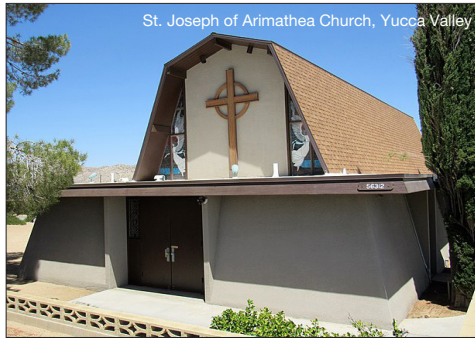




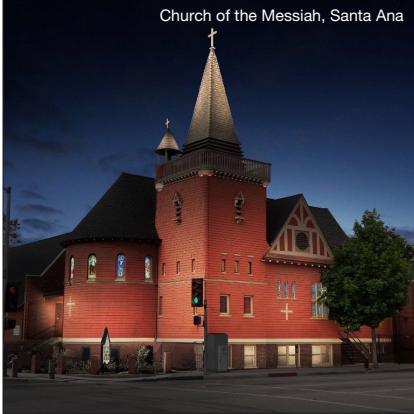
St. Nicholas Church, Encino



St. Joseph of Arimathea Church, Yucca Valley



Trinity Church, Fillmore



Church of the Messiah, Santa Ana



St. John's Church, La Verne



Church of Our Saviour, San Gabriel



St. John's Church, Needles



The Episcopal Diocese of Los Angeles

Congregation Audit Workbook

May 2026



All Saints by-the-Sea Church, Santa Barbara



All Saints' Church, Beverly Hills



St. Paul's Church, Barstow



St. Paul's Church/Iglesia de San Pablo, Pomona



St. Richard of Chichester Church, Lake Arrowhead



St. Luke's of-the-Mountains Church, La Crescenta



Dear Friends,

Thank you to all who contributed to this helpful, informative workbook created to assist parish leaders in preparing annual audits and safeguarding financial resources entrusted to the church's care. The guidance and best practices found in these pages are an invaluable resource to all in fiduciary roles.

After several years of discussion and research, the diocesan Finance Office is pleased to provide this workbook and the associated materials for your use in strengthening internal controls, improving financial reporting, and conducting audits and examinations.

During the next year, the Finance Office will provide various in-person and Zoom sessions throughout the diocese to enhance participants' knowledge of accounting, personnel management, and financial reporting to make these ongoing procedures less stressful and more meaningful.

This comes with prayers and gratitude for all engaged in dedicated service in the congregations of the diocese.

Yours in Christ,

(The Rt. Rev.) John Harvey Taylor
VII Bishop of Los Angeles

Acknowledgments

This Congregational Audit Workbook was made possible by extensive collaboration and assistance from the following persons:

For providing their expertise in accounting and financial management on the initial Steering Committee: Bill Langsdorf, St. Andrew's, Irvine; Barbara Dijker, St. Aidan, Malibu; Jon Feuss, St. James in-the-City, Los Angeles; Geoffrey Howard, St. Mark's, Glendale; and Corrine Sanchez, St. Cross, Hermosa Beach, project manager and consultant.

For their time, energy, and willingness to review and suggest improvements to this workbook and associated support materials and spreadsheets: Karen Meier, All Saints, Pasadena; Peter Farr, All Saints, Beverly Hills; Eduardo Serafin, St. James in-the-City, Los Angeles; David Telleen-Lawton, All Saints', Santa Barbara; Stacie Tibbets, St. Michael & All Angels, Corona Del Mar; Debbi Campana, St. Wilfrid's, Huntington Beach; Sheri Flay, St. Stephen's, Santa Clarita; Bill Langsdorf, St. Andrew's, Irvine; Artur Grigorian, St. Thomas', Hollywood; Joe Ardizzone, St. Peter's, Santa Maria; Bryan Bennett, St. Paul's, Pomona; Ann Rendon, St. George's, Riverside; Kathleen Moore, St. Michael's, Isla Vista; Esther Mungoma, Holy Communion, Gardena; Susie Flores, St. Hilary's, Hesperia; Jan Stoll, St. Columba's, Big Bear Lake; Steven Doutt, St. Martin in-the-Fields, Twentynine Palms; Doug Knarr, Trinity, Orange; Steve Ferrari, St. Patrick's, Thousand Oaks; and Marcia Godwin, St. Mark's, Upland; and James Jordan, CPA.

For her invaluable administrative skills in scheduling our meetings and coordinating revisions to the workbook, Julie Kelly, assistant to the CFO, Diocese of Los Angeles; for her expertise in desktop publishing and proofreading published material, Janet Kawamoto, Grace Church, Glendora; and for her subject-matter expertise in accounting and financial reporting, Martha Macias, controller, Diocese of Los Angeles.

For providing his expertise and allowing the Diocese of Los Angeles to model our workbooks on the materials expertly developed and field-tested in his diocese, the Rev. Jess Martinhauk, CFO, Diocese of San Diego.

For providing their direction, support, and encouragement to undertake this project, the Rt. Rev. John Harvey Taylor, VII Bishop of the Diocese of Los Angeles, and former Canon to the Ordinary Melissa McCarthy.

In preparing the workbook, we consulted the support materials published by our financial colleagues in the Episcopal Diocese of Central New York under the leadership of Cathy Hobart, controller; the Episcopal Diocese of Olympia, under the leadership of Charles Thorne, canon for Finance; the Episcopal Diocese of Atlanta, under the leadership of Barbara Villaescusa Schroeder, canon for Administration and Finance; the Episcopal Diocese of Texas, under the leadership of Linda Riley Mitchell, CPA, CFO and treasurer; the Episcopal Diocese of Washington, under the leadership of the Rev. Thom Sinclair, chief operating officer; and the Diocese of Connecticut under the leadership of Rosanna Rosado, canon for Finance & Operations.

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St. Joseph's Church, Buena Park

Introduction

As stated in the Manual of Business Methods (Chapter VI: *Audit Guidelines for Congregations*), annual audits are required by the canons of The Episcopal Church for all parishes, missions, and other institutions. To provide additional tools to every parish (large and small), the diocese has prepared this Audit Workbook to provide additional guidance and templates to assist in preparing your audit.

The primary purpose of an audit is to assure that financial statements are fairly stated. Any persons overseeing the church's monies or investments needs an audit to protect both the church's assets and themselves against suspicion of mishandling those assets.

The audit is a requirement of the canons of the Episcopal Church and a good and reasonable business practice. Every congregation is required to conduct an annual audit.

Audits may be completed by an outside audit firm, an individual CPA, or using the Committee Audit approach.

Diocesan Audit Guidelines

The diocesan audit guidelines are delineated below. Requirements for external audits are based on a church's annual revenue, which includes all monies from the church, school, thrift shop, or any other parochial organization. These guidelines are minimum requirements; any church that is not required to conduct an external audit or external review may do so.

There are three different types of financial audits/examinations:

- ◆ **External Audit:** A comprehensive financial audit conducted by an independent Certified Public Accountant (CPA). The goal of an external audit is to express an opinion on the financial statements' accuracy and whether they are prepared in accordance with Generally Accepted Accounting Principles.
- ◆ **Agreed-Upon Procedures:** Agreed-Upon Procedures are engagements where an independent external financial professional performs a specific review of financial data and management systems based on the Diocesan agreed-upon tasks (procedures). (See Appendix for additional information on each required procedure and suggested engagement letter). The final reports include the findings on the procedures performed, without offering an overall opinion of the Church's Financial Statement.
- ◆ **Committee Review/Audit:** Audits of the entire parish or mission entity conducted by a committee as authorized by the congregation's Finance Committee, Diocesan Finance Department, or other appropriate diocesan authority. The entire entity of a parish or mission church, including a church-operated school, thrift shop, bookstore, and any other organizational unit that receives funds as part

of the church ministry. Committee audits assess the accuracy of the financial statements and evaluate the internal controls necessary for sound financial operations. A Committee Audit can be performed by qualified church members (Internal Audit) or by another church (Audit Exchange) in exchange for the receiving church performing an audit of the auditing church's finances.

Diocesan 2026 Audit Requirements		
Class	Annual Church Revenue	Audit Requirement
1	Greater than \$2 million	External Audit by a CPA - Annually
2	Between \$1.0 and \$2 million	External Audit by a CPA every 3rd year with Agreed Upon Procedures or Committee Review/Audit in intervening years
3	Between \$500K and \$1.0 million	External Audit by a CPA or Agreed Upon Procedures at least every 4th year with Committee Review/Audits in intervening years
4	Under \$500K	Agreed Upon Procedures or Committee Review/Audits annually

Churches with any of the following circumstances may require or consider retaining a CPA audit or Agreed Upon Procedures review in the event of the following:

- ◆ At the time of an administrative transition. This would include the call of a new rector or the employment of a new church bookkeeper/administrator, unless an external audit has been conducted within the last year.
- ◆ Churches that did not submit any audit in the prior year.
- ◆ Churches whose prior audit included significant internal control deficiencies, material errors, or mis-statements in the financial statements.

This workbook can be used by a committee or by an outside auditor to meet the requirements of an Agreed-Up-on Procedures Review. **Audits must be completed and submitted to the diocese by September 1 of each year.**

These guidelines are minimum requirements; any church that is not required to conduct an external audit or external review may do so. All churches, regardless of audit type, are required to form an audit committee with the following stipulations: Neither the treasurer nor the finance committee chair should be on the committee. Further, the committee should not include more than one member of the finance committee. It should include at least one vestry or bishop's committee member

Please submit all requested documents online at <https://edla.org/finance/audit>.

The audit program workbook is provided to assist congregational audit committees with a clear, step-by-step process, intended to clarify what is required of them. The diocese acknowledges that this new guidance is being provided at a time when parishes may have already committed to auditing under their usual procedures. If so, we can accept the audit format for the current year, with the caveat that we require submission of a financial statement in accordance with the canons of the Episcopal Church, as noted in the Manual of Business Affairs.

