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ADGL Financial and Records Review Checklist (Q and A)

The Review should be completed by 2 or 3 people that are not signers on the accounts (Obviously not the treasurer or bookkeeper though their input is necessary)

(Updated March 11, 2024)

* Are monthly financial statements prepared on a timely basis and submitted to the Vestry/Mission Council or the appropriate committee(s)?
* Does the year-to-date profit and loss (Income and Expense) statement match the year-to-date profit and loss amount (or change in Net Worth from the previous year end) on the balance sheet as of the same date (If not the statements are out of balance and need to be addressed)?
* Do the financial statements include all funds (unrestricted, temporarily restricted, discretionary, benevolent, and permanently restricted)?
* Are account balances in the financial records reconciled with amounts presented in financial reports and reported by the financial institution?
* Were the Articles of Incorporation Verified (If not a 501-C3 then verify the Congregation is affiliated with the Anglican Diocese of the Great Lakes “ADGL”).
* Verify the Employer Identification Number (EIN) is under the same **name** as stated in the Insurance Policy as well as the Articles of Incorporation (If not file a Fictitious Name “DBA” with the State).

**CASH RECEIPTS**

*General*

* Are procedures established to care for offerings and/or monies received, delivered, or mailed to the church outside a scheduled service?

*Offering counting for Congregations*

* Are at least two unrelated members of the counting committee present when offerings are verified after the service (Some congregations rotate Vestry/Mission Council Members on a monthly basis)?
* Do the money counters verify that the contents of the offering envelopes (if utilized) are identical to the amounts written on the outside of the envelopes?
* Are money counters rotated so the same people are not handling the funds each week or month?
* Are donor-restricted funds properly identified during the process of counting the offerings?

*Depositing of funds*

* Are two members of the counting team in custody of the offering until it is deposited in the bank, placed in a night depository, church safe, or locked area?
* Are all funds promptly deposited? Compare the offering and other receipt records with the bank statement to see if there is a substantial (more than 3 days) delay?

*Restricted funds*

* Are donations for restricted purposes properly recorded in the accounting records?
* Are restricted funds held for the intended purpose(s) and not spent on general operations?

**DONATION RECORDS/RECEIPTING (IF THERE IS A SEPARATE DISCRETIONARY/ BENEVOLENT FUND CHECKING ACCOUNT “NOT RECCOMENDED” IT WILL ALSO REQUIRE AN ANNUAL FINANCIAL REVIEW OF “ALL” TRANSACTIONS)**

* Are individual donor records kept in order to provide year-end donor acknowledgments for all contributions?
* Does the annual doner record statement include the following language as required by the tax code? Required Statement: *“Goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits.”*
* Reminder: If goods or services (other than intangible religious benefits) were provided in exchange for a contribution, or the item given was not monetary then the giving record **cannot** contain a dollar amount per the tax code.
* Although not required by the IRS (Unless requested by the donor) has your organization adopted a policy of issuing an annual contribution report to all donors over $250?
* Are the donations traced from the weekly counting sheets to the donor records for a selected time period and/or amount, by the financial review committee (Do the giving records plus unknown donor cash receipts equal the amount collected and deposited)? Deposits must match the donner records. At a **minimum** the largest service deposit for each month should be verified that they match the doner records for that date.

**CASH DISBURSEMENTS**

* Are all disbursements paid by check or with debit card except for minor expenditures paid through a petty cash fund (A petty cash fund is not recommended)?
* Is written documentation available to support **all** disbursements (Invoices to support checks or debit transactions)? At a minimum the largest 4 payments other than payroll should be evaluated each month.
* Do the yearend W2’s and 1099’s match what was approved by the Vestry/Mission Council.
* If a petty cash fund or cash advances are utilized (not recommended), are vouchers prepared for **every** disbursement from the fund and an accounts receivable is initiated for any cash advance?
* Are pre-numbered checks utilized? Must account for all the check numbers including voided checks?
* Do all Discretionary Fund and Benevolent Fund Disbursements have appropriate supporting data as required by the IRS? If there is a separate discretionary fund checking account (Not Recommended) every transaction must be analyzed and reconciled with the discretionary and benevolent giving in the general fund (The inappropriate use of Clergy discretionary funds (i.e. personal use) and/or the non-reporting of 1099 forms and/or giving records is the major reason that churches have lost their non-profit status). It is highly recommended that these funds be a line item in the general fund. (See ADGL Discretionary /Benevolent Fund Policy Template and Worksheets)
* Has anyone received $600.00 or more for the calendar year that would require a 1099MISC or 1099NEC to be filed per IRS regulations? If an employee has received any amount outside of payroll it must be added to their W2 or be issued a separate 1099MISC. (See ADGL Discretionary/Benevolence Fund Policy Template).

