **Question: Are all clubs required to file with the IRS?**
- ▶ **CPA Response: You are required to file some version of a 990.**
  - ▶ **990, 990-EZ or E-Postcard**



# Resources – IRS/Federal

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IRS – Clubs filings are current

► <https://apps.irs.gov/app/eos/>

## ⊖ Search by Employer Identification Number (EIN) or Organization Name

The information on the organizations are produced from computer records and is subject to certain limitations, particularly in the format and arrangement of the entries.

### Searching by EIN

- The dash after the first two digits is optional for entering the employer identification number (EIN)

### Searching by organization's name

- Fields are not case-sensitive.
- Include the entire or part of the name in quotation marks. For example, to search for Anytown General Hospital, enter "Anytown General Hospital" or "Anytown General".
- Avoid common words such as "the" or Foundation.
- Organizations are listed under the legal name or a "doing business as" name that are on file with the IRS. Common or popular names of an organizations are not on file.
- In the Publication 78 data, "doing business as" names of organizations are not listed.

Note: If you are not getting the result you want, try sorting by city, state or zip.



# Resources – IRS/Federal

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IRS– Club filings are current

► <https://apps.irs.gov/app/eos/>

## Results for Tax Exempt Organization Search

Select Database ⓘ

Search All

Search By ⓘ

Organization Name

Search Term ⓘ

West Windsor Moon

City

Enter City

State

VT

Country

United States

Search

Reset

[Search Tips](#)