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I. INTRODUCTION

Conducting a periodic audit of the financial condition of the lodge is critical in promoting good governance and management.

With a thorough review, and resulting completion of the D17 Financial Statement, the members are ensured that:

- The system of financial internal controls within the lodge is adequate.
- Financial procedures are efficient and effective.
- There is compliance with financial policies and procedures*.
- There is fair and accurate reporting of financial transactions.
- The lodge's financial integrity is maintained.

*Under the constitution, the financial secretary receives all lodge money and turns it over to the treasurer who deposits it into the appropriate lodge accounts. In lodges that have a membership secretary instead of a financial secretary, all money goes directly to the treasurer. The treasurer is to maintain a cashbook that sets forth an accurate and detailed account of funds received. No payments from any of the funds are to be made unless authorized by the lodge.

II. PURPOSE OF AN AUDIT

An audit is conducted in order to:

- Verify that the financial statements prepared by the treasurer, together with the financial secretary (*if applicable*), and treasurer's books of account and records of financial transactions on behalf of the lodge, are true, correct, and complete.
- Detect and recommend correction of errors.
- Verify funds have been transferred through the appropriate and correct channels (*e.g., membership, insurance, Foundation, etc.*).
- Assure the membership that the lodge's resources and funds are being managed in a businesslike manner within the regulations established for their use.

III. MAKE-UP OF AN AUDIT COMMITTEE

When electing officers, the lodge should select a standing auditing committee of at least two persons, or alternatively a certified public accountant or public accountant can be appointed to conduct the audits. It is suggested that the auditing committee be made up of impartial members, with financial/accounting knowledge, who are not related by blood or marriage or residing in the same household as the president, financial officers, check signer or any other person who handles funds within the lodge.

IV. DUTIES OF THE AUDITING COMMITTEE

The committee examines the financial statements and verifies year-end bank and investment balances together with a review of receipts and disbursements reported by the treasurer. Accounts should be audited every 12 months or at other times if so required by the lodge.

The auditing committee should also audit all committee reports containing financial accounts before they are adopted.

V. COMMITTEE REPORTING REQUIREMENTS

By mid-January of every year, Financial Statements (D17) are mailed to lodge treasurers from Sons of Norway Headquarters. This form is also available under lodge forms in the members' section at www.sonsofnorway.com. Used to report the previous year's financial activity, this form needs to be completed by the treasurer, in consultation with the financial secretary, if applicable. After review by the auditing committee, it needs to be returned to Headquarters by March 1.

In addition, the audit committee should make a report to the lodge any time they conduct an examination.

VI. AUDITING GUIDELINES

These guidelines are designed to assist the auditing committee in its annual audit of the D17 Financial Statement. The treasurer and financial secretary, if applicable, should be present when the audit is conducted.

A. AUDIT OF BALANCE SHEET ACCOUNTS

1. Request bank statements and investment statements (*if applicable*) from the treasurer.
2. Reconcile bank account balances with the balances shown on the Balance Sheet lines under ASSETS on the Financial Statement (D17).
3. Reconcile investment account with the balances shown on the Balance Sheet lines under ASSETS: "Cash on hand " thru " Other."
4. Investigate any differences between the bank and investor statements and the financial statement balances.
5. Verify the balance of any LIABILITY in the Balance Sheet section.
6. Investigate any unusual or inappropriate bank or investment accounts.

