

## Eastminster Presbytery

### Annual Financial Review Tips & Templates

**Important Disclaimer** This checklist is provided to assist churches in fulfilling the requirement of Book of Order provision G-10.0400, 4, d. The Book of Order does not require that the annual review of the financial records of a congregation be conducted by a professional accountant or attorney. Completion of this checklist should satisfy the requirement of the Book of Order. The Office of Stewardship is not rendering legal, accounting, or other professional services. If accounting or legal advice is necessary or required, the services of a competent professional advisor should be sought. Copyright Information © 2001 Presbyterian Church (U.S.A.). Significant portions of this document are copyrighted by and used with the permission of the General Council on Finance and Administration of the United Methodist Church

**Nature of the Review** The purpose of the review is not to catch someone in the act of misusing or stealing funds. Though it may protect a congregation and treasurer from these things, the primary purpose of the review is to ensure good financial procedures and to help the congregation have confidence and trust in the stewardship of their contributions. A financial review includes becoming familiar with every aspect of the church's financial procedures. The committee should evaluate the church's financial operations, reports, policies, and procedures. The checklist is a way of identifying areas that are strong and those that need attention. (Adapted from the Church Treasurer's Manual - PMA-PCUSA).

The following are suggested procedures to be used by churches when they have their financial review. Some churches may not need to complete all sections; however, these guidelines should assist in keeping your church aware of its responsibilities and accountability to the congregation.

Conducting a Financial Review is the mark of Responsibility, Good Stewardship, and a Message to the church donors that you care about their gifts.

**Planning for the Review.** Planning involves understanding the church's financial operations and assembling various documents that are needed for the review.

- Obtain a copy of the previous review(s) if available along with any notes of findings and suggestions on how to improve the church's financial operations.
- Obtain and review the annual financial statements.
- Review procedures which are being used to account for church money. Identify individuals with responsibility for financial operations and decisions; and verify with them that all Funds have been included in the statements.
- Identify all bank accounts and authorized check and withdrawal signers.
- Request that all the accounting records of all funds be presented together including:
  - Organizational Chart; Chart of accounts; General Ledger; Receipts & Disbursements Journal; Bank Statements; Paid invoices; Individual payroll records including Forms W4 and W3; and Pledge report.
- Confirm Treasurer/Bookkeeper are available for questions or consultation.

## Financial Review Checklist

### 1. RECEIPTS (Collections):

Are there safeguard protections for the collection from time collected, counted, and deposited?	Yes	No	N/A
Are collection receipts and deposit receipts made weekly?	Yes	No	N/A
Are there at least two unrelated persons responsible for counting and depositing funds?	Yes	No	N/A
Are persons counting the collection rotated periodically?	Yes	No	N/A
Are there standardized forms for counting?	Yes	No	N/A
Are counter forms retained and reconciled with actual deposits?	Yes	No	N/A
Are contribution envelopes or other memoranda retained and reconciled to recorded amounts?	Yes	No	N/A
Are periodic statements provided to donors of their contributions	Yes	No	N/A
Are discrepancies investigated?	Yes	No	N/A

### 2. DISBURSEMENTS (Payments):

Are all disbursements made by check or electronic online banking as approved by session/congregation.	Yes	No	N//A
Are all checks pre-numbered and used in sequence?	Yes	No	N/A
Are all voided checks clearly canceled and retained?	Yes	No	N/A
Are all checks made payable to specified payees and not to cash or bearer?	Yes	No	N/A
Is the original vendor's invoice or other documentation available at time of signature?	Yes	No	N/A
Is the signing of blank checks prohibited?	Yes	No	N/A
Are all account signers authorized by session/congregation?	Yes	No	N/A
Is more than one signature required for any check?	Yes	No	N/A
If not, do checks over \$500 require more than one signature?	Yes	No	N/A

3. JOURNAL ENTRIES:

Is there an appropriate explanation accompanying each journal entry? Yes No N/A

Is adequate documentation maintained to support each journal entry? Yes No N/A

4. BANK ACCOUNTS:

Are all bank accounts reconciled within a reasonable timeframe, 14 days of receipt of statement from financial institution. Yes No N/A