If there are questions regarding these policies, please contact the Rev. Susan Stanton, 213.202.2852, ext. 233, or ssanton@lafinance.org or Samantha Wylie, convention coordinator, at 213.240.7622 or swylie@ladiocese.org.

The Rev. Susan A. Stanton
 Chief Financial Officer
 Episcopal Diocese of Los Angeles



Holy Trinity & St. Benedict's Church, Alhambra

General Instructions

Churches that will be undergoing a full financial statement audit will engage a CPA firm, who will devise an audit program and request the church prepare the required information to allow the CPA to complete the audit. Churches that will undertake an agreed-upon procedures engagement will engage a CPA firm (or other accounting professional as approved by the diocese). The church will prepare an engagement letter to document the procedures that are to be performed and send it to the practitioner for review and agreement. A sample engagement letter with the required procedures is included in Appendix A. Again, the practitioner will provide a list of requirements to conduct the engagement. If your church is having difficulty finding a professional to perform the engagement, please contact the diocese for assistance.

For churches that will perform a Committee Audit, which we expect will be the vast majority, the work program shown beginning on Page 5 will walk you through the process of performing the audit. If the church conducts a committee audit, the audit committee members should be independent of the congregation's decision-making and financial record-keeping functions. The members of the audit committee should have sufficient financial skills and experience to conduct a competent audit. The committee should not have a majority membership of finance committee or vestry members and should not include the clergy, bookkeeper, treasurer, finance committee chair, or wardens holding a position in the year being audited. The diocese acknowledges that finding eligible individuals to serve on this committee may be challenging for smaller churches. Please contact the Finance Office to discuss this requirement if needed.

The diocese requires submission of your complete financial statements for the congregation *and your affiliated organizations* (e.g., schools, thrift shops). A workbook is posted on the EDLA Finance website to assist the church in preparing them for your review. Reference to guidelines and further instructions is made to the *Manual of Business Methods in Church Affairs*, prepared and distributed by The Episcopal Church. This is available for download at www.episcopalchurch.org/finance.

The scope of the committee audit must include:

- A. Sufficient tests of transactions to assure compliance with these guidelines and adequate control of the assets of the congregation.
- B. Verification (or preparation) of financial statements in the form posted on the EDLA website or an alternative format approved by Diocesan Finance. The Audit Committee Letter is included at the end of this workbook.
- C. A review of management control practices.

The following pages of this workbook will guide you through the work of the committee audit. They are to be completed and returned at the completion of the audit.

The treasurer/bookkeeper should ensure that the following documentation is available and assembled for the public accountant or committee auditors *for the year being audited*:

1. Internal Control Questionnaire – completed by church management
2. Approved church budget for the year being audited
3. Approved housing allowance resolution(s)
4. Vestry/Bishop's committee minutes
5. Financial statements prepared
6. Cash receipt, disbursement records, and the General Ledger of all accounts
7. Bank statements, savings account statements, and investment reports for all accounts with applicable reconciliation, including the first month of the next year
8. Check stubs and processed checks, and records of electronic payments, including voided checks and voided electronic payments
9. List of authorized signatures for all cash and investment accounts
10. Record of plate collections and other cash receipts, including record of corresponding deposits (include description of procedures and control of plate collections and other receipts)
11. Paid invoices, vouchers, or other backup for expenditures (include description of procedures and control of plate collections and other receipts)
12. Details of any mortgages or other loans, including copies of loan statements showing balances at the end of the year for each loan
13. Details of any significant receivables or payables as of end of year
14. Prior year's audit report
15. Schedule of Restricted Net Assets
16. Payroll register reflecting the last pay period of the year
17. Accounting Policies and Procedures Manual ■



St. John's Cathedral, Los Angeles



St. James' Church, South Pasadena

Committee Audit Procedures

Part A: General (Internal Controls & Policies)

1. Obtain and review the audit report covering the period immediately preceding this period being audited.

Have prior audit recommendations been implemented? If some prior recommendations have not been implemented, explain what they are and the reason for not being implemented.

[Empty text box for response to question 1]

2. Is there an Accounting Policy and Procedures manual for this church (not the *Manual of Business Methods in Church Affairs*)? YES NO

3. Obtain Vestry/Bishop's Committee (BC) minutes, approved budget, and annual year-end financial reports for the period being audited. Review minutes for budget approval, review of periodic financial statements, and other matters affecting financial statements. List the date the budget was approved and other significant matters.

[Empty text box for response to question 3]

4. Determine whether the congregation is a corporation or an unincorporated association. Verify that it is in good standing with the California Secretary of State (visit bizfileonline.sos.ca.gov).

Corporation Unincorporated association Good standing? YES NO

5. Obtain and review the most recent property tax bill. Is the property titled correctly? Is the property receiving all applicable exemptions? (Note: The welfare exemption is a broader exemption than the religious exemption and is generally more applicable for uses taking place on church property unrelated to worship.)

6. Review the Reporting section of the Internal Control Questionnaire submitted by the church staff. Request the report of one monthly or quarterly report and review to see if you agree that the controls appear to be in place as reported in the questionnaire. Comment on any exceptions below.

Provide a summary of your results below:

7. Request the year-end report presented to the vestry. Note below any significant variances to the budget in the audit year.

Provide a summary of your results below:

8. Review a sample of journal entries posted to the General Ledger (5 entries, unless controls over explanation and approval are not in effect, in which case expand to 10 entries). *Document your selections in the Transaction Testing workbook.* See recommendations for selecting entries for testing in the workbook.

Provide a summary of your results below.

9. Is there a church safe? If so, please list who is authorized to access it and a summary of its contents.

10. Are there any known liens against the property and/or equipment? If so, please list:

11. Does the church have any affiliated entities that derive their status from the church (e.g., school, thrift shop)? List those entities in the chart below:

Affiliated Entities of the Congregation				
Entity Type/ Name or DBA	Legal Name (if incorporated)	Federal ID / State ID(s)	Accounting by:	Audited by:

12. Is building space currently being provided to other organizations on a regular basis (e.g., AA, Boy Scouts, a separately operated school, or another church)? If so, list those organizations in the chart on page 8. Request the current insurance certificate and agreement.

Building Space Provided to Other Organizations				
Organization	Date approved by Standing Committee	Lease and/or written agreement? Y/N. If yes, state date of agreement	Annual revenue	Current insurance certificate on file? (Y/N)

13. Any parish that desires to mortgage or otherwise encumber, to sell, exchange or otherwise dispose of all or any of its real property, or to acquire, except by gift, devise, or bequest, any real property subject to an existing encumbrance, or to assume an existing encumbrance, must obtain the written consent of the Bishop and Standing Committee prior to any such sale, exchange, mortgage, or other encumbrance, disposition or acquisition (EDLA 2020 Canon III, Sec 3.06, Consent for Encumbrances or Disposition). Transactions considered to be encumbrances and require written consent of the Bishop and Standing Committee include, but are not limited to, the following:

- ◆ Loans secured by congregation-owned real estate.
- ◆ Mortgages or deeds of trust as security for the repayment of a loan
- ◆ Refinancing of mortgages or certain loans
- ◆ Ground Leases Agreements
- ◆ Ground Lease Option Agreements
- ◆ Sale of a church, rectory, vicarage, or any property of the church.
- ◆ Financed acquisition of any new property
- ◆ Redevelopment agreements
- ◆ Grant of easement over church property
- ◆ Solar leases that are financed or are affixed to real property and become permanent appurtenances to land, including fixtures
- ◆ Cellular communication antenna and facilities lease agreements, amendments, or lease buyouts in exchange for the right to use the property long-term
- ◆ Grants that require a deed restriction
- ◆ Designation of historical status.

- ◆ Power Purchase Agreements (PPAs)
- ◆ Money loans that convey real property to a buyer

Did the standing committee approve every required encumbrance? YES NO

Part B: Payroll and Benefits

14. Compare the following

- ◆ The total of wages on all four 941 (quarterly payroll tax reports), with the total wages filed on forms W-2.
- ◆ Compare the total wages with the wages shown in the general ledger.

Document your selections in the Transaction Testing workbook.

Are they materially the same? (Some variances will exist due to various pre-tax deductions.)

YES NO

Does it appear that payroll tax reports were filed accurately and timely, and that payroll taxes are paid current?

YES NO

Does it appear that employee wages were reported completely and accurately in the financial statements?

YES NO

15. What are the controls to ensure that all payroll is authorized? (At a minimum, someone besides the payroll clerk should review and approve payroll.)

16. Review a year-to-date payroll report to evaluate whether employees are properly classified as Exempt (from overtime) or Non-Exempt (eligible for overtime).

To be “exempt” from overtime pay in California, an employee must meet both a salary test and a duties test. The salary test requires a minimum monthly salary of \$5,729 (\$68,640 annually) in 2025, which is at least twice the state minimum wage, paid on a fixed salary basis. The duties test requires that the employee’s primary job duties meet specific criteria for an executive, administrative, or professional role, and that these exempt duties make up more than 50% of their work time.

Employees who customarily do not exercise discretion and independent judgment regarding the possible courses of conduct or do not have the authority or power to make an independent choice or work-related decisions free from immediate direction or supervision and usually considered to by non-exempt and subject to overtime provisions

Consult the State of California’s Department of Industrial Relations web page for additional information regarding executive, administrative, and professional employee exemptions from overtime

Please advise which employees appear misclassified, if any.

17. Are all employees paid in accordance with the minimum hourly wage specific to that church's location? Current minimum wage information can be referenced at the State of California Department of Industrial Relations website: https://www.dir.ca.gov/dlse/minimum_wage.htm.

Note that a number of communities in California mandate a higher minimum wage than the state requirement, so be sure to reference your specific city. YES NO

18. Review payroll records and timesheets for 1-2 pay periods (chosen at random). Do all non-exempt (hourly) employees submit timesheets? Do timesheets agree to the hours paid for all hourly employees? Do timesheets include time in/time out and at least one half-hour lunch break for shifts of more than 5 hours? Are timesheets signed by both the employee and a supervisor? If the accounting records are on an accrual basis, not a cash basis, is vacation and sick time accrued for all employees, including clergy? If not, report exceptions.