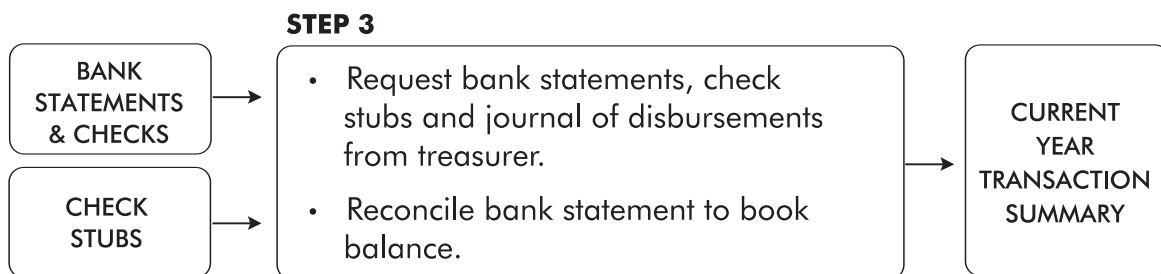
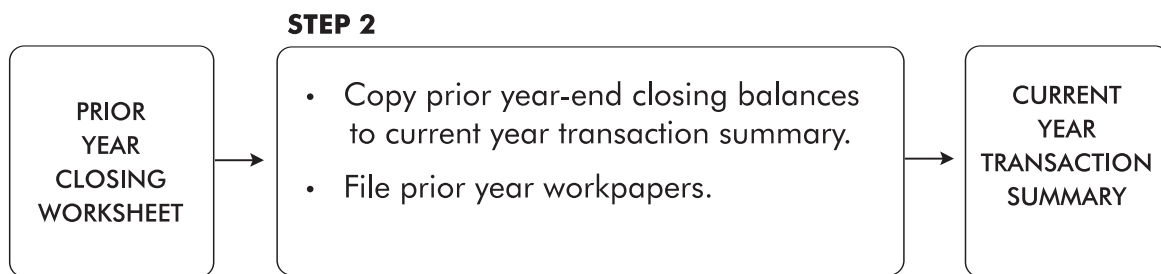
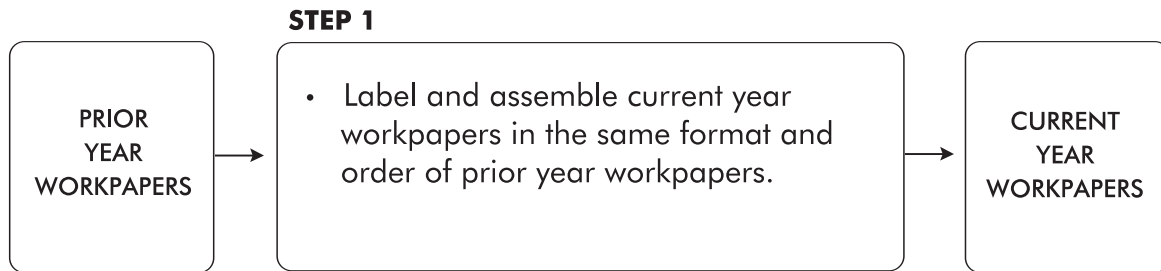
B. AUDIT OF INCOME AND EXPENSE ACCOUNTS

1. Request check stubs, deposit book and journal of receipts and disbursements (*if applicable*) from the treasurer.
2. Reconcile receipt total.
3. Reconcile disbursement total.
4. Select two months (*random*) of the year, and trace each deposit and check to the journal of receipts and disbursements. For larger lodges, select a representative sample.
5. Assure that all observed receipts and disbursements are appropriate as to the stated purposes of Sons of Norway. (*Receipts or disbursements not in accordance with the Charter and Constitutions could jeopardize the tax exempt status of the organization.*)