Are the tasks of opening and reconciling the bank statements performed by two different people? Yes No N/A

Are the bank account reconciliations completed by someone other than the person who participates in receipt or disbursement of the funds? Yes No N/A

Does the reconciliation procedures provide for:

a. Comparison of dates and amounts of deposits as shown on the bank statement with the cash receipts journal? Yes No N/A

b. Review of all checks outstanding over 90 days? Yes No N/A

c. Is the bank immediately notified of all changes of authorized check signers? Yes No N/A

5. PETTY CASH:

Is the responsibility for petty cash fund assigned to only one person? Yes No N/A

Is there adequate review of the documentation before the fund is reimbursed? Yes No N/A

Is the cashing of checks and loans to employees prohibited? Yes No N/A

6. INVESTMENTS:

Are all investments held in the name of the church only? Yes No N/A

Are all investment documents adequately protected from FIRE, THEFT, OR MISPLACEMENT? Yes No N/A

Are interest, dividends, and unrealized gains or losses recorded? Yes No N/A

7. PROPERTY AND EQUIPMENT:

Is formal approval required for all property and equipment additions and/or dispositions? Yes No N/A

Is there a detail inventory of all property, furniture, fixtures, and equipment maintenance showing:

a. Date Acquired? Yes No N/A

b. Detail description of item? Yes No N/A

c. Cost or fair market value at time of donation? Yes No N/A

d. Any funding source restrictions? Yes No N/A

Is a periodic review conducted to:

a. Compare the actual property, furniture, and fixtures and equipment to the recorded inventory listing? Yes No N/A

b. Ensure the adequacy of the insurance coverage? Yes No N/A

c. Price/cost analysis of your rate compared to current rates? Yes No N/A

8. LIABILITIES AND OTHER DEBT:

Is all borrowing or indebtedness authorized by the appropriate committees? Yes No N/A

Are all loan agreements and/or lease agreements in writing and properly safeguarded? Yes No N/A

Are there periodic reviews conducted to determine compliance with any debt/lease provisions? Yes No N/A

Are all liabilities noted on Financial Statements/Reports? Yes No N/A

9. RESTRICTED GIFTS AND CONTRIBUTIONS:

Are records maintained of all bequests, memorials, endowments, or other restricted gifts to include:

a. Date, amount, and donor of Gift? Yes No N/A

b. Any restrictions or limitations? Yes No N/A

Are the income and other transaction periodically reported to the session/congregation? Yes No N/A

Are written acknowledgements issued to donor for all contributions other than pledges? Yes No N/A

10. PAYROLL:

Are personnel files maintained to include:

- |                                                         |     |    |     |
|---------------------------------------------------------|-----|----|-----|
| a. Employment application and /or letter of employment? | Yes | No | N/A |
| b. Authorization of pay rates and effective dates?      | Yes | No | N/A |
| c. IRS FORM W4                                          | Yes | No | N/A |

Are payroll tax returns filed on a timely basis?	Yes	No	N/A
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Are payroll tax deposits made on a timely basis?	Yes	No	N/A
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Are all employees, clergy, and lay receiving a Form W-2?	Yes	No	N/A
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Are Forms 1099 being provided for all individuals who are not employees?	Yes	No	N/A
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11. COMPUTER SYSTEMS:

Are current or duplicate copies of the operating system and programs stored off premises?	Yes	No	N/A
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Are files backed up at least weekly and the backups stored off premises or on the cloud?	Yes	No	N/A
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Is access to the computer and computer programs limited to authorized persons?	Yes	No	N/A
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Is there adequate documentation, including user manuals, and password log, available on-site for all computer programs?	Yes	No	N/A
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Is a printed copy retained of all journal entries, general ledger, financial statements, and any other computerized records?	Yes	No	N/A
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## Financial Review Guidelines/Procedures (suggested)

