

CPA Answers to FRRS 990, Reporting and Reimbursement Questions / Allegations

– Eugene Vicknair, Secretary – FRRS

In the course of this election cycle, the “SOS” group of members have made numerous comments and statements concerning the finances of the FRRS.

After I received questions from Robert Reininger which he also posted to an on-line email list, I queried the CPA who prepares the annual Form 990s for the FRRS. I was also able to speak with him about several other issues which have been raised, including statements of improper financial documentation and reimbursements.

Some background: Our CPA, Chad Hoelsing, is also a California tax lawyer with over 30 years of non-profit experience. He has been working with us since, I believe, 2010. He handles tax and accounting work for over 50 non-profits.

The responses from our CPA:

The questions concerning our 2013 Form 990:

“1. Line 11b Legal (under fees for service) reports no cost. Does this mean that the society did not have any legal fees?”

- We had \$1,500 in legal expenses in 2013

2. Line 23 Insurance reports no cost. Does this mean that the society did not have any insurance costs?

- We had \$35,000 in insurance costs in 2013

•
3. Line 24 Other expenses. Item a. “Administrative Support” reports \$82,556. What is the breakdown for this expense item?

- There are several items under Admin support. As mentioned there were the legal and insurances costs. The other main item was \$12,000 in professional support (which were our payments to our

bookkeeper), about \$5,000 in bank service charges (credit card fees, use fees, etc.), \$4,200 in advertising and other smaller fees for taxes, etc. All are available in the Profit and Loss Year end financial statement which Mr. Reininger received.

Our CPA confirmed to me that his office places all the Admin expenses in the one line for time savings and cost savings, rather than breaking them out. He also stated that this is perfectly acceptable to the IRS and does not present anything improper. To break out the items would cost more money and take more time in preparation.

4. Under Governance, Part VI, Section A, Line 2 regarding relationships, you report “No” indicating that there are no family or business relationships between any officers, directors or other key employees. Is that answer a mistake?”

- This appears to have been caused by a mis-communication and has been corrected. Our CPA stated that this item is not a big deal and characterized any claim that it represented an issue as “petty”.

He also had some information on a few other items, including the alleged “illegal” compensation to President McClure in 2011 and Gail McClure last year.

He informed me that there is NOTHING illegal about reimbursement, or even compensation, even if the by-laws say no compensation for officers. He stated that the Board did nothing improper. Legally, the Board has authority to do what it deems is necessary depending on the circumstances that the business of the Society demands in such cases. There is also no violation of any state law with the reimbursements presented to any of our officers (i.e.: mileage, expenses, etc.)

The statement of not preparing the proper financial paperwork. Specifically, there was the statement that we need to prepare the

following:

- Statement of Financial Position
- Statement of Activities
- Cash Flow Statement
- Statement of Functional Expenses

Our CPA did a quick review of our current documents and informed me that we already do two of these every month:

- A Statement of Financial Position is the same as our Balance Sheet. There is no functional difference, just a different name.
- A Statement of Activities is the same as our Profit and Loss Statement. Again, no functional difference.

On the other two:

- Cash Flow Statement – There is no law that requires this from a non-profit except during an audit. He stated that there is no law or practice requiring such a statement from a non-profit in regular practice.
- Statement of Functional Expenses – There is no law that requires this from a non-profit either except during an audit. To do these statements would cost extra money, would be of limited value to our organization in his opinion, and would duplicate some of the function of the 990.

Summary, we already provide two of these and the other two are not required except in specific terms of an audit.

He informed me that he has no problem with any of the records we have ever presented him, that they are very well presented and when there have been questions they have been handled quickly. As mentioned above, his firm deals with over 50 other non-profits and, in his opinion, we keep and provide much better records than many other non-profits they work with.

OVERVIEW of Election Legal Issues and Timeline – FRRS Counsel David Ludington

Dear Feather River Rail members:

Now that the dust has settled, I would like to set the record straight regarding the lawsuit brought by James Mason, Debra Baer, William Meeker and Robert J. Reiningger against the FRRS and Eugene Vicknair in his capacity as Secretary. First, let me emphasize that I represent the Board of Directors and cannot take sides when there is a squabble amongst the Directors. As the board's attorney, I was tasked with defending the Board and Eugene Vicknair in the lawsuit. I do not represent Rod McClure or any other Director in an individual capacity - he was not named in the lawsuit, so I do not represent him in his capacity as President of the Board at this time, any more than I represent the entire Board.

A little background is necessary to understand what precipitated the lawsuit. FRRS'S Nominations and Elections policy reads in pertinent part as follows:

(J) Each candidate may, at their option, provide to the Committee, no later than the second Monday in February, any information statement. These statements shall be separate from the ballot but mailed with the ballot to each eligible voter (with the ballot mailing). These statements shall include membership number, date of becoming a member, previous offices and positions held in the corporation for each candidate.

(K) ... Each candidate or members submitting a statement will be responsible for the cost of the printing of said statement. Likewise, in the event it becomes necessary to use a mailing service, the fees from any mailing service shall be similarly prorated. The Committee may require an advance deposit of the prorated share of the costs prior to the printing and assembly of the ballot mailing. Currently there is a flat rate charge of \$100.00 (subject to change, due to printing costs) for the inclusion of the candidate's statements, the cost of which is to be borne by that candidate him/herself. Any candidate submitting a statement shall be required to submit the payment at the time the