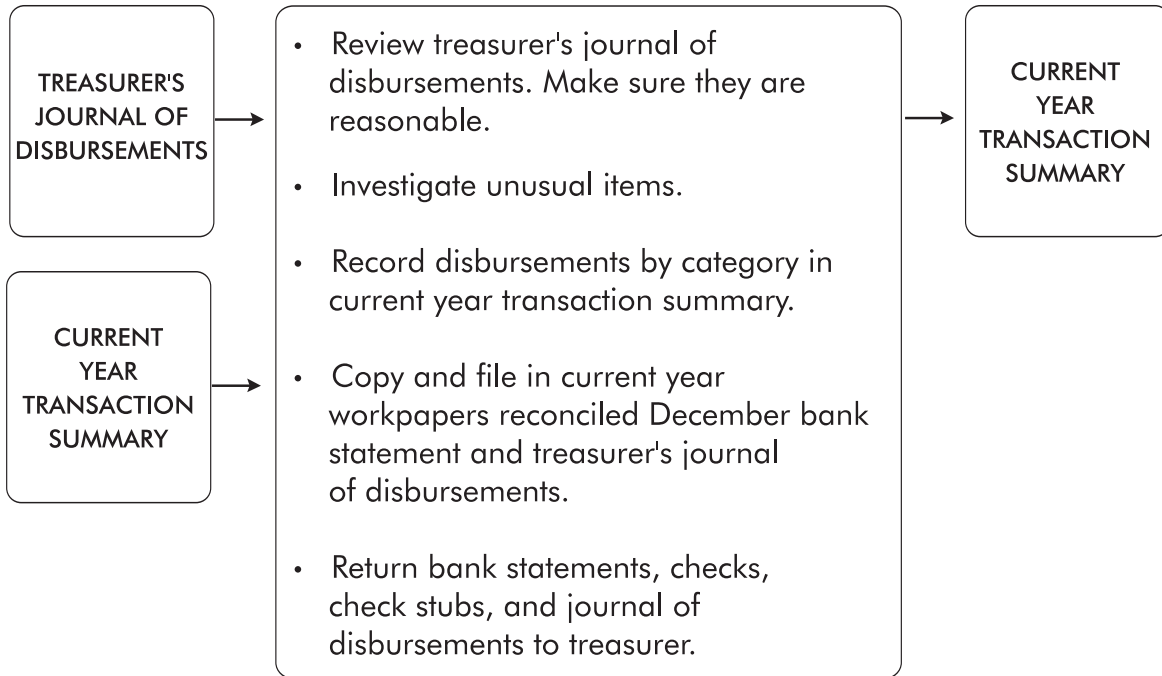
C. IRS FORM 990/990T

For lodges in the United States, the auditing committee should make certain that IRS Form 990 or 990T has been prepared, if required. The committee should refer to the annual memo from Sons of Norway General Counsel for filing requirements.

