



EDSD
COURAGEOUS LOVE

ANNUAL CONGREGATIONAL AUDIT WORKBOOK

FOR AUDIT YEAR 2023

Table of Contents

FOR AUDIT YEAR 2023	1
Introduction.....	3
TERMS DEFINED:	4
AUDIT GUIDELINES	5
SECTION A: External Audit and Audit Review	8
(External) AUDIT COMMITTEE REPORT	8
SECTION B: Committee Audit.....	9
COMMITTEE AUDIT PROCEDURES	10
AUDIT COMMITTEE REPORT	30

Introduction

Dear Rector/Vicar/Priest-in-Charge and Senior Warden,

It is time to turn your attention to the 2023 audit! As you know, the audit is a requirement of the canons of the Episcopal Church and a good and reasonable business practice. **Every congregation is required to perform some type of audit each year.**

Your requirement as clergy in charge (or senior warden) is to determine what type of audit your church will be doing, form an audit committee, and return the attached audit form to communicate this information to the diocese. **The audit form is due by April 15, 2024.** Audits must be completed and submitted to the diocese by September 1, 2024.

The diocesan audit guidelines are delineated below. Please note that the 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 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/Bishop's committee member.

The audit instructions and workbook will be available in late March, 2024. It contains the necessary tasks to guide each kind of audit (note external audits sometimes require an additional internal controls questionnaire, see the workbook p. 8 for details).

We recognize that the congregational audit sometimes becomes a tedious and burdensome task. The audit program was designed by the Diocesan Audit Standards Planning Task Force to provide congregational audit committees with a clear step by step process which is intended to clarify what is required of them.

Again, please let us know who the members of your audit committee are and what type of audit you are using by April 15, 2024 on the form provided below. The final date for submission of the completed audit is September 1, 2024. If there are questions that we can help with, please contact me at jmartinhauk@edsd.org or 619-481-5457. Harry Jasper, Controller, will be coordinating the audits as last year, and he can be reached at 619-481-5947 and hjasper@edsd.org.

After you have completed the audit, we welcome your comments as to any changes in procedures that you would suggest. Your comments and suggestions will help us plan for next year.

Signature

Sincerely,



The Rev. Canon Jeff Martinhauk
Chief Financial Officer
The Episcopal Diocese of San Diego

TERMS DEFINED:

External Audit: A complete audit conducted by an outside Certified Public Accountant (CPA). The goal of an external audit is to express an opinion on the accuracy of the financial statements and whether they are prepared according to Generally Accepted Accounting Principles.

External Review: A review of the financial statements conducted by an outside Certified Public Accountant (CPA). Typically, an external review does not offer the same depth as an outside audit nor does it usually conduct an internal controls questionnaire, and the auditor typically does not express an opinion on the financial statements. As such, it does not meet the requirements set forth below for churches that are required to have an external audit but can be used in place of a committee audit.

Committee Audit: Audits that are conducted by committee. Please note that a committee audit should include the entire entity. This means church, school, thrift shop, bookstore and any other organization. Committee audits assess the accuracy of the financial statements, but also evaluate the internal controls necessary for good financial hygiene. There are two types of committee audits.

- Internal audit -- a committee audit that is done by its own church
- Audit exchange -- a committee audit done on another church in exchange for that church conducting a committee audit on yours. Please contact the Diocese for instructions.

Diocesan Audit: This is an audit conducted by the diocesan audit team. It is not as thorough as an external audit and does not take the place of one. Diocesan audits assess the accuracy of the financial statements, but also evaluate the internal controls of the congregation as well as the congregations' financial health.

Compilation of financial statements: This term is used by accountants to denote their work in publishing year-end financial statements. A compilation is not an audit or an external review and is unacceptable in meeting the requirements of an annual audit.

AUDIT GUIDELINES

Approved by Executive Council of The Episcopal Diocese of San Diego December 7, 2013

Please Note: The diocese only has funding for a limited number of audits. We have identified churches that we will be auditing. If your church is one of those, you will be notified separately.

All churches will conduct an annual audit. A committee audit is required unless a different type of audit is required by the guidelines stipulated below.

Requirements for external audits are based largely on annual revenue. Revenue includes all revenue from church, school, thrift shop or any other parochial organization.