19. Obtain a list of employees paid during the year under audit and select 10% of the employees. Obtain the personnel files for these individuals. At a minimum, personnel/payroll files should include:

- ◆ Employment application or Letter of Agreement
- ◆ For employees scheduled to work over 1,000 hours per year, a copy of a Lay Pension Plan and Health Insurance invoice, which shows proof of their enrollment for health and pension benefits. If a benefit-eligible employee declines coverage, they should still submit the enrollment form and check that they have chosen to waive coverage. This does not apply to schools. (**Note:** Per Denominational Health Plan policy, benefit-eligible employees are entitled to paid health insurance benefits. Employees working fewer than 1,000 hours per year may enroll in the church health insurance plan at their own cost.
- ◆ Authorization of pay rate (s) paid in the year under audit
- ◆ Department of Justice Form I-9 should NOT be found in these files (and should be maintained in a separate location). Inquire about how Form I-9s are maintained for all employees. Request a copy of the I-9 folder and determine if there is a completed and signed form for all current employees.

Report any exceptions:

20. Review clergy compensation records to determine:

- ◆ Was clergy compensation reported at end of year on form W-2? Box 1 of the cleric's W-2 should equal cash compensation minus housing allowance minus clergy RSVP contributions minus employee health premiums and other pre-tax deductions.
- ◆ Was the value of life insurance premiums on coverage in excess of \$50,000, including the amount provided by Church Pension Group, included on form W-2?
- ◆ Was vestry-approved clergy housing allowance reported in Box 14 of Form W-2?
- ◆ Was federal income tax NOT paid by the church (it may have been withheld from the clergy person's paycheck, at their discretion)?
- ◆ Was FICA and Medicare NOT paid by the church for the clergy person?

Report any exceptions:

[Empty light blue box for reporting exceptions]

21. Obtain the last clergy pension assessment bill paid during the period under audit. Are pension payments up to date for all participants (no past due amount or carry-forward balance)? YES NO

Report any exceptions:

[Empty light blue box for reporting exceptions]

22. Does the amount of pension expense on the P&L equal 18% of the priest(s)'s stipend plus housing allowance? If a rectory is provided, pension contribution should equal 18% of 130% of their Cash Stipend (including any utilities allowance). For Lay employees, is the amount of pension expense on the P&L in compliance with the adoption agreement filed with CPG? YES NO

23. Review the names on the pension bill. Are the names listed current? YES NO

24. Obtain the last Episcopal Church Clergy and Employee Benefit Trust (ECCEBT) bill paid in the year under audit. Are all clergy and lay employees who are regularly scheduled for more than 1,000 hours a year covered by an Episcopal Medical Trust healthcare plan? YES NO

Report any exceptions:

[Empty light blue box for reporting exceptions]

25. For Lay employees, is the amount of pension expense on the P&L in compliance with the adoption agreement filed with CPG? YES NO

Report any exceptions:

26. If the church has one or more employees (including clergy), is a workers compensation insurance policy being maintained (required)? Name of carrier: _____

27. Compare salaries paid to the approved budget. Comment on any significant differences.

Part C. Cash Receipts, Accounts Receivable, and Contributions

28. Review internal control procedures as reported in the CR section of the Internal Controls checklist and/or read the church's written procedures (if any) and controls for cash receipts (including checks and ACH and credit card payments), and the deposit of such monies.

Summarize any internal control weaknesses here:

29. Obtain an understanding of the money count procedures and consider the following:

- ◆ Are sufficient safeguards in place to prevent theft or misplacement from the time of receipt until the funds are counted and deposited? Note that this would normally include the use of a safe with dual control or other access such that a single person cannot access and remove assets without detection.
- ◆ Are collection receipts counted and recorded in a manner such that they can be traced in total to the bank deposits?
- ◆ Is there a standardized form for the counters to use?
- ◆ Are deposits made on a timely basis?
- ◆ Are there at least two unrelated persons responsible for counting and depositing checks and cash?

- ◆ Are counters rotated on a periodic basis so that the same people are not always counting together?
- ◆ Are counters' sheets retained and reconciled with actual deposits?
- ◆ Are all discrepancies investigated?

Report any exceptions to the above:

[Empty light blue box for reporting exceptions]

30. From a list of all deposits recorded in the year under audit, select a sample of transactions to test. *Your sample should be 10% of all transactions or 25 transactions, whichever is smaller.* Trace amounts on counter sheets, online giving records, and/or deposit slips/source documents to the recordings of cash receipts in the accounting software and determine that revenues are properly recorded and appropriately classified in the financial reports. Ensure any donor restriction is adequately classified in the accounting software. (See Transaction Testing workbook for schedule.)

Comment on any unusual items, inconsistencies, or items that were not supported by sufficient documentation to ascertain how they should be recorded and classified in the financial reports.

[Empty light blue box for comments]

Part D: Cash Disbursements, Accounts Payable, and Credit Cards

31. Review internal control procedures as reported in the CD section of the Internal Controls checklist and/or read the church's written procedures (if any) and controls for cash (including checks, credit cards and electronic fund transfer (EFT) disbursements, both from the operating bank account and any other bank account(s).

Summarize any internal control weakness here:

[Empty light blue box for summarizing weaknesses]

32. Determine who was authorized to sign checks during the period being audited, how often the signers were last updated, and whether the signers are appropriately authorized. Potential documentation to request is a current bank signature card, Vestry resolution authorizing the signers, and/or church bylaws (sometimes signing authority is limited in the bylaws).

Note any discrepancies.

33. Are bills/expenses approved separately from signing checks? If so, determine what vestry resolution authorizes the signers and when it was last updated.

Note any restrictions on amounts, spending areas or discrepancies.

34. Does the church pay any bills using online bill payment systems? If so:

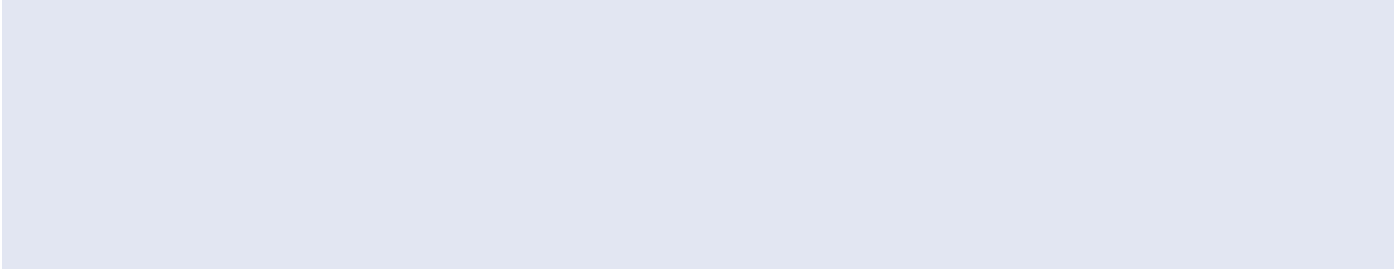
- ◆ Automatic payments that are deducted by the recipient (EFT/ACH) should be authorized by Vestry/BC and managed by appropriate personnel.
- ◆ For online payments initiated by the church, the final payment should not be released unless authorized by an authorized bank signer
- ◆ For online payments initiated by the church and paid by paper check, facsimile images of signatures printed on checks from the payment system must be of an authorized signer.

Report any exceptions to the above:

35. From a list of all disbursements made in the year under audit, select a sample of transactions to test. Your sample should be 10% of all transactions or 25 transactions, whichever is smaller. Vouch for amounts paid per the accounting ledger/transaction list to check stub or other payment verification, vendor invoice, credit card bills/receipts, and similar source documentation. Evaluate whether disbursements are properly recorded and appropriately classified in the financial reports. Vouch amounts paid to the bank statements and canceled checks.

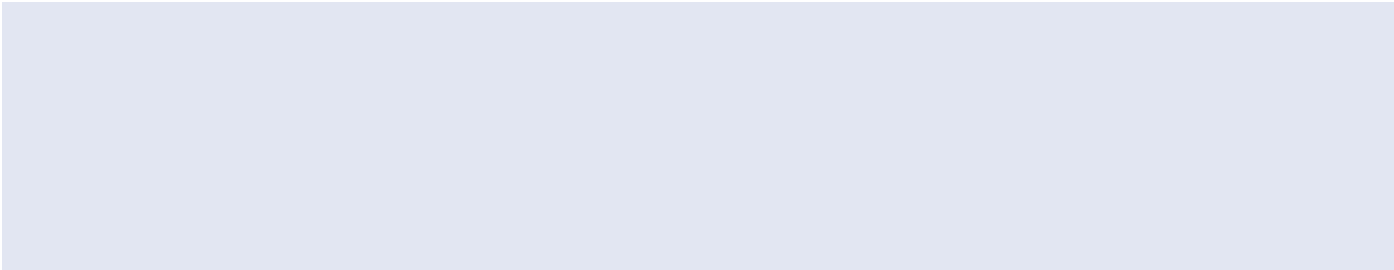
Document your selections in the Transaction Testing workbook.

Comment on any unusual items, inconsistencies, or items that were not supported by sufficient documentation to ascertain how they should be approved, recorded, and classified in the financial reports.



36. Identify individuals and unincorporated companies that paid more than \$600 or more during the year. (This can generally be run as a report from the General Ledger system.) Obtain copies of IRS Forms 1099 filed for the year under audit and confirm 1099 forms were filed for all appropriate entities/individuals to report earnings. This does not apply to goods purchased or expenses reimbursed, only services provided by a vendor that is not a corporation, LLC, or non-profit entity.