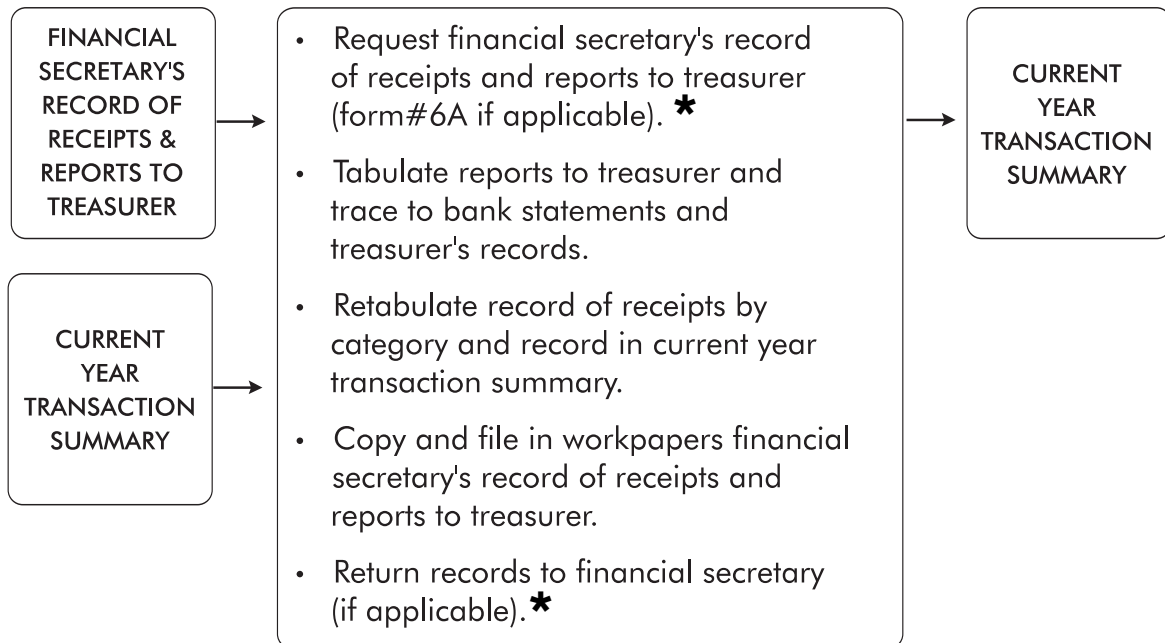
VII. PROCEDURES FOR ANNUAL REPORTING



STEP 4

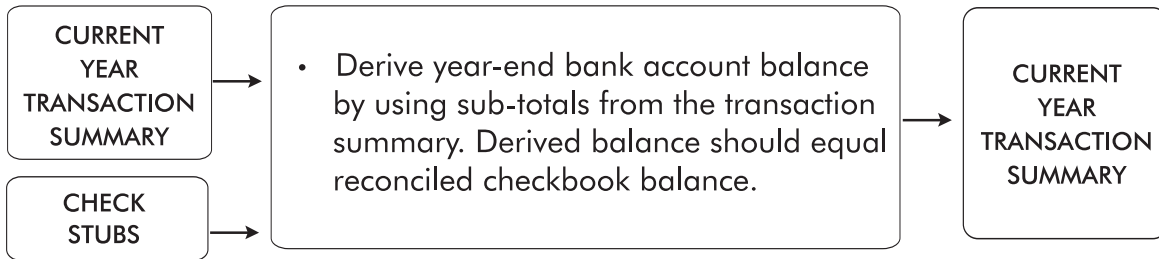


STEP 5

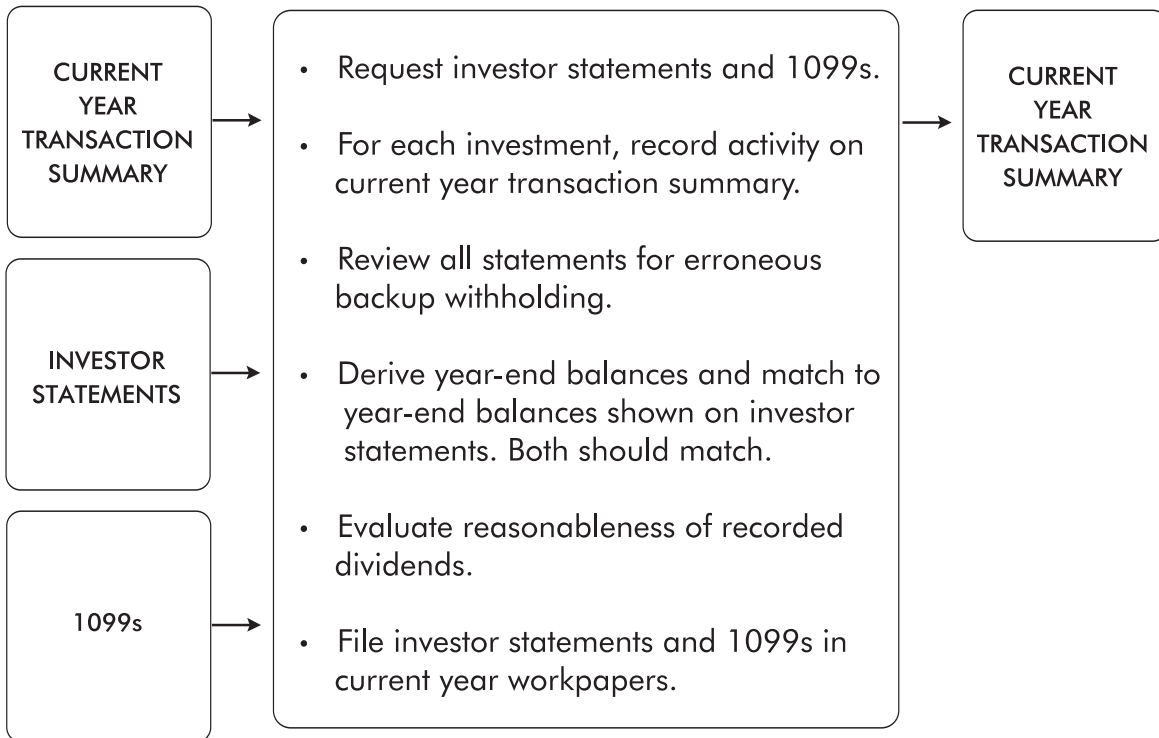


* For lodges that have a financial secretary rather than a membership secretary.

