

American Darts Organization

Chief Financial Officer's Report

Winter Meeting 2016 – January 21, 2016

Prepared by: Jeff Inman, Chief Financial Officer



Summary

During my first few weeks as CFO, my primary focus has been on working with our Office Manager, Katie Harris, to ensure our payroll and 1099 reporting are taken care of. This includes issuing 1099's and W-2's as well as preparing a year's worth of payroll tax returns. This is a work in process but I'm confident we can get everything completed and out the door by month's end.

In addition, I've been busy assessing the ADO's current status with the IRS and developing a plan to make sure we get caught up with any outstanding tax filings and tax liabilities. Also a top priority is developing a plan to convert our current "accounting system" into Quickbooks.

Assessment of the ADO's Current Accounting Practices and Legal/Tax Issues

Without getting into too much detail, here is what I think are the biggest opportunities for the ADO to improve its internal accounting controls and to begin addressing outstanding IRS issues:

- 1) **Improving Our Accounting System.** Currently our accounting system is mainly an excel based one where checks are issued manually. We currently do not utilize an accounting software package (such as Quickbooks). Our current accounting system is inefficient, putting unnecessary strain on our current office staff. The lack of an effective accounting system makes simple tasks (such as issuing payroll checks, producing periodical financial statements, issuing 1099's, etc.) much more difficult (and prone to errors) than it needs to be. **Proposed Solution:** We need to purchase Quickbooks and either train our current officer manager or hire an outside bookkeeper to handle our day-to-day bookkeeping. There will be some upfront effort to get our system set up, but once we do, many of the problems will begin to take care of themselves.
- 2) **Revocation of Nonprofit Status.** I cannot underestimate the danger of operating the ADO without the protections provided by nonprofit status. Income tax and legal exposure will exist as long as we continue to operate without our nonprofit status intact. From what I can tell, we appear to be delinquent on the last several years of our Form 990 filings with the IRS. This is what led to our nonprofit status being revoked (it only takes three years of non-filing before automatic revocation by the IRS occurs). **Proposed Solution.** The IRS provides a process whereby an organization can get retroactive reinstatement of its nonprofit status. However, in order to do so, we must be current on all our tax filings and, in our case, provide reasonable cause to the IRS as to why our previous returns were not timely filed. This will not be easy, but we need to begin the process.
- 3) **Lack of Historical Books and Records and No Financial Statements for the Last Several Years.** Before this becomes a major problem, we need to make the effort to organize our last several years of accounting records, at least to the point where we can file prior tax returns. This is something that we simply must make a priority as an organization. **Proposed Solution:** I will be working with Katie to do our best to create reasonable financial statements (and tax returns) for all open years. This will take a great deal of effort and will not happen overnight. But we need to make this a priority and should also consider the need to engage an attorney to assist in this process.

There are many other items that I'm sure will be areas that will require mine and the rest of the Board's attention, but I feel these are the three most important items that we need to keep as a very high priority.

Current Financial Situation.

As we progress through the process of organizing our prior year accounting records and implementing a new, automated accounting system, we'll have the tools to better assess our current financial condition, as well as be able to begin an annual process of budgeting each year.

Going Forward (the next few months)

Despite the many challenges that we currently face, I do have optimism that we'll not only get things back on track, but we'll build the tools and processes needed to enable the BOD and others within the organization to make informed, fact-based decisions, ultimately leading to a more proactive and effective national darts organization.

As mentioned before, it will take some time and effort. But I do feel comfortable in working through all of these issues with the help of the BOD and our Office Manager, Katie Harris, who has been a tremendous help.

I therefore am requesting from the BOD approval to retain Katie Harris for the next couple of months (through March 31), assuming of course Katie's availability will allow it. This will help in the crucial task of gathering the necessary historical accounting and tax records needed to piece things together and at least make an earnest attempt to get back on track with the IRS.

In any event, I look forward to working with everyone associated with ADO over the course of the coming months and years. If anyone has any questions or comments regarding this report, please let me know.