**PETTY CASH FUNDS (Not Recommended)**

* Is a petty cash fund used for disbursements of small amounts? If so, is the fund periodically reconciled and replenished based on proper documentation of the cash expenditures?

**BANK STATEMENT RECONCILIATION**

* Are written bank reconciliations prepared on a timely basis? Test the reconciliation for at least the last month of the fiscal year. Trace transactions between the bank and the financial accounting books for completeness and timeliness.
* Are there any checks that have been outstanding over one month (If so investigate) or Debit Card Transactions, EFT’s, ACH’s and deposits that have been outstanding over three days (If so, there is probably a problem that needs to be addressed)?

**SAVINGS AND INVESTMENT ACCOUNTS**

* Are all savings and investment accounts recorded in the financial records? Compare monthly statements to the financial records (Balance Sheet).
* Are earnings and/or losses from savings and investment accounts recorded timely in the financial records (Other Income)?

**LAND, BUILDINGS, AND EQUIPMENT RECORDS**

* Are there detailed records of land, buildings, and equipment included on the balance Sheet (If required to be capitalized)? Do the supporting documents indicate date acquired, description, and cost at acquisition or fair market value if lower than the actual cost?
* Was an equipment physical inventory taken at year-end (Often required by the Insurance Co as a best practice)?
* Have the property records been reconciled to the organization’s insurance coverage?

**ACCOUNTS PAYABLE / ACCOUNTS RECIEVABLE**

* Is there a schedule of unpaid invoices including vendor name, invoice date, and due date (Withholding taxes are normally an item that is paid monthly or quarterly and therefore it would be considered Payable).
* Are any of the account payable items significantly past-due (Accounts payable must be on the Balance Sheet)?
* Are there any disputes with vendors over amounts owed?
* If you utilize cash advances (Not Recommended) You will be required to set up an accounts receivable on the balance sheet until an invoice is received for that amount or greater.

**INSURANCE POLICIES**

* Is there a schedule of insurance coverage in force (Make sure the name on the Articles of Incorporation matches the name on the Insurance policy)? Reflect effective and expiration dates, kind and classification of coverages, maximum amounts of each coverage, premiums, and terms of payment.
* Does the Church have Insurance Coverage of at least $1 million covering Liability, Counseling and Misconduct?
* Is Workers’ Compensation insurance being carried if your state offers or requires it? Normally cheaper if purchased from the state.

**AMORTIZATION OF DEBT**

* Is there a schedule of debt including mortgages and notes (Reminder: Church Credit Cards are debt instruments)?
* Have the balances owed to all lenders been compared to the obligations recorded on the balance sheet?

**SECURITIES AND OTHER NEGOTIABLE DOCUMENTS**

* Does the Church own any marketable securities or bonds? If so, are they kept in a safety deposit box or other secure fireproof location?
* Have the contents of the safety deposit box or safe been examined and recorded? This should be done at a minimum annually.