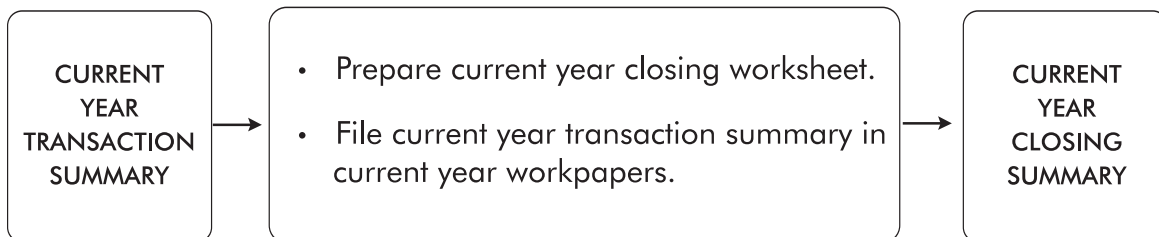
STEP 6

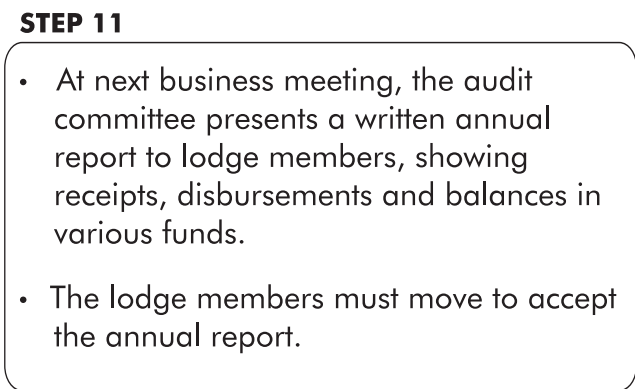
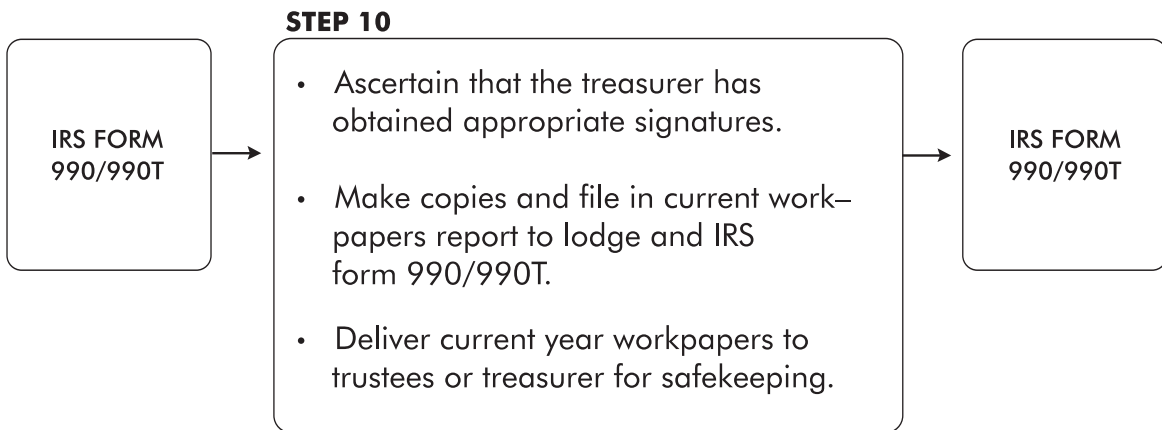
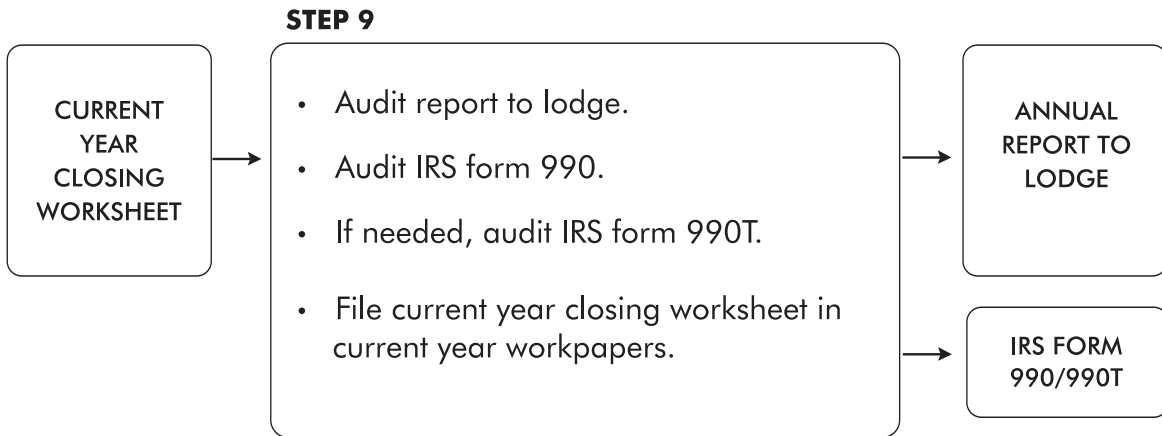


STEP 7



STEP 8





VIII. CONCLUSION

Annual audits should be part of a preventative “financial” health plan for every lodge, regardless of how big or small the budget is. Periodic reviews of the lodge’s financial condition, with corresponding reports to the membership, provide assurance that resources of the lodge are being handled appropriately. Minor problems can be identified and corrected before they become major. In addition, such oversight can also contribute to increased confidence in lodge leadership.