### RECEIPTS AND BALANCES:

1. Obtain a list of dates of Sundays and other services during the year at which collections were taken.
2. From this list choose a representative sample of dates. For each date chosen, obtain the documentation prepared by the counters.
3. Verify by addition the total amount recorded on the count sheet for each date. Note the amounts designated as pledge income and loose offering income.
4. Trace these amounts into the accounting records as cash receipts and note any discrepancy.
5. For each date, trace the total amount collected to a bank deposit slip and to the next subsequent bank statement. Note any discrepancy.
6. Obtain a summary of restricted or designated contributions by week and verify by addition the yearly total of all weekly contributions. Compare this total to the total recorded in the annual financial reports or alternately trace a sample of weekly amounts to the accounting records.
7. Obtain or prepare a list of all bank accounts owned by the church and compare them to last year's list, noting any changes. Trace any openings or closures to the minutes of the church governing body.
8. Obtain year end statement for all savings accounts and determine the fiscal year-end balance. Compare this balance to the balance listed in the annual financial report and investigate any differences. Optionally, request a confirmation of closing bank account balances for each account and compare these balances to those recorded in the financial report.
9. For each checking account, obtain the year-end bank reconciliation and the bank statements for the last month of the year and the first month of the new fiscal year. Trace the "bank balance" from the reconciliation to the bank statement.
10. Trace any normal reconciling items such as deposits in transit or outstanding checks to the first bank statement of the new fiscal year, looking for any undue delays in clearing.
11. Investigate any unusual or non-recurring reconciling items, obtaining documentation of legitimacy. If such items exist, examine prior months' reconciliations to see if the items have been carried forward from month to month.

12. Once reconciling items are verified, compare the “book balance” from the reconciliation to the balance in the accounting records as of the fiscal year-end and to the balance reported in the annual financial reports.
13. Count the petty cash fund and determine that the fund is intact.
14. Choose one prior reimbursement of the fund and examine the documentation in order to establish the validity of items and amounts expended from the fund.

#### DISBURSEMENTS / PAYMENTS:

1. Obtain a list of all bank accounts used to make payments and a list of persons authorized to sign checks or make withdrawals for each account. Compare the list to that from prior years and verify the authorized check signers with session/congregation.
2. Obtain the disbursements journal or other listing of all disbursements for the year and choose a sample of disbursements for examination.
3. For each item chosen, obtain all supporting documentation.
4. Examine supporting documents for evidence that the item is a legitimate obligation of the church.
5. Obtain banking statements and reconciliations. Examine the checks noting check number and the payee and compare this to the corresponding paid invoice.
6. Determine the appropriate account to be charged for each item and trace each item to an entry in the accounting records to determine that the correct account was charged.
7. Scan the numerical sequence of checks issued during the year. Investigate any missing numbers.
8. Examine all checks listed as “Void” in the checkbook or disbursements journal.
9. Investigate and ensure financial statements reflect long-term commitments such as leases and contingencies such as lawsuits.

#### PAYROLL:

1. Choose one or more employees and compare actual rates of pay with authorized rates from the approved operating budget.
2. Examine withholdings and deductions from pay checks of chosen individuals and examine documents authorizing any voluntary deductions.
3. Examine payroll tax returns and compare amounts reported thereon for one or more employee(s) to the amounts reported on the employee's W4 form. Investigate any discrepancies.

#### INVESTMENTS:

1. Obtain copies of the church's approved investment policy, investment statements, and a copy of the minutes from investment committee/session meetings.
2. Verify that the balances on the investment statements match those recorded in the accounting records and the balance reported in the annual financial reports.
3. For one or more transactions chosen, analyze the investment to ensure that it meets the criteria of the investment policy that the decision to buy or sell the investment was appropriately documented within the minutes and that the transaction was authorized appropriately.
4. For one or more transactions chosen, trace the correct recording of capital and interest in the accounting records.

#### PROPERTY, INSURANCE & MISCELLANEOUS:

1. Obtain a master list of all real and personal property owned by the church and compare it to last year. Determine that any additions or disposals were properly authorized.
2. For any new items on the list, examine the items to determine that they are present. Spot check older items to be certain they are present.
3. Examine current insurance policies for dates and amounts to determine that adequate coverage exists. Periodically, perform an insurance comparison with other carriers – coverage, deductibles, and rates.
4. Obtain year-end statements for any mortgages or loans and determine the correct year-end balance. Trace this amount to the annual financial report.
5. Determine for all mortgages and loans that payments are up to date.