**PERSONNEL MATTERS**

* Are applications for employment on file (if utilized)?
* W-4 forms for each employee on file? (Required by code)
* Personnel files in a fireproof location or backed up online?
* Employee Handbook or Personnel Policy utilized? (ADGL template is available)
* Is an I-9 form for each employee on file as required by law – full and part time (clergy and laity)
* Resolution passed by the Vestry/Mission Council on file indicating the level of Clergy Housing Allowance with corresponding backup data which is required before 12/31 of the previous yearend. (Required annually per tax code) – (4 page Housing Allowance Template available)?
* Is the W-2 Housing Allowance in Box 14 (Required to be on a W2 in Box 14)? If it is not in box 14 engage a new payroll provider. The Diocese recommends the following provider: Ministry Works [www.ministryworks.com](http://www.ministryworks.com)
* If you are paying or reimbursing the insurance premium for an employee (clergy or lay) outside a group plan offered by the ACNA or the local church approved 125 plan, the Vestry/Mission Council in most if not all cases will need to approve as well as administer a QSEHRA plan or implement and administer an ICHRA or an approved 125 Plan. If there is not a plan and an administrator, the insurance premium payments will normally be fully taxable. (The diocese utilizes Isolved Benefit Services – Contact Sherry Kirksy (704) 440-4971 Ext. 2272)
* For HSA plan payments (Required on the W2) to be nontaxable the employee must be enrolled in a high deductible health plan (HDHP), not be enrolled in Medicare, and the outlay of funds does not exceed the maximum under the code. (See your accountant and/or tax advisor for specifics)
* Written Reimbursement Policy - Required per the tax code. (ADGL template is available)
* Written Discretionary/Benevolent Fund Policy- with worksheets (Protect non-profit status) (ADGL template is available)
* Written Misconduct Policy with Application (Application is required by law to preform background checks) (ADGL template is available)
* Written By-laws (Protects Vestry/Mission Council and employees) Warning: Make sure your indemnification language is not greater than your insurance coverage language – Have your insurance carrier review the proposed Indemnification language. (ADGL template is available that meets the requirements of the new ACNA and ADGL Canons)
* A Conflicts of Interest Policy is normally required by the state (Definitely in Ohio) for all non-profit corporations, (ADGL template is available).
* An Anti-Harassment Policy is required or highly recommended by all insurance companies and may be required by your state (ADGL template Available)
* Have all Clergy completed the Keeping your Sacred Trust and Anti-Harassment training. (Check with Clergy and/or Diocese for the completion certificates)?
* Have all Clergy completed an Oxford Document Background Check as required by the diocese (Contact the Diocesan office for Clergy status)?
* Have all Clergy, Staff (Full and Parttime), Vestry/Mission Council Members as well as all Volunteers that work with children (1) Completed the Youth Worker and Misconduct Coverage Application. (2) Had the appropriate level background check as required by the diocese and your insurance company or the Congregations Abuse Prevention Policy (The most lenient level is usually no more than every 3 years). (3) Completed Ministry Safe training within the last three years. (Vestry/Mission Council members are considered the Board of Directors of the non-profit corporation and are normally required by some if not most insurance companies (best practice) to have a background check – Receive a written confirmation if waved or not required by the Insurance Company)

**FEDERAL REPORTING OBLIGATIONS** Does the organization file on a timely basis the following forms if applicable? Federal payroll tax forms (Form 941, Form W-2, Form W-3, Form 1096, Form 1099 MISC, and Form 1099NEC. In addition, IRS Form 990 or 990EZ may be required depending on the types of income received by the local church, (If you receive rental payments from a person or organization using your facility you will most likely need to file Form 990 or 990EZ- check with your accountant).

* **Cell Phone reimbursement: (If the cellphone ownership and plan is under the corporation (church) then it is probably not a taxable event in that any personal use is considered as a de minimis fringe benefit)** If the Church is reimbursing personal cell phone expenses of a phone and/or plan **not** in the name of the corporation- It is assumed by the IRS that some level of the usage on that cellphone is for personal use. If they are being reimbursed the individual per the tax code must keep a log on usage business verses personal. The church should receive from the person being reimbursed the percentage of the plan and/or cell phone that is for business use and that amount should be paid by the non-profit corporation (Church) to the individual (monthly, quarterly or annually). If the individual receives more than the actual usage that difference will become taxable when they complete their IRS return. Persons who do not want to keep a log have opted to have the reimbursement amount added to their annual earnings (or separate 1099MISC) and pay the small amount of taxes (if any) on that amount.
* **Laptop Computers (Desktop computers that remain in the church office are exempt from these requirements per tax code):** If a laptop is purchased and given to a person and the warranty and ownership was registered in their name (not the church) it is a taxable event (See your tax accountant). If a laptop is purchased and the warranty is registered in the name of the Church (ownership remains with the church), a portion of the value of that laptop is normally considered for personal use by the IRS and is taxable. The recipient is required by the IRS to log usage both personal and business and the W2 will be increased proportionately. Some congregations have utilized a 1099MISC for the portion that is utilized personally. This is similar to the cell phone reimbursement issue above. Persons in order to not having to keep a log have opted to have the laptop registered in their name and the cost of the laptop added to their W2 income (or a separate 1099 MISC). One church that I am aware of gave funds to the recipient to cover the approximate taxes that will be incurred by the transaction and issued a separate 1099 MISC (Could be accomplished by increasing their salary for one period).
* **Copier Lease Agreements:** Some congregations have lease agreements for their copiers that have terms that cost up to 2 ½ times the value of the copier being utilized. Check the cost to purchase with various venders as well as online to compare with the total lease costs. A separate service agreement may be worth purchasing aside from the cost of easing or the purchase of the equipment.

*This is a living document that is modified with changes in the tax codes, state statutes and requirements by the ACNA and ADGL. If there are any questions, corrections or recommendations please contact The Rev, Canon Jeff Smead* [*jeffsmead@adgl.us*](mailto:jeffsmead@adgl.us) *or 724.422.4230 (Cell).*