- Churches with revenues greater than \$2 million: Every other year with external review in intervening year
- Churches with revenue between \$1.5 and \$2 million: Every third year with external reviews in intervening years
- Churches with revenue between \$1 and \$1.5 million: Every fourth year with an external review in one of the intervening years
- Churches with revenue between \$500,000 and \$1,000,000: External audit or external review every fourth year with diocesan audit in one of the intervening years
- Churches must have an external audit or external review combined with a diocesan audit for the year in which a rector, vicar, or priest in charge leaves

In addition, Churches with any of the following are subject to a Diocesan audit:

- Every 4th year for churches with less than \$500,000 in revenue
- During administrative transition (part time clergy, treasurer, church bookkeeper/administrator unless an external audit was done within the last year.)
- Churches that did not submit any audit in the prior year

If your church has been selected for Diocesan audit, your clergy or senior warden will be notified by March 22, 2024. Otherwise, you will determine which type of audit to perform and notify the diocese by completing the form on p. 6-7.

NOTIFICATION OF AUDIT COMMITTEE MEMBERS AND TYPE OF AUDIT

Church _____

Address _____

Audit Contact person & title: _____

Email address: _____

Phone number: _____

Audit Year 2023

Type of Audit to be Conducted (check the type that applies):

External Audit

Committee Audit (Internal)

Committee Audit (Audit Exchange)

Other Church Participating in Exchange: _____

External Review

Diocesan Audit (Available only churches who have been notified)

Members of Committee:

All churches regardless of audit type are required to form an audit committee. The treasurer or finance committee chair should not be on the committee. Further, the committee should not include

more than one member of the finance committee. It should include vestry/Bishop's committee member.

1. _____
(Vestry/Bishop's Committee Member)

2. _____

3. _____

Submitted By:

Name & Title Date

Return by April 15 to:

Harry Jasper, hjasper@edsd.org

hjasper@edsd.org

SECTION A: External Audit and Audit Review

This section applies to those congregations using the services of a certified public accountant (CPA)

Any congregation may select to have an external audit. See diocesan audit guidelines on page 5 to determine if your congregation is required to have an external audit for 2023. *Please note: if you are required to have an external audit for 2023, an audit review is not sufficient.*

If your church engaged a CPA firm to conduct an external audit or audit review, please submit the following:

1. Independent Auditor Report with Audited (Reviewed) Financial Statements
2. Management letter from auditor with management’s responses
3. Internal controls checklist provided to the auditor. If the auditor did not request an internal controls checklist, then complete Internal Controls Questionnaire starting on page II-12 [Manual-of-Business-Methods-2024.1.pdf \(episcopalchurch.org\)](#)
4. End of year payroll register
5. Audit Committee Report (see template below)
6. Copy of vestry minutes accepting the audited financial statements

(External) AUDIT COMMITTEE REPORT

DATE COMPLETED

To the Rector, Wardens, and **[Bishop’s Committee or Vestry]** of
CHURCH NAME
CHURCH ADDRESS

Subject: 2023 Financial Audit

We have met with the audit firm INSERT AUDITOR NAME and reviewed the financial statements resulting from financial transactions of **CHURCH NAME** (“Church”) as of December 31, 2023 and the fiscal year then ended.

Based on our review, we recommend that the vestry/bishop’s committee accept the 2022 Audited Financial Statements.

Name of Committee
Member1
Audit Committee Member

Name of Committee
Member2
Audit Committee Member

Name of Committee
Member3
Audit Committee Member

SECTION B: Committee Audit

GENERAL INSTRUCTIONS

The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the church needs an audit to protect the church assets and him or herself against suspicion of mishandling those assets.

This workbook is being sent to you for guidance in completing the annual audit. Upon completion, this completed workbook **together with the 2023 financials**, should be returned to the diocesan office. Per the canons, the audit is required to be completed and returned by **SEPTEMBER 1, 2024**.

The audit committee will be responsible for conducting the audit and signing the audit reports. The audit committee members should be independent of the decision making and financial record keeping functions of the congregation unless an audit exchange is being conducted. 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 position in the year being audited. We recognize that this is a difficult requirement for smaller churches; please contact us to discuss alternatives. Exceptions can be made if an audit exchange is conducted.

Complete financial statements of the congregation *and your affiliated organizations (e.g. schools, thrift shops)* are required. 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 audit shall 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 approved for the Episcopal Church as set forth in Manual of Business Methods in Church Affairs. 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.