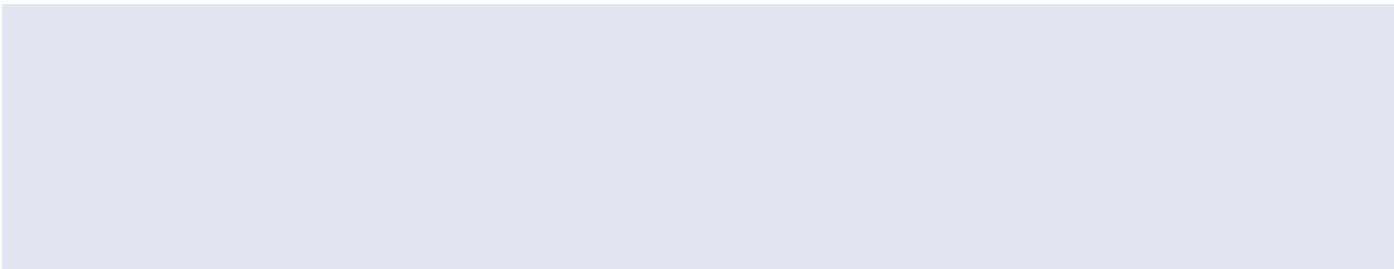
Report any exceptions:



37. Obtain the bank statement and reconciliation for December 31 of the year under audit, including a list of outstanding check payments. Examine the bank statement for January, following the close of the audit year, to ensure that outstanding items have cleared the bank. Inquire about procedures in place to ensure checks outstanding for a period longer than 3 months are addressed (e.g., canceled and reissued to the vendor).

Randomly select an additional month during the audit year and see that reconciliations were completed in a timely manner.

Report any exceptions:

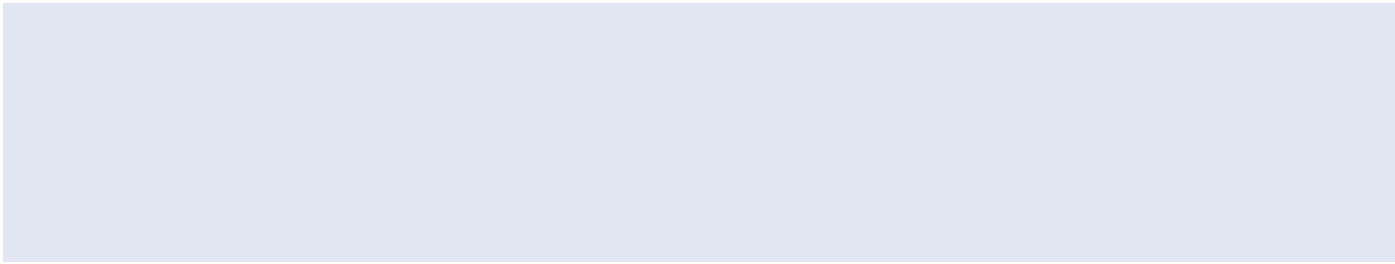


Part E. Financial Reporting and Banking

38. Obtain a copy of the year-end financial statements. Review the financial statements and ensure that they accurately reflect the church’s financial activity for the year under audit.

Describe significant items.

IMPORTANT NOTE: If, during the audit, an error in recording revenue or expenses is detected *that exceeds 2% of total revenue*, the financial statements should be amended and the parochial report revised accordingly. Please note this in the Audit Committee Report, if encountered.



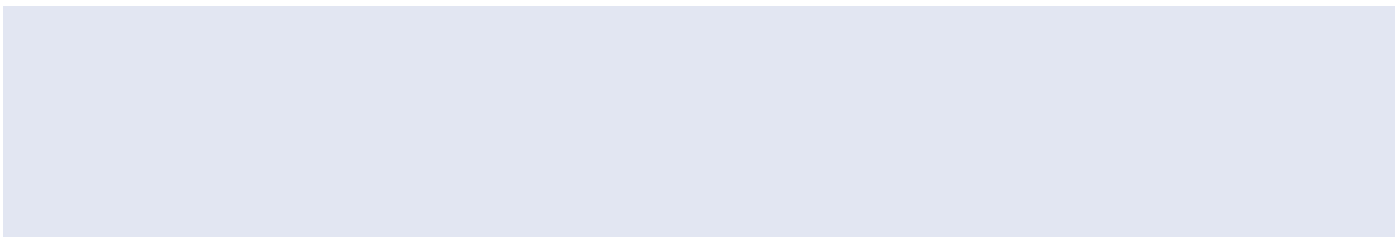
Current Assets

39. Obtain a list of all checking, savings, investment, discretionary/pastoral needs, and related organization bank and brokerage accounts. Obtain copies of the bank and investment statements and reconciliations for December 31.

- ◆ Are all of the accounts in the name of, and addressed to, the church? YES NO
- ◆ Are statements of each account available to show activity for the year? YES NO
- ◆ Are bank account reconciliations completed by someone other than the person who participates in the receipt and disbursement of cash? If not, are the bank reconciliations reviewed and signed by someone other than the person who completed it? YES NO
- ◆ Are bank accounts being reconciled on a timely basis? YES NO
- ◆ Are bank charges and/or bank interest recorded timely? YES NO
- ◆ Are bank transfers properly recorded as transfers to both affected accounts and not as income/expenses? YES NO

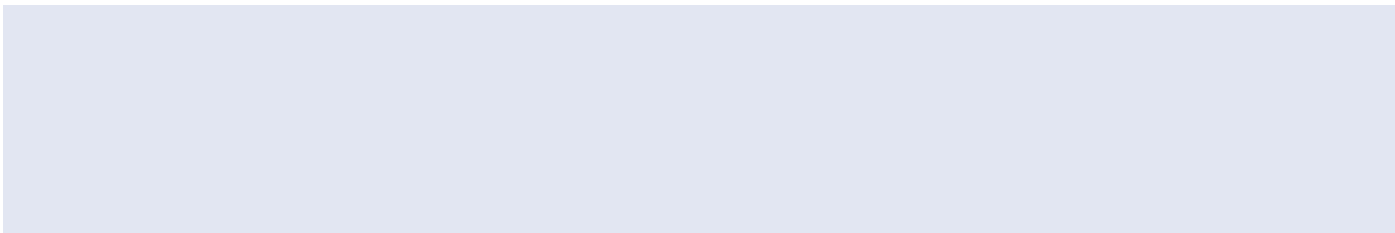
40. For savings and investment accounts, review activity for the period being audited. Was the activity in accordance with the investment plan and appeared to be in the normal course of business? YES NO

If not, please comment:



41. Identify any clergy discretionary/pastoral needs funds. Review diocesan guidelines [here](#). Make sure they are recorded on the financial statements in some manner. Review bank statements and/or account activity from accounting records to ensure the church has appropriate control over the account and its usage is supported and seemingly for appropriate business and pastoral purposes.

If not, please comment:



42. Review any major receivables, deferred or prepaid expenses, or other assets. Describe how these accounts are used. Do the transactions appear reasonable? Do the balances appear complete?

Report any exceptions here:

[Empty light blue box for reporting exceptions]

Fixed Assets

43. Review methods and procedures used to report capital expenditures and equipment.

Has land, buildings, property and equipment been appropriately reflected at cost on the balance sheet?
 YES NO

Has depreciation of property and equipment been recorded in the accounts? YES NO

44. Review the church’s fixed asset schedule and trace balances to the financial statements. Is there evidence that a periodic review was conducted to compare the actual property, furniture, fixtures, and equipment with the recorded listing? YES NO

Liabilities

45. Review the liabilities reported on the Balance Sheet. Does the activity in the account(s) during the year appear reasonable? Do the balances appear accurate and complete?

Describe significant items.

[Empty light blue box for describing significant items]

46. List debt sources and debt balances as of December 31:

- ◆ Are mortgage or loan payments being made on a current basis?
- ◆ If there are one or more loans, do the statement balances agree with the balances on the balance sheet?
- ◆ Is all borrowing or indebtedness authorized by the Vestry/Bishop, and if involving real property, has consent of the EDLA Standing Committee?
- ◆ Are all loan agreements and/or lease agreements in writing and properly safeguarded?
- ◆ Are periodic reviews conducted to determine compliance with any debt/lease provisions?

[Empty light blue box for listing debt sources and balances]

47. Request or prepare a schedule of restricted net assets that includes the following:

- ◆ The source and date;
- ◆ Terms governing the use of principal and income;
- ◆ To whom and how often reports of condition are to be made;
- ◆ How the funds are to be invested.

A template to prepare this schedule is included in the Transaction Testing workbook.

If information can't be obtained, please explain:

48. Obtain an understanding of how restricted and designated fund balances are recorded on the balance sheet. Are inflows and outflows recorded directly to the equity accounts or are there income and expense accounts for these funds? Does the Vestry/BC regularly receive reports on the changes in these fund balances? Summarize here:

49. If there are any significant changes in a fund balance, tie to documentation supporting those changes. This may include statements showing gains/losses in investment accounts, deposit records, vestry minutes, and/or disbursement records. Make a special note to review whether funds have been spent according to their intended purpose.

Describe significant items.

Audit Reports (Committee Audit)

1. Prepare an Audit Report as a result of your review of the financial records of the church (see template on page 20).

The reports should be put on church letterhead, signed by the committee members, and presented to the vestry/BC for acceptance prior to submitting to the diocese along with a copy of the financial statements that were audited, a copy of the completed workbook, and any documentation deemed necessary to illustrate or explain exceptions and discrepancies identified during the audit. This letter should be made a part of the minutes of a vestry meeting.

2. Include a copy of vestry/bishop's committee minutes accepting the committee audit. ■

Sample Audit Committee Report

(Please copy and paste into a separate Word or text document and edit as needed.)

DATE COMPLETED

To the Rector, Wardens, and [Bishop's Committee or Vestry] of

CHURCH NAME

CHURCH ADDRESS

Subject: 20XX Financial Audit

We have reviewed the financial statements resulting from financial transactions of CHURCH NAME ("Church") as of December 31, 20XX and the fiscal year then ended. Our review was made in accordance with audit guidelines issued by the Episcopal Diocese of Los Angeles and other procedures deemed appropriate by the audit committee.

[Other than the item(s) listed below], nothing came to our attention that would indicate the Church's financial statements to be out of compliance with accounting principles promulgated by The Episcopal Church.

