

LBT10 TAXPAYERS ASSOCIATION INC.

**AUDIT COMMITTEE REPORT TO THE BOARD OF TRUSTEES
FOR 2024**

October 16, 2024

To: The Board of Trustees

From: John Reilly, Leader of the Audit Committee

Summary: In accordance with the attached **AUDIT COMMITTEE PROCESS**, on September 28, 2024, the LBT10 Audit Committee conducted its 2024 annual review of: (1) the processes by which financial transactions are concluded, documented, and recorded in the financial statements; and (2) the conduct of key operational activities.

Based upon our review, the Audit Committee has determined that the financial processes and conduct of key operational activities are being performed in a manner that is in accordance with the By-Laws, and is adequate to preserve the assets of, and to avoid unintended liabilities and risks to, LBT10. Further, the financial statements prepared by LBT10 fairly present the financial position and changes in net assets for the reporting periods.

It should be mentioned that our determination is based on the following understanding. It is recognized that due to practical considerations and limitations, formal and comprehensive internal control and internal check processes cannot be implemented. Therefore, it is critical that the following adopted practices be maintained:

- (i) Frequent reconciliation of the Cash Receipts from Member Dues reported in the financial records with that information contained in the Membership Listing as maintained by the Vice President-Membership.
- (ii) Approval (before payment) or ratification (after payment) by the Board of Trustees of expenditures.
- (iii) Tracking of the Actual v. Budget Cash Receipts and Disbursements as reported to the Board of Trustees.

Committee Members: John Reilly, Leader and Trustee; Alice Howarth, Member; Rich Malesich, Member; and Steve Salvati, Treasurer.

Conduct of the Review: In the review, Steve presented the various document volumes and key Excel spreadsheets (on screen) that have been developed since the inception of LBT10's operations. Then, following the attached **AUDIT COMMITTEE PROCESS - Audit Program**, he walked the Committee through the contents of these items and explained why they were

developed and how they are used. Particular emphasis was placed on describing the Cash Receipts and Disbursements transactions forms and related processes; the frequent book v. bank account reconciliation; the approval or ratification by the Board of Trustees of the expenditures on a monthly basis; the preparation of the financial statements; the tracking of actual v. budget Cash Receipts and Disbursements; the frequent reconciliation of the Member Dues as reported in the financial records with the Membership Listing as maintained by the Vice President – Membership; the income tax and sales tax exemptions; the government reporting compliance; and the record retention and retrieval. There was considerable and worthwhile discussion among the Committee Members in this review.

Respectfully submitted on behalf of the Audit Committee:

John Reilly, Leader

cc: Alice Howarth
Rich Malesich
Steve Salvati

Att.

LBT10 TAXPAYERS ASSOCIATION INC.

AUDIT COMMITTEE PROCESS

Note on NJ Law requirements for audits of financial statements of not-for-profit organizations registered with the Charities Registration office of the Attorney General (as is LBT10): An audit and certification of the financial statements of the organization by an independent Certified Public Accountant is required if the annual gross revenue of the organization exceeds \$1,000,000. If the annual gross revenue of an organization is less than \$1,000,000, but more than \$25,000, an audit and certification of the financial statements of the organization may be conducted by the president or a designated officer of the organization. There is no audit and certification requirement for an organization with annual gross revenue of less than \$25,000, which is currently the case for LBT10. However, in the interest of good organizational governance and transparency for our Membership, LBT10 has decided to perform an annual audit, as described below.

A. Purpose: The purpose of the Audit Committee is to perform an annual review of:

1. The processes by which financial transactions are concluded, documented, and recorded in the financial statements; and
2. The conduct of key operational activities,

For the purpose of assuring that these functions are being performed in accordance with the By-Laws, and in a manner designed to preserve the assets of, and to avoid unintended liabilities and risks to, LBT10.

B. Audit Committee Members: The members of the Audit Committee shall include: One (1) Trustee (who is not the current President, Secretary or Treasurer), the Treasurer, and two (2) Members of LBT10.

C. Audit Program: In summary, the Audit Committee shall make its review in accordance with the following general program:

1. **Financial Transactions:** Review the processes by which the following financial transactions are concluded, documented, and recorded:
 - a. **Cash Receipts** from Member dues, whether received by check, cash, VENMO or Square, and from other sources.
 - b. **Cash Disbursements** for expenditures, whether paid by check, credit card or VENMO.
 - c. **Reconciliation** of the TD Bank statement cash balance to cash balance on the financial statements.

- d. **Preparation of the Financial Statements** as reported to the Board of Trustees and the Membership.

2. Key Operational Activities: Review the conduct of the following activities:

- a. **Tracking** of Actual Revenue and Expenses to the Budget as reported to the Board of Trustees and the Membership.
- b. **Board of Trustees** approval or ratification of expenditures on a monthly basis.
- c. **Reconciliation** of the Cash Receipts from Member dues reported in the financial statements with that included in the Membership Listing maintained by the Vice President of Membership.
- d. **Government Reporting Compliance:**
 - i. NJ Annual Report filing;
 - ii. IRS Form 990 filing;
 - iii. NJ Charities Registration filing; and
 - iv. NJ Sales tax exemptions for qualifying purchases.
- e. **Record Retention and Retrieval:** Use of iCloud and External Hard Drive to store documents for retention and retrieval.

D. Timing of Audit Committee Review: The Audit Committee shall make its review on an annual basis to be completed by November 30.

E. Report to the Board of Trustees: Upon the completion of its review, the Audit Committee shall present a report to the Board of Trustees, which summarizes the scope and findings of its review, and any recommendations that it may have. Upon acceptance of the report by the Board of Trustees, the report shall be posted on the LBT10 website for the Membership to view.