- Copy of approved budget for year being audited
- Copy of approved housing allowance resolution(s)
- Copies of vestry/bishop's committee minutes for the year
- Copy of financial statements prepared for the full year
- For the year being audited, cash receipt and disbursement records and general ledger of all accounts
- Bank statements, savings account statements and investment reports for all accounts being audited with applicable reconciliation, including the first month of the next year
- Check stubs and processed checks, including voided checks
- List of authorized signatures for all cash accounts
- 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)
- Paid invoices, vouchers or other backup for expenditures (include description of procedures and control of plate collections and other receipts)
- Details of any mortgages or other loans, including copy of loan statement showing balance at end of year
- Details of any significant receivables or payables as of end of year
- Copy of prior year's audit report
- Schedule of Restricted Net Assets
- Payroll register reflecting last payperiod of the year
- Accounting Policies and procedures manual

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 reason for not being implemented.

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 is approved and other significant matters:

4. How often are financial reports prepared and submitted to the Vestry/BC?

Monthly

Quarterly

Other: _____

5. Are the monthly actual numbers compared to the approved budget numbers?

YES

NO

What were significant variances to budget in the audit year?

AUDIT COMMITTEE PROCEDURES (continued)

6. Review all Journal Entries:

a. Is there an appropriate explanation accompanying each journal entry?

YES

NO

b. Are all journal entries approved by a knowledgeable authority other than the person initiating the entry?

YES

NO

c. If you answered, "no" to either of the questions above, please explain the control procedures over journal entries:

7. Are periodic reviews of insurance coverage made to determine adequacy of each type?

YES

NO

Name of Insurance Carrier _____

8. Are inventories of furnishings and equipment for insurance purposes current and complete?

YES

NO

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

10. Is petty cash kept on site? If so, please list who is authorized to access it. With two persons present, count the balance and verify against the balance on the financial statements.

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

AUDIT COMMITTEE PROCEDURES (continued)

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

Entity Type/ Name or DBA	If incorporated, Legal Name	If incorporated, Federal ID/ State ID(s)	Accounting by:	Audited by:

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

Organization	Lease and/or Written Agreement? (Y/N) If yes, start date of agreement	Annual Revenue	Current Insurance Certificate on File? (Y/N)

AUDIT COMMITTEE PROCEDURES (continued)

14. Describe the computer (IT) controls and physical controls over accounting, employee, and donor records. For example:

- What accounting and/or donor management software is used?
- What payroll processor is used?
- Who has access to the accounting, payroll, and/or donor management software?
- Where are accounting records maintained? Are there physical controls (e.g. locked offices and/or file cabinets)
- Where are employee/personnel files maintained? Are there physical controls?

15. Describe the computer (IT) controls maintained for all computers used within the church. For example:

- Are computers and other equipment (like printers and copiers) networked?
- Is there an on-site server or are computer systems cloud-based? If on-site, how often are back-up files created and are they maintained off-site?
- Are passwords NOT shared and required to be changed on a regular basis?
- How are email accounts administered?
- Is access to computers and computer programs limited to authorized persons?

16. Is there a plan for recovery of data and continuation of operations in the event of a disaster? If so, please describe.

YES

NO

Part B: Payroll and Benefits

17. Compare quarterly payroll tax reports (Form 941) and W-2 forms for the year under audit to a year-to-date payroll report (including all employees and all pay periods) to the financial statements for the year under audit.

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

YES

NO

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

YES

NO

18. The minimum wage in California in 2023 was \$15.50 per hour. In San Diego, the minimum wage was \$16.30 per hour regardless of number of employees. In California (including San Diego), the minimum wage in 2023 for employees who are **exempt** from overtime was \$64,480. The minimum wage in Arizona in 2023 was \$13.85 per hour.

a. Review a year-to-date payroll report to evaluate whether employees are properly classified as Exempt (from overtime) or Non-Exempt (eligible for overtime). Are all employees making less than the minimum wage for exempt employees paid on an hourly basis? If not, please advise which employees appear misclassified.