[Note exceptions and comments here, if any]

Also, during the course of the examination referred to above, the following items pertaining to internal control and other operational matters, which we believe to be of a significant nature, were noted. The first category of comments includes those areas of control where recommendations of the previous auditors have been implemented. The second category of comments restates those recommendations of the prior year's auditors that have not been acted upon but we believe to still be worthy of consideration. The third category includes comments and recommendations pertaining to areas that we believe improvements in control and/or procedures should be initiated.

Areas where prior auditors' recommendations have been effectively implemented.

[Insert comments and findings here or indicate "none noted."]

Areas where prior auditors' recommendations have not been sufficiently addressed:

[Insert comments and findings here or indicate "none noted."]

Comments and recommendations of current year auditors:

[Insert comments and findings here or indicate "none noted."]

Our examination and report is not meant to be construed as an audit and opinion rendered by an independent Certified Public Accountant, although we, ourselves, are independent of the management accounting function of the Church for the period under audit.

Audit Committee Member 1

Audit Committee Member 2

Audit Committee Member 3

Guidance for Determining Exceptions

Reported in the Audit Committee Report

The Church's financial statements out of compliance with accounting principles promulgated by The Episcopal Church. (Re: Paragraph 2 of the Sample Audit Committee Report presented on the prior page.)

Exceptions that could be noted under this category would include, but not be limited to:

- ◆ Books are kept on the cash basis rather than accrual or modified accrual.
- ◆ The face of the Statement of Financial Position does not include the classifications of:
 - ◆ Net Assets with Donor Restrictions
 - ◆ Net Assets without Donor Restrictions
- ◆ Adjustments were required to the financial statements that were greater than 2% of gross revenue.
- ◆ Adjustments were required to the financial statements because contributions (donor restricted or otherwise) were recorded on the balance sheet rather than shown on the P&L.

Please comment for the two paragraphs below based on what was communicated in the prior year's Audit Committee letter:

- ◆ Areas where prior auditors' recommendations have been effectively implemented:
[Insert comments and findings here or indicate "none noted."]
- ◆ Areas where prior auditors' recommendations have not been sufficiently addressed:
[Insert comments and findings here or indicate "none noted."]
- ◆ Comments and recommendations of current year's auditors:
[Insert comments and findings here or indicate "none noted."]

Note that the focus in this section is on significant internal controls related to the safeguarding of assets or the integrity of the financial information OR comments from prior years that did not meet the threshold of inclusion in the auditors' recommendations, but have not been implemented as accepted by the church team in the prior year.

Exceptions that could be noted under this category would include, but not be limited to:

- ◆ Bank and/or investment account reconciliations were not completed on a timely basis and/or are not reviewed by an individual other than the preparer.
- ◆ Lack of controls over cash receipts (for example, cash is handled by one person rather than two unrelated persons), which could lead to misappropriation of funds
- ◆ Borrowing was completed without the approval of the Standing Committee.
- ◆ Payroll taxes were not remitted to the IRS or state taxing authorities in a correct or timely manner.
- ◆ Accruals were made for general purposes without a supporting invoice or committed expense.

Exceptions that should be reported to the church's treasurer/audit committee, but do not need to be reported to the diocese in the first year they are detected, would include:

- ◆ A minority of invoices, out of a sample of 25, do not have approvals noted on them, although it was ascertained that they were recurring charges that were confirmed to have been approved.
- ◆ A W-4 form for an employee could not be located, but an updated form was obtained to satisfy the deficiency.
- ◆ A schedule of restricted assets was not available for review, but the church was able to walk through each fund's restrictions (request it be available for the next audit!). ■

Appendix A

Internal Control Questionnaire

Used as a pre-audit planning tool comprising a series of “Yes/No/NA” questions used to assess the design and effectiveness of the parish’s internal controls. Answering these questions will help identify risks of fraud, waste, or abuse, and ensure financial statement accuracy across areas like cash, inventory, payroll, and compliance.

Continued on the next page



THE EPISCOPAL DIOCESE OF LOS ANGELES INTERNAL CONTROL QUESTIONNAIRE

NAME OF CONGREGATION: _____

CITY/TOWN: _____

AS OF DECEMBER 31, _____

GENERAL

G 1. Describe the form of accounting records: Manual Computer

G 2. Name software used for each application:

General ledger _____

Pledges _____

Accounts payable _____

Payroll _____

G 3. If manual accounting records, describe in box:

BUDGET

B	1. Is the annual budget approved by the Vestry/Bishop's Committee (BC)?	Yes	No	N/A	Comments
B	2. Are all changes to the budget authorized by the Vestry/BC and recorded in the minutes of Vestry/BC meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

REPORTING

R	1. Is a Treasurer's report submitted to the Vestry/BC or accounting committee each month?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
R	2. Is the Treasurer's report presented in sufficient detail to inform the reader as to the nature of the various items of income and expenses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
R	3. Does the report present the current actual financial data compared with the approved budget?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
R 4. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds, all committees, ECW, choir, alter guild, youth, men's and women's groups, capital campaigns, discretionary funds, etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

CASH RECEIPTS - PRIMARY OPERATING ACCOUNT

CR 1. When are Sunday Offering receipts counted? _____

CR 2. When are Sunday Offering receipts deposited? _____

CR 3. Are there at least two unrelated persons responsible for counting and depositing offering receipts? _____

CR 4. Are the persons responsible for counting receipts rotated on a periodic basis? _____

CR 5. Do the counters have a standardized form for recording the deposit information and do they sign the form? _____

CR 6. Are there safeguards to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited? _____

CR 7. Are the counter's sheets retained and reconciled with actual deposits, and are all discrepancies investigated? _____

CR 8. Are all the pledge envelopes or other memoranda retained and reconciled to the recorded amounts? _____

CR 9. Are all other cash receipts recorded and deposited on at least a weekly basis? _____

CR 10. Are other cash receipts safeguarded from theft or misplacement until deposited? _____

CR 11. Are all checks received restrictively endorsed "for deposit only" immediately upon receipt? _____

CR 12. Are statements sent to each pledging unit? _____

CR 13. If so, how frequently? Does the parish prepare and mail to contributors contributing >\$250 a receipt as required by the IRS? _____

CASH DISBURSEMENTS - PRIMARY OPERATING ACCOUNT

	Yes	No	N/A	Comments
CD 1. Are cash disbursements made by check? Online or other electronic means?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 2. Is there are clearly defined approval process for all disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 3. Are all checks made payable to specified payees and not to "cash" or to "bearer"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 4. Are all disbursements supported by original documentation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 5. Is the original vendor's invoice or other documentation marked "paid" at the time of signature to prevent duplicate payment? Or does the accounting software prohibit entering the same invoice number more than once?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 6. Check signing:				
a. Is the signing of blank checks prohibited?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Is the use of a signature stamp or pre-printed signatures prohibited?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. If signature imprint machines are used, are the keys kept under lock and key except when in use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Does all supporting documentation accompany checks presented for signature?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e. Are all account signers authorized by the Vestry/BC?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
f. Is more than one signature required for any check?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
g. If not, do checks for more than a prescribed threshold require more than one signature? Threshold amount? _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
h. Are blank checks securely stored before use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 7. Are all disbursements requiring special approval of funding sources or of the Vestry/BC properly documented in the Vestry/BC or finance committee minutes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
CD 8. Is there written evidence of approval on all paid invoices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 9. If credit cards are used by clergy or staff that are paid directly by the church, are the cardholders required to submit receipts and documentation for purchases and is there adequate explanation to properly code expenses to the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CD 10. If electronic payments are made (wire, e-pay, ACH, etc.) are proper approval procedures followed for approval and is the payment released by someone other than the person who inputs them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

JOURNAL ENTRIES - PRIMARY OPERATING ACCOUNT
(This is applicable to double-entry accounting systems only.)

	Yes	No	N/A	Comments
JE 1. Is there an appropriate explanation accompanying each journal entry?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
JE 2. Are all journal entries approved by a knowledgeable person of authority other than the person initiating the entry?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
JE 3. Is adequate documentation maintained to support each journal entry?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

BANK ACCOUNT RECONCILIATION - PRIMARY OPERATING ACCOUNT

	Yes	No	N/A	Comments
BA 1. Are all bank accounts reconciled on a monthly basis with the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
BA 2. Are the bank account reconciliations completed by someone other than the person who participates in the receipt or disbursement process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
OR				
Is the reconciliation reviewed and approved with supporting documentation attached by someone outside that process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
BA 3. Do the reconciliation procedures provide for:				
a. Comparison of dates and amounts of deposits as shown on the bank statement with the cash receipts journal?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
b. Investigation of bank transfers to determine that both sides of the transaction have been recorded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Investigation of all bank debit and credit memos?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Review of all checks outstanding over 90 days?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e. Voiding of checks outstanding for more than six months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
f. Is the bank immediately notified of all changes of authorized check signers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
BA 4. Are all journal entries for bank charges and bank account interest recorded on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

SPECIAL FUNDS - BANK ACCOUNTS

SC 1. Are all special funds bank accounts recorded in the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 2. Does the parish document the purpose for each special bank account and the nature of authorized expenditures from it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 3. Are all bank accounts comprising special accounts reconciled on a monthly basis with the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Checkbook?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 4. Are all journal entries for bank charges and bank account interest recorded on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 5. Is there a clearly defined approval process for all disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 6. Are all checks made payable to specified payees and not to "cash" or to "bearer"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SC 7. Are all disbursements supported by original documentation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

PETTY CASH

PC 1. Is the responsibility for the petty cash fund assigned to only one person?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PC 2. Are all petty cash funds maintained on an imprest basis, (i.e., the total amount of vouchers paid or disbursed, plus cash, will always equal the amount of the fund)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
PC 3. Is there adequate review of documentation before the fund is reimbursed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PC 4. Is the petty cash fund reimbursed at least monthly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PC 5. Is the cashing of checks and loans to employees prohibited?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PC 6. Is the actual petty cash protected from theft or misplacement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

INVESTMENTS

I 1. Are all investment instruments held in the name of the parish only?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
I 2. Is authorization for the sale and/or purchase of investments provided for by the Vestry/BC or authorized investment committee, and documented in the minutes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
I 3. Are all investment instruments held by a federally insured bank or the diocese or in well-known brokerage firms and managed by an individual with knowledge of investment risk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
I 4. Are all investments recorded in the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
I 5. Are investment dividends or interest recorded in the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
I 6. Is the general ledger adjusted, at least at year end, to reflect the fair market value of the investments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

