

East Bde Maka Ska Neighborhood Association Audit Policy

I. Purpose

This policy provides an overview of East Bde Maka Ska Neighborhood Association (“the Organization”) requirements for internal and external periodic review of the fiscal health of the organization.

The Board of Directors must execute the fiduciary duties (duty of care; the duty of loyalty; and, the duty of obedience) to the nonprofit corporation in all aspects of its governance. The Board has all the powers given by state law which are necessary and appropriate for governing the Corporation. This includes an affirmative duty to ensure the fiscal health of the Organization and compliance with state and federal laws that apply to nonprofits.

II. Audits

An audit reviews an organization’s financial transactions and management decisions made within a specific period of time, usually the organization’s fiscal year, to determine:

- If an organization’s financial statements fairly represent the financial position of the organization.
- If the organization is complying with applicable legal requirements and, in some instances, restrictions imposed by funders (for example, the City of Minneapolis).
- Whether the organization is operating according to sound financial management principles.

In the event state or federal law requires it, the Organization will procure an independent audit. This is an examination of the financial records, accounts, business transactions, accounting practices, and internal controls of the Organization an "independent" third party auditor hired for this purpose.

III. Internal Reviews

Regardless of the legal requirement to conduct an independent external audit, the Board will ensure that periodic internal reviews are conducted to ensure the Organization:

- Conducts its operations in a manner consistent with its charitable purposes;
- That it files all required paperwork; and,
- That it does not engage in activities that could jeopardize its tax-exempt status.

The periodic reviews will, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits and vendor payments are reasonable, based on competent survey information, and the result of arm’s length bargaining;

2. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in private inurement, impermissible private benefit or in an excess benefit transaction;
3. Whether the Corporation is properly filing annual paperwork with the IRS (including the Form 990) and certain state agencies for charitable solicitation registration; corporate entity registration; unemployment insurance; sales tax revenue reporting; income tax reporting; or social security administration, etc.
4. Whether the Corporation is compliant with state and federal fundraising regulations and industry best practices.

IV. Books & Records

In order to facilitate the above, the Organization will keep its books and records of accounting in a form that is auditable.

Specifically, the Organization will:

1. Adopt financial policies and procedures and internal controls.
2. Maintain supporting financial documentation for individual transactions in a manner that lends itself to audit testing and record preservation.
3. Utilize commercially recognized accounting software (i.e., QuickBooks Online).
4. Adopt nonprofit specific Financial Accounting Standards Board (FASB) and Generally Accepted Accounting Practices (GAAP) accounting methodology to ensure presentation of financial information in a transparent way that adheres to nonprofit-specific rules.
5. Utilize the services of a qualified professional for maintenance of books and accounts, production of regular financial statements (balance sheets, income statements, budget reconciliations, etc.).
6. Utilize the services of a qualified CPA for production of tax filings.

Approval & Adoption

Approved and adopted by a vote of the Board of Directors at a properly conducted meeting.

Approved by the Board of Directors on September 9, 2021