YES

NO

b. Review payroll records and timesheets for 1-2 pay periods (chosen at random). Do all employees making less than the exempt minimum wage submit time sheets? Do timesheets agree to hours paid for all hourly employees? Do timesheets include time in/time out and at least ½ hour lunch break for shifts of more than 5 hours? Are timesheets signed by both the employee and a supervisor? Is vacation and sick time accrued for all employees including clergy? If not, report exceptions:

YES

NO

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 minimum, personnel/payroll files should include:

- Employment application or Letter of Agreement
- For employees scheduled to work over 1000 hours per year, a copy of Lay Pension Plan enrollment and Health Insurance enrollment form (Note: per Denominational Health Plan policy, church employees working over 1500 hours per year are entitled to paid health insurance benefits. Employees working between 1000 and 1500 hours per year may enroll in the church health insurance plan at their own cost. If they refuse coverage, they should still submit the enrollment form and check that they have denied coverage. This does not apply to schools)
- Authorization of payrate(s) paid in the year under audit
- IRS Form W-4
- Department of Justice Form I-9 should NOT be found in these files (and should be maintained in a separate location). Inquire of how Forms I-9 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:

- a. Was clergy compensation reported at end of year on form W-2?
- b. 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?
- c. Was vestry approved clergy housing allowance reported in Box 14 of form W-2?
- d. Was federal income tax NOT paid by the church (it may have been withheld from the clergyperson's paycheck, at their discretion)?
- e. Was FICA and medicare NOT paid by the church for the clergy person?

Report any exceptions:

21. Obtain the last clergy pension assessment bill paid in 2023. Are pension payments up-to-date for all participants (no past due amount or carryforward balance)?

YES

NO

Report any exceptions:

22. Does the amount of pension expense on the p&L equal 18 % of the priest(s)'s stipend plus housing?

23. Review the names on the pension bill. Are the names listed current?

24. Obtain the last Fidelity contribution platform showing contributions for lay pension and clergy RSVP in 2023. Are all lay employees (including teachers) that are regularly scheduled for more than 1,000 hours a year covered by a CPG 403b (defined contribution) plan? Are plan contributions paid current (note these should include employer contributions and may include employee contributions made via payroll deduction)?

YES

NO

Report any exceptions:

25. Obtain the last Episcopal Church Medical Trust bill paid in 2023. Are all clergy and lay employees that are regularly scheduled for more than 1,500 hours a year covered by an Episcopal Medical Trust healthcare plan? (NOTE: school and thrift shop employees may be excluded or provided other healthcare benefits. Clergy MAY NOT refuse Episcopal Church Medical Plans without a valid opt-out reason). Are plan premiums paid current?

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: _____

YES

NO

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

AUDIT COMMITTEE PROCEDURES (continued)

Part C. Cash Receipts, Accounts Receivable, and Contributions

28. Inquire about and/or read the procedures and controls for cash receipts (including checks and ACH and credit card payments), and the deposit of such monies. Summarize 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?
- 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 pledge envelopes and other memoranda retained for at least one year?
- Are all discrepancies investigated?

Report any exceptions to the above:

30. From a list of all deposits recorded in 2023, 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.

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

AUDIT COMMITTEE PROCEDURES (continued)

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

31. Inquire about and/or read the procedures 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 here:

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.

31. Are bills/expenses approved separately from signing checks? If so, determine what vestry resolution authorizes the signers and when last updates, including any restrictions on amounts or spending area. Note any discrepancies.

32. Obtain an understanding of the procedures followed for making cash disbursements. At minimum the following policies and procedures should be in place:

- Disbursements should be made by check or authorized electronic transfer, except for very small expenditures made by petty cash (if any)
- Checks should be pre-numbered and used in sequence
- Voided checks should be properly cancelled (stamped "VOID") and retained
- Checks should be made to specified payees and never to "Cash" or "Bearer"
- Signing blank checks should be prohibited
- Signers should be provided with supporting documentation when asked to sign
- Electronic payments (EFT/ACH) should be authorized by Vestry/BC and managed by appropriate personnel
- An alternative review/approval process should be in place for electronic payments (since drafts from the bank will normally be made automatically and in advance of a signer's approval of the specific transaction
- Credit cards and credit limits should be formally authorized by Vestry/BC
- Credit cards should be issued only to personnel with business need and who have spending authority over some portion of the budget
- Disbursements via credit card should be supported by receipts
- Whenever possible, credit card bills should be paid in full

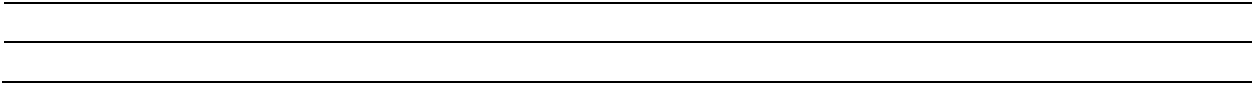
Report any exceptions to the above:

33. From a list of all disbursements made in 2023, select a sample of transactions to test. **Your sample should be 10% of all transactions or 25 transactions, whichever is smaller.** Vouch amounts paid per the accounting ledger/transaction list to check stub, 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 cancelled checks.