SPECIAL FUNDS - INVESTMENT ACCOUNTS

SI 1. Are all special funds investment accounts recorded in the general ledger?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SI 2. Does the parish document the purpose for each special investment account and the nature of authorized expenditures from it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SI 3. Is there a clearly defined approval process for all disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
SI 4. Are all disbursements supported by original documentation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

PROPERTY AND EQUIPMENT

	Yes	No	N/A	Comments
PE 1. Is formal approval of the Vestry/BC required for all property and equipment additions and dispositions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PE 2. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
a. Date acquired?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Detailed description?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Cost, if purchased, or fair market value, if donated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Any donor restrictions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PE 3. Is a periodic review conducted to:				
a. Compare the actual property, furniture and fixtures, and equipment to the recorded inventory listing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Ensure the adequacy of insurance coverage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Are significant values listed/documented/known by the insurance carrier?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

LIABILITIES

L 1. Is all borrowing or indebtedness authorized by the Vestry/BC and the appropriate board or the Standing Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
L 2. Are all loan agreements and/or lease agreements in writing and properly safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
L 3. Are there periodic reviews conducted to determine compliance with any debt or lease provisions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
L 4. Are all liabilities noted on financial statements or reports to the Vestry/BC?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

RESTRICTED GIFTS/ CONTRIBUTIONS

RG 1. Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
a. Date, amount, and donor of gift?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Any restrictions or limitations on its use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. For endowment gifts, any restrictions on the use of investment income/ investment appreciation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
RG 2. Are the income and other transactions periodically reported to the Vestry/BC?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
RG 3. Are written acknowledgments issued for all contributions other than pledges?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PAYROLL				
PR 1. Are personnel files maintained to include:				
a. Employment application, and/or letter of employment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Authorizations of pay rates and effective dates?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Internal Revenue Service Form W-4?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d. Department of Justice Form I-9?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e. State withholding forms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 2. Is there a written record of hours worked and approved by a supervisor when applicable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 3. Are there adequate records to:				
a. Show computation of gross pay?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Account for all deductions from gross pay?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Support payroll tax returns and Forms W-2?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 4. Are payroll tax returns filed on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 5. Are payroll tax deposits made on a timely basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 6. Are all employees, clergy and lay, receiving a Form W-2?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 7. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid \$600 or more annually? (Note that 1099s should not be sent to non-profit organizations, even if incorporated.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 8. Are Forms W-2 wages reconciled to the general ledger accounts and quarterly payroll tax returns?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
PR 9. Are clergy housing allowances recorded in the minutes of the Vestry/BC no later than the first meeting of the year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

COMPUTER SYSTEMS

	Yes	No	N/A	Comments
CS 1. Are current or duplicate copies of the operating system and software programs maintained off premises?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CS 2. Are computer files backed up on a regular basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
If so, how often?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CS 3. If backups are made, are they stored offsite?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
If not, where? _____				
CS 4. Is access to the computer and computer programs limited to authorized persons?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CS 5. Is there adequate documentation, available on-site for all computer programs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

DISCRETIONARY FUNDS

DF 1. Have the clergy established their policy with respect to the treatment of honoraria? (See below.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 2. If yes, what is their policy?				
a. Honoraria are used personally <i>OR</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b. Honoraria are placed in the parish discretionary fund for the advancement of the ministry <i>OR</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c. Honoraria are placed in other parish funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 3. Are deposits into the discretionary fund limited to donations and fees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 4. If not, what other types of receipts are deposited in the fund?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 5. Are there parish policies that prohibit use of the discretionary fund to pay clergy expenses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 6. If not, does the clergy refrain from paying clergy expenses from the discretionary fund in practice?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 7. Is the treasurer and/or warden of the parish a signatory of the discretionary fund?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 8. Are two signatures required for all checks written from the discretionary account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
DF 9. Who are the authorized signors of the account (position titles, not names):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	Yes	No	N/A	Comments
DF 10. Are disbursements from the account limited to alms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

DF 11. If no, what other types of disbursements are made, other than possibly clergy expenses addressed above?

Describe: _____

DF 12. Do records exist that describe the nature of the disbursements made from the account? (Note that a journal or memo would suffice)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
------------------------------------------------------------------------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

PROHIBITED TRANSACTIONS

PT 1 Are there policies prohibiting officers from receiving compensation for services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
----------------------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

PT 2 Are there policies prohibiting the church's Vestry/BC members from receiving compensation for their services (i.e. lawyer billing for legal services, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

PAROCHIAL REPORTING

PR 1 Was the parochial report completed and submitted by March 1 of the applicable year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
------------------------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

PR 2 Was the report reviewed and approved by the Vestry/BC before submission?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

PR 3 Is there an electronic record of parochial report calculations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
----------------------------------------------------------------------	--------------------------	--------------------------	--------------------------	-------

Must be signed by the treasurer and senior management officer of the church.

The above information is accurate to the best of my knowledge.

NAME: _____ DATE _____

TITLE: _____

NAME: _____ DATE _____

TITLE: _____



Episcopal Diocese of Los Angeles Financial Worksheet

The purpose of this workbook is to provide a common format for a condensed financial statement to be submitted to the Diocese to accompany your Committee Audit workbook and results.

Please prepare financial statements in the formats shown, adapted if needed to reflect your General Ledger accounts.

You may enter your Trial Balances in the proscribed format in the Current Year and Prior Year TB tabs OR you may key in your numbers directly from your source documents.

Explanations for selected accounts

Cash and cash equivalents	Operating cash, petty cash and other cash accounts that are immediately available or have a maturity of less than 90 days.
Accounts and Interest Receivable	These accounts are used to accrue revenue or interest due from investments. Examples could be sending an invoice to a tenant for rent that is due or accruing interest on a savings account for which payment won't be received until the following period.
Prepaid Expenses	Payment to a vendor for services that will be received in a subsequent period. An example could be making a partial payment in advance for a repair to the church property. The appropriate time to book the expense in the P&L is in the period that the work is performed.
Contributions Receivable	A contribution for which a firm commitment has been made but the cash has not yet been received.
Short Term Investments	These would be liquid investments, such as money market accounts or CDs with a maturity of less than one year from the balance sheet date.
Assets Held for Restricted Purposes	This classification would include any endowment or other funds for which the church has restrictions on its use.
Land, buildings, and equipment	Commonly known as fixed assets. Churches generally will capitalize assets over a given amount and directly expense those with a value below that threshold. Most churches do not record depreciation as required by Generally Accepted Accounting Principles.
Long-term investments	These are investments with greater than one year maturity from the balance sheet date or investments in stocks, bonds, mutual funds, etc., that possibly could be liquidated, but are not expected to be.
Accounts Payable	Invoices that have been received but are not yet paid.

Deposits	Security or other deposits that are expected to be refunded at a future point.
Deferred Revenue	Often pledges paid in advance or other revenue that was received in advance of the period the revenue should be recorded. Examples could include a pledge paid in December for the following year, a contribution given for an event that will be held at a later date or a rent payment for a future period.
Notes payable	A loan or obligation, generally with simple terms, due within 1 year from the balance sheet date.
Long-term debt	A loan that is longer term, generally longer than a year, likely to an outside lender. This type of loan often has reporting requirements to the lender at specified due dates.
Net assets without donor restrictions	Total Assets less Total Liabilities without restrictions (unrestricted equity)
Net assets with donor restrictions	Total Assets less Total Liabilities related to funds that are restricted by an endowment or other restriction.

Definitions: Methods of Accounting

Cash Basis	Revenue and expenses are recorded when received or paid. <i>NOTE: This method of accounting is not generally accepted.</i>
Accrual	Revenue is reported when earned and expenses are reported in the period for which they are incurred (e.g., a telephone invoice received in January for December, thus the expense would be reported in December). In this method the full amount of a parishioner's annual pledge would be recorded at the beginning of the year, with the offsetting entry to Accounts Receivable. As payments come in on a weekly or monthly basis, the pledge's receivable balance would be lowered as cash is applied.
Modified Accrual	Revenue and expenses are recorded either using the cash method or the accrual method. As pledges may not always be paid at 100% of the commitment amount, it can be a prudent policy to record revenue upon receipt (i.e. pledge revenue is recognized when received) and accrue expenses to ensure they are recorded in the period goods or services are received. The exception to this would be a large or multi-year pledge that is committed and probably will be collected. ■

Statement of Key Accounting Policies

for the years ended December 31, 20__ and 20__

Parish/Mission _____ City _____

Method of Accounting	Cash Basis	Hybrid (Modified Accrual)	Accrual	Additional Explanations from Preparer
How are revenues recorded? ¹	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
How are expenses recorded? ²	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

Property and Equipment	Historical cost	Estimated value	Appraised value	Additional Explanations from Preparer
<i>Basis of presentation (check box)</i>				
A. Land and buildings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
B. Furniture and equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
C. Vehicles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
D. Other - describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

Is Depreciation booked in your financial statements? If yes, how is it calculated?

