

## **BASIC FINANCIAL REVIEW TOOL (2023 BOOKS)**

### **PLEASE COMPLETE DURING 2024 FOR THE 2023 BOOKS**

Almost every day we see news articles about churches or other non-profit organizations that are coming under suspicion of misuse of non-profit, tax-exempt funds. Part of your Presbytery's role is helping our churches remain above suspicion when it comes to financial matters--without creating unnecessary burdens for the local church.

### **Constitutional Basis**

#### **Finances (G-3.0113)**

Each council shall prepare and adopt a budget to support the church's mission within its area. A full financial review of all financial books and records shall be conducted every year by a public accountant or committee of members versed in accounting procedures. Reviewers should not be related to the treasurer(s). [Terminology in this section is meant to provide general guidance and is not intended to require or not require specific audit procedures or practices as understood within the professional accounting community.]

#### **Finances(G-3.0205)**

In addition to those responsibilities described in G-3.0113, the session shall prepare and adopt a budget and determine the distribution of the congregation's benevolences. It shall authorize offerings for Christian purposes and shall account for the proceeds of such offerings and their disbursement. It shall provide full information to the congregation concerning its decisions in such matters.

The session shall elect a treasurer for such term as the session shall decide and shall supervise his or her work or delegate that supervision to a board of deacons or trustees. Those in charge of various congregational funds shall report at least annually to the session and more often as requested. Sessions may provide by rule for standard financial practices of the congregation, but shall in no case fail to observe the following procedures:

- a) All offerings shall be counted and recorded by at least two duly appointed persons, or by one fidelity bonded person;
- b) Financial books and records adequate to reflect all financial transactions shall be kept and shall be open to inspection by authorized church officers at reasonable times;
- c) Periodic, and in no case less than annual, reports of all financial activities shall be made to the session or entity vested with financial oversight.

#### **Full Financial Review/Audit Committee**

Many churches cannot justify the expense of an audit by an outside public accounting firm and so rely on the services of an "audit committee".

To help provide continuity, it is recommended that;

- a) an "audit committee" be provided for in the congregation bylaws, it include at least two, preferably three, members versed in bookkeeping and/or accounting procedures and principles, and,
- b) its members be elected by the congregation or appointed by the session for rotating terms. **Please make sure the members of the audit committee are not related to the treasurer, to each other, to the financial secretary, or to members of the finance committee.** If possible, try not to use active elders (or trustees, if the congregation has separate trustees).

## BASIC FINANCIAL REVIEW (2023 BOOKS)

**PLEASE COMPLETE DURING 2024 FOR THE 2023 BOOKS** (RETAIN COPY FOR YOUR FILES)

CHURCH CITY/NAME: \_\_\_\_\_

### **CONDUCTING THIS REVIEW [suggestions for the Session Audit Committee]**

- \_\_\_ 1. If the church was audited by an accountant or public accounting firm, attach a copy of their report along with any letter of opinion, recommendations, and appendices. **IF SO AUDITED, YOU DO NOT NEED TO COMPLETE THE INFORMATION BELOW.**

**IF NOT, PLEASE INCLUDE THE FOLLOWING WITH THIS COMPLETED FORM:**

- a **"balance sheet"** for all funds, showing the beginning balances, summary of receipts and disbursements by fund, and the closing fund balances;
- an **inventory of major assets and liabilities of the church corporation**, such as certificates of deposit, trust funds held by others, land and improvements, mortgages and loans (including mortgage/donation/grants).
- a **copy of the approved budget for the year** being audited. (Likely the same as those in the annual report; if desired, simply attach a copy of that report.) Attach comments & suggestions of the Review Committee.