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

34. Identify individuals and unincorporated companies paid more than \$600 or more during the year. Obtain copies of IRS Forms 1099 filed for 2023 to report earnings. This does not apply to goods purchased.
Report any exceptions:

35. Obtain the bank statement and reconciliation for December 31, 2023, including a list of outstanding checks. Examine the bank statement for January following the close of the audit year to ensure 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.; cancelled and reissued to the vendor).
Report any exceptions:



AUDIT COMMITTEE PROCEDURES (continued)

Part E. Financial Reporting and Banking

36. Obtain a copy of the year-end financial statements. Review the financial statements and satisfy yourself that the statements appropriately account for the financial activity of the church for the year under audit. Describe significant items.

Current Assets

37. 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 31st.

f. Are all of the accounts in the name of, and addressed to, the church?

YES

NO

g. 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

h. Are bank accounts being reconciled on a timely basis?

YES

NO

i. Are bank charges and/or bank interest recorded timely?

YES

NO

j. Are bank transfers properly recorded as transfers to both affected accounts and not as income/expenses?

YES

NO

AUDIT COMMITTEE PROCEDURES (continued)

38. For savings and investment accounts, review activity for the period being audited. Was activity in accordance with the investment plan and appear to be in the normal course of business? If not, please comment:

YES

NO

39. 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:

40. 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?

Fixed Assets

41. 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

AUDIT COMMITTEE PROCEDURES (continued)

42. Review the church's fixed asset schedule and trace balances to the financial statements. Is there evidence that a periodic review conducted to compare the actual property, furniture and fixtures, and equipment with the recorded listing?

YES

NO

Report any exceptions:

Liabilities

43. 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.

44. List debt sources and debt balances as of December 31st:

a. Are mortgage or loan payments being made on a current basis?

YES

NO

b. Does the statement balance agree to the balance on the balance sheet?

YES

NO

c. Is all borrowing or indebtedness authorized by the Vestry/Bishop and if involving real property, have consent of the EDSO Standing Committee?

YES

NO

- d. Are all loan agreements and/or lease agreements in writing and properly safeguarded?
- YES
- NO
- e. Are there periodic reviews conducted to determine compliance with any debt/lease provisions?
- YES
- NO

Net Assets / Equity

Net assets are all funds that are either designated as restricted by the Vestry/BC or restricted by the donor, either temporarily or permanently. They should be recorded in the equity section of the balance sheet in the following categories:

Net Assets without Donor Restrictions

- Unrestricted
- Board Designated
 - Board Designated for a purpose
 - Board Designated for endowment

Net Assets with Donor Restrictions

- Purpose Restrictions
- Time Restrictions
- Perpetual Restrictions (donor-restricted endowment)

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

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

Please attach. If information can't be obtained, please explain:

46. 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 Vestry/BC regularly receive reports on the changes in these fund balances? Summarize here:

47. If there are any significant changes in fund balance, vouch to documentation supporting those changes. This may include statements showing gains/losses in investment accounts, deposit records and/or disbursement records. Make 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 enclosed).

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. Copy of vestry/bishop's committee minutes accepting the committee audit.

AUDIT COMMITTEE REPORT

DATE COMPLETED

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

Subject: 2023 Financial Audit

We have reviewed the financial statements resulting from financial transactions of **CHURCH NAME** ("Church") as of December 31, 2023 and the fiscal year then ended. Our review was made in accordance with audit guidelines issued by the Episcopal Diocese of San Diego 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 National 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 indicated "none noted."

Areas where prior auditors' recommendations have not been sufficiently addressed:
Insert comments and findings here or indicated "none noted."

Comments and recommendations of current year auditors:
Insert comments and findings here or indicated "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.

Name of Committee
Member1
Audit Committee Member

Name of Committee
Member2
Audit Committee Member

Name of Committee
Member3
Audit Committee Member