ACCOUNTING AND FINANCIAL STATEMENT REQUIREMENTS

The bylaws of Shriners International, an Iowa Corporation, contain various requirements as to accounting and financial reporting. This addendum has been prepared to supplement the bylaws requirements. Because of their numerous and diverse activities, many questions confront temples concerning accounting requirements. The American Institute of Certified Public Accountants Industry Audit and Accounting Guide "Not-for-Profit-Entities" contains comprehensive guidelines to accounting and reporting practices for fraternal organizations.

All funds under the control of the temple, charitable or otherwise, and all activities, including circuses, and all funds and activities of the units of the temples, should be included in the temples' financial statements. When the corporation is a separate legal entity, such as a temple holding corporation, the financial statements should be presented in a combining format which shows in columnar form the separate entities and then presents a combined total.

Temple units are not permitted to maintain funds which are not under the control of their temples. In certain cases, such as where the units maintain records and do not keep them at the temple office, the independent accountant may not believe, from a practical standpoint, that he is in a position to audit/review the funds. In such cases, the temple’s financial statements should be prepared without the units’ funds. Appropriate disclosure that such funds exist and are excluded should be contained in the notes to the financial statements. Even though such funds may be excluded from the temple's audited/reviewed financial statements, such funds must be included in the temple's annual reports to the Internal Revenue Service.

Temple shrine clubs and units also have required financial reporting per Shriners International Bylaws.

Per bylaws Section 336.3: “Every temple unit must, at the end of each calendar year, complete the Report of Shrine Clubs and Temple Units form and file it with the temple recorder before the first day of February following the end of the calendar year.”

Per bylaws Section 337.8: “Every shrine club is required to have its annual financial report reviewed by a committee selected by the potentate at the close of each calendar year. In addition, every shrine club must, at the end of the calendar year, complete the Report of Shrine Clubs and Temple Units form and file it with the temple recorder before the first day of February following the end of the calendar year.”

The accrual basis of accounting is required for all temples. Financial statement formats with sample notes to financial statements and examples of supplementary financial information are included on pages 14-28. These formats
are required to be followed by all temples.

Per Section 334.6 of the bylaws: Every temple is required to have its financial statements and those of its affiliated and appended corporations, including temple holding corporations, reviewed in accordance with U.S. standards for reviewed financial statements, by a certified, chartered or licenses public accountant selected by the temple at the close of each year. (In no case are “Compiled” or “Internally Prepared” statements permitted.) If the temple is not located in the U.S.A., the review is limited to those procedures normally performed in the conduct of its country’s review. However:

(1) The Imperial Potentate, may, for good cause, order a temple to have an audit instead of a review.

(2) A temple may, by its bylaws, require an audit instead of a review.

(3) A temple may, at a stated or special meeting, require an audit instead of a review.

An engagement letter is required to be signed with the temples’ independent accountants prior to the beginning of the examination, which establishes the responsibility of the accountants and of the temples’ board of directors as regards the audit/review of the financial statements of the temple. An example (see pages 30-33) is included that acknowledges, among other things, the requirements of the independent accountant to comply with these financial and reporting requirements. Any engagement letter entered into with an independent accountant must include the items identified in the example.

A representation letter should be furnished to the independent accountant at the completion of his examination. The actual representation letter furnished the independent accountant must, at a minimum, be signed by members of the board of directors responsible for the day to day operations of the temple and include all items identified in the example (see pages 34-36).

A uniform chart of accounts for Shrine Temples is available to assist the temples with their financial reporting. The chart may be used with some flexibility in that it is not necessary for the temple to maintain all of the detail expense accounts that are set out in the chart. The temple may also add accounts as necessary (see pages 3-13).

**NOTE:** Bylaw Section 334.6 (a) requires that a certified, chartered or licensed public accountant must be selected by the temple at the close of each year.