*The following walks you through a general review; checkmark indicates completed. **For smaller churches, if the Treasurer has all materials ready (including all checks and check records) for the Review Committee, the following should take 3 people about 4 hours to complete; if it takes longer, you probably have more complex books, assets, or need an outside audit (larger churches will need proportionately more time.)***

<suggested sample sizes for churches under 200 members; above 200 should increase the sample size.>

- \_\_\_ 2. Compare previous years' reports and ending bank statement balances to insure no financial accounts or instruments were missed in this year's reports.
- \_\_\_ 3. Verify the year end reported balances for all bank, investment and similar accounts with original statements, investment reports and/or certificates of deposit, etc. {requesting a verification of each account balance from the banking institution is recommended.}
- \_\_\_ 4. Verify regular reconciliations of the checkbook/ledger/journal balances with the actual bank account balances. Compare reconciled balances to the balances reported to the finance committee, trustees, session, and/or congregation {Minimum sampling: 4 months.}
- \_\_\_ 5. Verify that; a) all monies were counted by two or more persons each week, b) that the offering counters' reports are signed and reconcile with the bank reported deposits for these dates, and c) that receipt records reconcile with totals reported to donors. {Minimum sampling: 12 weeks.}
- \_\_\_ 6. Verify internal controls, processes, financial systems and supporting documentation proving that designated and/or restricted funds were recorded as such in the accounting records, reported as such to the individual donor, and if disbursed that the amounts received were allocated in full or in part for the designated or restricted purpose. {Minimum sample: 1 Deposits/Month}

- \_\_\_ 7. Verify internal controls over purchases using credit card account(s) are documented and appropriate. {i.e., are purchases authorized appropriately, original receipts included for all expenses.}  
{Minimum sample: 6 Statements}
- \_\_\_ 8. Verify that payments were properly requested, authorized, documented and recorded (e.g., checks written sequentially, online/auto debit transactions recorded accurately compared to invoices). Verify that invoices are paid in a timely manner and that checks are authorized by signature(s) or other form of approval separate from the accounts payable processor and that the payee has properly endorsed the payments. {Minimum sample: 40 checks and/or electronic records of payment}
- \_\_\_ 9. Review payroll procedures, including: that minister(s) is/are paid according to the terms of call voted by the congregation; other employees are paid approved amounts; withholding is done in accordance with federal and state requirements and all forms (e.g. 941's) are filed in a timely manner; appropriate W-2's and/or 1099's are prepared and distributed for employees and contractors, including ministers; deposits of payroll taxes were made and paid in a timely fashion; etc. {Minimum sample 4 checks/person, 2 quarterly tax filings, and all year-end reporting/tax filings}
- \_\_\_ 10 Review and verify the contents of any lock box or safe {e.g., equipment inventory, original certificates of deposit, titles, deeds, insurance documents, mortgages, promissory notes, etc.}
- \_\_\_ 11. Verify that vouchers, invoices, bank statements, giving records, and canceled checks from (at least) the three previous fiscal or calendar years are available for reference.
- \_\_\_ 12. Verify that payroll records and tax reporting records are available for a minimum of seven years.
- \_\_\_ 13 Review the adequacy of the permanent documentation for bequests, endowments, and larger gifts, including the donor restrictions. (Are the terms of the gift recorded in session records, filed properly in the church office, printed with annual reports, etc.?)
- \_\_\_ 14. Confirm that financial systems in use by the church allow for the reporting of unrestricted, restricted, and/or permanently restricted balances (i.e., operating, endowment, building (capital) funds.)
- \_\_\_ 15. Verify that no real property (land) was sold, purchased, leased, or mortgaged without the prior approval.
- \_\_\_ 16. Verify liability, property, officers and directors, workers compensation, sexual misconduct insurance policies in force, with the properly named insured. {letter from the responsible church committee confirming sufficient coverage for each is in force is sufficient}

If this review was conducted by a committee of members, **please have the *audit committee* members sign below**, certifying that they each participated in the audit, that they agree with the results reported, that they are not related to the treasurer or treasurers, and that, in their judgment, the financial records appear to be an accurate presentation of the corporation's financial position. *{this becomes your financial review entered in Session minutes}*

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| _____<br>Printed Name | _____<br>Signature | _____<br>Date |
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