Investments	Historical cost	Market value (Preferred)	Additional Explanations from Preparer
<i>Basis of presentation (check box)</i>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	<input type="checkbox"/>	<input type="checkbox"/>	_____
If your investments are recorded at market value, how are gains/losses recorded?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Realized gains (from assets sold during the period) ⁴	<input type="checkbox"/>	<input type="checkbox"/>	_____
Unrealized gains (increase/decrease in assets that were not sold) ⁵	<input type="checkbox"/>	<input type="checkbox"/>	_____

Explanatory Notes

1. Cash basis = Recorded when received
2. Accrual basis = Recorded when earned (revenue) or when the goods and/or services are incurred (expenses). See Instructions tab for further explanation.
3. Note that property and equipment is generally recorded at the cost of acquiring it. For many churches, values on the books for land and buildings goes back so far that it would be difficult to ascertain that historical cost. In a committee audit, there is no need to be concerned about that value. For Furniture and Equipment, Vehicles and Other, it would be typical for a Company to depreciate the assets. It is not essential that a church do that as churches are not federal and state income tax payers, so it is not as essential. It is recommended to the extent possible that these assets be expensed when incurred. If they are sizable and they are not depreciated, they should be written off when they are no longer in use.
4. Realized gains/(losses) must be recorded in the Statement of Activities
5. **Unrealized gains can be booked in the Statement of Financial Position**

Statement of Financial Position

for the years ended December 31, 20__ and 20__

Parish/Mission _____ City _____

Assets:	Current Year	Prior Year	Change \$	%
Cash and cash equivalents	\$	\$	\$	%
Accounts and interest receivable	\$	\$	\$	%
Prepaid expenses	\$	\$	\$	%
Contributions receivable	\$	\$	\$	%
Short-term investments	\$	\$	\$	%
Assets held for restricted purposes	\$	\$	\$	%
Land, buildings, and equipment	\$	\$	\$	%
Long-term investments	\$	\$	\$	%
Long-term investments - Donor Restricted	\$	\$	\$	%
Total Assets	\$	\$	\$	%
Liabilities and net assets:				
Liabilities	\$	\$	\$	%
Deposits	\$	\$	\$	%
Contributions receivable	\$	\$	\$	%
Deferred Revenue	\$	\$	\$	%
Notes payable	\$	\$	\$	%
Long-term debt	\$	\$	\$	%
Total Liabilities	\$	\$	\$	%
Net assets without donor restrictions	\$	\$	\$	%
Net assets with donor restrictions	\$	\$	\$	%
Total Net Assets	\$	\$	\$	%
Total Liabilities and Net Assets	\$	\$	\$	%

Statement of Activities

for the years ended December 31, 20__ and 20__

Parish/Mission _____ City _____

Revenues, gains, and other support	Net Assets without Restrictions	Net Assets with Restrictions	Total	Total - Prior Year	\$	Change	%
Contributions	\$	\$	\$	\$	\$		%
Rental income	\$	\$	\$	\$	\$		%
Income on long-term investments	\$	\$	\$	\$	\$		%
Other investment income	\$	\$	\$	\$	\$		%
Net unrealized and realized gains on long-term investments	\$	\$	\$	\$	\$		%
Other	\$	\$	\$	\$	\$		%
Net assets released from restrictions	\$	\$	\$	\$	\$		%
Satisfaction of program restrictions	\$	\$	\$	\$	\$		%
Expiration of time restrictions	\$	\$	\$	\$	\$		%
Total revenues, gains & other support	\$	\$	\$	\$	\$		%
Expenses and losses:							
Missions	\$	\$	\$	\$	\$		%
Pastoral Ministries	\$	\$	\$	\$	\$		%
Parish Programs	\$	\$	\$	\$	\$		%
Administrative	\$	\$	\$	\$	\$		%
Parish Repairs & Maintenance	\$	\$	\$	\$	\$		%
Rental Expenses	\$	\$	\$	\$	\$		%
Total expenses	\$	\$	\$	\$	\$		%
Depreciation							
Total expenses and losses	\$	\$	\$	\$	\$		%
Change in net assets	\$	\$	\$	\$	\$		%
Net assets at beginning of year	\$	\$	\$	\$	\$		%
Net assets at end of year	\$	\$	\$	\$	\$		%

Statement of Activities

for the year ended December 31, 20__

Parish/Mission _____ City _____

	Net Assets without Restrictions	Net Assets with Restrictions	Total
Revenues, gains, and other support:			
Contributions	_____	_____	_____
Rental income	_____	_____	_____
Income on long-term investments	_____	_____	_____
Other investment income	_____	_____	_____
Net unrealized and realized gains on long-term investments	_____	_____	_____
Other	_____	_____	_____
Net assets released from restrictions:			
Satisfaction of program restrictions	_____	_____	_____
Expiration of time restrictions	_____	_____	_____
	_____	_____	_____
Total revenues, gains, and other support	_____	_____	_____
Expenses and losses:			
Missions	_____	_____	_____
Pastoral Ministries	_____	_____	_____
Parish Programs	_____	_____	_____
Administrative	_____	_____	_____
Parish Repairs & Maintenance	_____	_____	_____
Rental Expenses	_____	_____	_____
	_____	_____	_____
Total Expenses	_____	_____	_____
Depreciation	_____	_____	_____
Total expenses and losses	_____	_____	_____
Change in net assets	_____	_____	_____
Net assets at beginning of year	_____	_____	_____
	_____	_____	_____
Net assets at end of year	_____	_____	_____



Deposit Test Work Sheet (Sample)

Notes: This workbook supports testing for **Part C: Item 26**. Please make your selections from the General Ledger detail. Sample should include 10% of transactions for the year or 25 transactions, whichever is smaller. Please summarize exceptions on the lines below (by selection number) and report them to the audit committee, if significant.

SAMPLE Begin your entries on the next page

Selection #	Type	Date	Number	Name	Description	Account Code	Original Amount	Traced to support (Y/N)			Tie to Bank Statement (Y/N)	Exceptions (Y/N) (Describe details on lines below)	Revenue properly recorded? (Y/N)
								Counter Sheet	Deposit Slip	Online giving receipt/report			
1	Deposit	02/16/24			Vanco Batch 724593263	Pledge Offerings	2,500.00						
2	Deposit	02/27/24			Batch 570	Pledge Offerings	4,000.00						
3	Deposit	02/29/24			Rent-3/24	Rental Income	1,200.00						
4	Deposit	05/17/24			DIT Q1 Interest/Dividends	Interest/Dividend Income/DMF	5,203.87						

Exceptions (Describe details below. Identify by selection number)



Deposit Test Work Sheet

Notes: This workbook supports testing for **Part C: Item 26**. Please make your selections from the General Ledger detail. Sample should include 10% of transactions for the year or 25 transactions, whichever is smaller. Please summarize exceptions on the lines below (by selection number) and report them to the audit committee, if significant.

Parish/Mission _____ City _____ Auditor Performing Testing _____ Date Completed _____

Selection #	Type	Date	Number	Name	Deposits Testing			Traced to support (Y/N)			Tie to Bank Statement (Y/N)	Exceptions (Y/N) (Describe details on lines below)	Revenue properly recorded? (Y/N)	
					Description	Account Code	Original Amount	Counter Sheet	Deposit Slip	Online giving receipt/report				
1														
2														
3														
4														
5														
6														
7														
8														
9														

Exceptions (Describe details below. Identify by selection number)



Cash Disbursements Test Work Sheet (Sample)

Notes: This workbook supports testing for **Part D: Item 31**. Please make your selections from the General Ledger detail. Sample should include 10% of transactions for the year or 25 transactions, whichever is smaller. Please summarize exceptions on the lines below (by selection number) and report them to the audit committee, if significant.

SAMPLE Begin your entries on the next page

Selection #	Type	Date	Number	Name	Description	Account Code	Original Amount	Reviewed Invoice or other expenditure support			Reviewed Disbursement Support				
								Invoice? (Note #)	Other - note?	Approved by authorized person?	Paid Date	Payment Type	Check properly signed or EFT approved?	Check/EFT cleared (Date)	
1	Transfer	01/17/2024	EFT	IRS	Payroll tax-1/15/23	-SPLIT-	-573.21								
2	Check	01/20/2024	1403	IRS	Est.#697-Heating System Repair	Replacement Reserve	-2000								
3	Check	01/20/2024	1419	Perfect Air Flow Heating & Air	Jan 2023	-SPLIT-	-2,500.00								
4	Check	01/20/2024	1424	The Church Pension Fund	Cleaning services	General Repairs & Maintenance	-525.00								
5	Check	01/20/2024	EFT	Bank Visa	Visa xxxxx0469-Pmt-12/23	F&M Visa	-740.54								

* Expense report, credit card statement - coded

Exceptions (Describe details below. Identify by selection number)



Cash Disbursements Test Work Sheet

Notes: This workbook supports testing for **Part D: Item 31**. Please make your selections from the General Ledger detail. Sample should include 10% of transactions for the year or 25 transactions, whichever is smaller. Please summarize exceptions on the lines below (by selection number) and report them to the audit committee, if significant.

Parish/Mission _____ City _____ Auditor Performing Testing _____ Date Completed _____

Selection #	Type	Date	Number	Name	Description	Account Code	Original Amount	Reviewed Invoice or other expenditure support			Reviewed Disbursement Support			
								Invoice? (Note #)	Other - note?*	Approved by authorized person?	Paid Date	Payment Type	Check properly signed or EFT approved?	Check/EFT cleared (Date)
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														

* Expense report, credit card statement - coded

Exceptions (Describe details below. Identify by selection number)



Schedule of Restricted Assets Worksheet

Notes: This workbook supports testing for **Part E: Item 43**. Please make your selections from the General Ledger detail.
 Sample should include 10% of transactions for the year or 25 transactions, whichever is smaller.

Parish/Mission _____ City _____ Auditor Performing Testing _____ Date Completed _____

Selection #	Name of Fund/Asset	Source of Funds	Date Established	General statement on restrictions of funds	Who oversees that funds as disbursed in accordance with restrictions?	Current Status of Compliance
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Appendix B

General Instructions: Agreed-Upon Procedures

The primary purpose of an agreed-upon procedures engagement is to provide an independent review of the financial statements and internal controls by a professional accounting firm, which can validate or recommend improvement. Conducting an examination based upon these agreed-upon procedures is a reasonable intermediary step between a CPA audit and opinion and a congregational self-audit/examination.

An examination based on Agreed Upon Procedures requires complete financial statements of the congregation and all affiliated organizations (e.g., schools, thrift shops). A workbook is posted on the EDLA Finance website to assist the church in preparing these documents for review. Reference to guidelines and further instructions is made to the Manual of Business Methods in Church Affairs, prepared and distributed by the National Episcopal Church. This is available for download at www.episcopalchurch.org/finance

The scope of the agreed-upon procedures engagement shall include:

- a. Procedures by an external examination financial professional to determine that financial statement balances correctly tie to the trial balance and supporting documentation as stated in the Engagement Letter.
- b. Review of the Parochial Report calculations by an external examination financial professional to determine that such calculations are completed in accordance with Diocesan instructions.
- c. A review of management internal control practices

Steps in planning for and conducting an agreed-upon procedures engagement.

The first step will be securing an external examination financial professional to perform the work. In general, a local firm or a sole practitioner can perform such an engagement.

A sample engagement letter has been provided for use. That letter specifically sets forth the steps the Diocese mandates for conducting this examination by an external financial examination professional. However, if your church has a need for specific exemptions or additions, please send that request to the Rev. Susan Stanton, CFO, for approval.

After the external examination and the selection of the financial professional, both parties will sign the engagement letter to document their understanding of the work to be performed.

The external examination financial professional will establish a timeline to conduct and perform the procedures, which will include a PBC (items prepared by the client) by the congregation's advance of the commencement of the work. It is very important to complete the list diligently and accurately to avoid additional fees once the examination begins.

Upon completion of the agreed upon procedures, the financial professional will review the results of their examination and note any errors or deficiencies that require corrective action. This information should be reviewed with the Treasurer, Bookkeeper and Finance Committee members to get their concurrence. A letter must be provided to the Diocese with the agreed-upon procedures report and the financial statements that acknowledges this review and concurrence.

The treasurer/bookkeeper should ensure that the following documentation is available and assembled for the

external financial professional in advance of starting the engagement.

- ◆ Internal Control Questionnaire – completed by Church Management
- ◆ Financial Statements in the approved Diocesan Format with the supporting trial balance.
- ◆ Bank statements, savings account statements and investment reports for all accounts with applicable reconciliation, including the first month of the next year
- ◆ Details of any mortgages or other loans, including copies of loan statements showing balances at the end of the year for each loan
- ◆ Account reconciliations for all balance sheet accounts
- ◆ Copy of prior year's audit report
- ◆ Schedule of Restricted Net Assets
- ◆ Parochial Report with supporting calculations
- ◆ Any additional documents requested by the outside external financial professional.

Churches undergoing an agreed-upon procedures engagement will be required to submit to the Diocese:

- ◆ The external examination financial professional's letter detailing the procedures performed and the results of the engagement.
- ◆ The financial statements for the period under review.
- ◆ The internal control questionnaire, prepared by the church and reviewed by the external financial professional.
- ◆ A letter of acceptance of the findings from the Church's Finance Committee.

Sample Engagement Letter

Date

Sample Parish
Main Street
Anytown, CA 90XXX

Dear Parish Treasurer:

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Parish name] (“Parish”) located in [name of city, state].

We will apply the agreed-upon procedures which the Episcopal Diocese of Los Angeles (EDLA) has specified, to the Parish Financial Report of the Parish as of December 31, 20XX, prepared in accordance with the 202X Parish Financial Reporting Requirements. This engagement is solely to assist the EDLA in monitoring the financial condition of the Parish. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the accountant is required to be independent of the entity and to meet the accountant’s other ethical responsibilities. The sufficiency of the procedures is solely the responsibility of the EDLA. Consequently, we make no representation regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures does not constitute an examination, we will not express an opinion on the Parish Financial Report. In addition, we have no obligation to perform any procedures beyond those listed.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of the EDLA and the Parish, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The parish is responsible for the presentation of the Parish Financial Report in accordance with the 202X Parish Financial Reporting Requirements; and for selecting the criteria and determining that such criteria are appropriate for your purposes. The parish is also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee any accounting or bookkeeping services we provide in connection with this engagement; and for evaluating the adequacy and results of those services and accepting responsibility for them.

[Name] is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin our procedures on approximately [DATE] and, unless unforeseeable problems are encountered, the engagement should be completed by [DATE]. At the conclusion of our engagement, we will require a representation letter from Parish management that, among other things, will confirm management’s responsibility for the presentation of the Parish Financial Report in accordance with the 2018 Parish Financial Reporting Requirements.

The estimated fee for these services is \$_____. This fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the en-

gement. If significant additional time is required, we will discuss it with you and arrive at a new fee estimate before incurring the additional costs. Half of our fee will be billed upon commencement of our work and the balance upon delivery of our report.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Sincerely,
[Sample CPA Firm]

Signature _____ Date _____

This letter correctly sets forth the understanding of the Parish or Mission.

Signature _____ Date _____

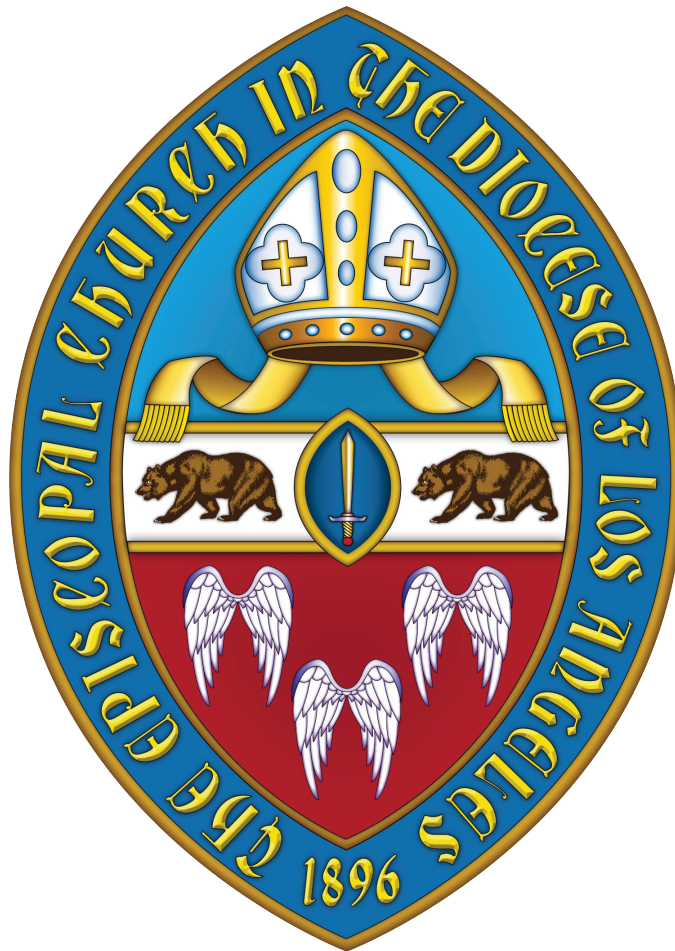
Title _____

Sample: Agreed-Upon Procedures to Be Performed

We will perform the following procedures, as applicable:

1. Cash and Cash Equivalents – We will trace amounts reported on the trial balance to bank reconciliations and ensure the total agrees to the balance presented on the financial statements.
2. Accounts and Interest Receivable –
 - a. Pledges receivable: We will trace the amounts reported on the trial balance to a list by donor.
 - b. Other receivables: We will trace amounts reported in the trial balance to supporting documentation.
 - c. We will review the accounts on the trial balance that are reported on this line item for accuracy and appropriateness.
3. Prepaid Expenses – We will trace amounts reported in the trial balance to supporting reconciliations. We will review the balances to determine their appropriate classification as Prepaid Expenses (expense is allocated to the proper period). We will agree total Prepaid Expense accounts in the trial balance to the total reported on the financial statements.
4. Contributions Receivable – Agree amounts from the trial balance to the financial statement line item. Review reconciliation supporting the balance for appropriateness. (There is a valid pledge to make the contribution.)
5. Short Term Investments – Agree amounts from the trial balance to broker statements; ensure the accounts from the trial balance agree with the financial statements. Determine that all of the accounts are correctly classified as short-term.
6. Assets Held for Restricted Purposes – Agree asset accounts from the trial balance to supporting documentation that shows the balance and that they are properly classified as restricted assets. Determine that the financial statement balance ties to the supporting trial balance accounts.
7. Land, Buildings and Equipment – Agree the amounts reported on the trial balance to detailed lists or other supporting documentation. Agree accounts from the trial balance to the total presented on the financial statements. Inquire as to the depreciation method utilized and test that depreciation is being recorded properly.
8. Long Term Investments – Agree amounts from the trial balance to broker statements; ensure the accounts from the trial balance agree to the financial statements. Ensure that all accounts are correctly classified as long-term.
9. Long Term Investments – Donor Restricted – Agree asset accounts from the trial balance to supporting documentation that shows the balance and that they are properly classified as restricted assets. Determine that financial statement balance ties to the supporting trial balance accounts. Determine that assets have a valid donor restriction that is currently in effect.
10. Accounts payable and accrued expenses – Agree Accounts Payable per the trial balance to the detailed list of accounts payable by vendor. Agree the accrual accounts from the trial balance to the supporting documentation for the balances. Determine that accrual balances are valid as of year-end. We will examine the supporting documentation for all cash disbursements over \$500 made from January 1, 20XX, through January 31, 20XX, to ensure all such items pertaining to the calendar year under review have been included in the accounts payable list.

11. Deposits – We will trace the amount reported on the financial statements to the trial balance and supporting detailed documentation. We will inquire as to the date the deposit would be expected to be refunded per leases or contracts.
12. Deferred contributions/revenue – We will trace the amount reported on the financial statements from the trial balance to supporting documentation.
13. Notes payable – We will trace the amount reported on the financial statements from the trial balance to amortization schedules or other supporting documentation.
14. Long Term Debt – We will trace the amount reported in the financial statements to the trial balance and to supporting documentation to determine whether it qualifies as a liability under accounting principles generally accepted in the United States of America.
15. Net Assets without Donor Restrictions – Determine that accounts are properly calculating to this balance from the trial balance.
16. Net Assets with Donor Restrictions – Determine that accounts are properly calculating to this balance from the trial balance.
17. Parochial reporting – We will trace the amounts reported on line 15 through 18 to the specified lines of the parochial report. We will read the parochial report completed by the parish and trace the amounts to supporting documentation.
18. Parish internal control questionnaire – We will read the internal control questionnaire completed by the parish and report any weaknesses in internal control procedures.



Produced by
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