The Committee on Finance is required to make provision for an annual audit of the records of all the financial officers (including the financial secretary or church business manager and treasurers) of the church and all its organizations and shall report to the Charge Conference. Guidelines for handling of an accountability of funds can be found in the 2013-2016 United Methodist Church Financial Records Handbook and in Guidelines for Leading Your Congregation: F\textsc{inance} available at http://www.cokesbury.com, and The Local Church Audit Guide*, available at http://www.gcfa.org.

This report is to be completed after the end of the year. This report does not need to be included with your other Charge Conference forms.

Copies of this report should be filed with the recording secretary, pastor, district superintendent and chairperson of the committee on finance.

For the period beginning and ending December 31,

1. Receipts, Disbursements, and Balances (Round to the nearest dollar)

   \(a\) Balance at Beginning of Period
   \(b\) Cash Received and Recorded
   \(c\) Total Disbursements
   \(d\) Transfers

   General Fund
   Benevolence Fund
   Building or Improvement Fund
   Board of Trustees’ Fund
   United Methodist Women
   United Methodist Youth Fellowship
   United Methodist Men
   Church School
   Other Organizations or Funds (enter name):

   \*The United Methodist Church
   Charge Conference

   Is NOT a four-letter word!

   AUDIT!

   Discipleship Ministries

   The United Methodist Church

   Annual Audit needs some better PR...
   It is a poor, misunderstood part of the life of the church.

   Thank you, IRS!
What Increases Stress...

When Audit is not conducted regularly it moves from being an ordinary part of the stewardship of church to something extraordinary and therefore negative.

Church Audit is NOT

- Criminal Investigation
- Witch Hunt
- Inquisition
- Threat
- Power Play
- Vendetta

Church Audit is NOT

Getting "some numbers on the form," getting it signed and getting the DS to take it with her or him.

What is The Church Audit?

Audit – the term as used in the Discipline, is meant to be a process that provides reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of the local church.

What is The Church Audit?

A local church audit – an independent evaluation of the financial reports and records of the internal controls of the local church by a qualified person or persons for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and whether the law, the Discipline, and policies and procedures are being complied with.

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“Mary was the treasurer for 50 years.”

Ultimate Goals of Audit
1. Protection for local church leaders
2. Trust and confidence of donors
3. Continuity in turnover
4. Accountability & transparency
5. Restrictions are respected
6. Checks & balances for funds received and expended.

Does My Church Need an Audit?
Every local church.

The local church Finance Committee “shall make provisions for an annual audit of the financial statements of the local church and all its organizations and accounts.”
Does My Church Need an Audit?

According to GCFA’s Guide, if receipts are less than $500,000 per year, a volunteer audit committee is fine. Receipts more than $500,000 then the recommendation is for a CPA conducted audit (consult the Audit Guide).

What’s Involved in the Audit?

Compare the reports of Treasurer and Financial Secretary, with bank statements, invoices, etc.

Your Churches Annual Income?

- Less than $50,000
- $50,000 to $100,000
- $100,000 to $250,000
- $250,000 to $500,000
- $500,000 to $750,000
- $750,000 to $1 million
- More than $1 million

“Appendix A” leads you, step by step, through the Audit process.

What’s Involved in the Audit?

Follow the money. How is it treated at different steps along the way (plate donations, electronic or mailed donations, deposits, etc.)

Appendix A

The statements provided to and used by the church’s Finance Committee should be the same ones used should be the same ones used in the test of the church’s balance sheet or “debit” balances included in the “Assets” section of the church’s balance sheet or “debit” balances included in the “Liabilities” or “Equity” or “Net Assets” sections of the balance sheet. For all such balances identified, obtain an explanation from the church’s Finance Committee. Summarize such explanation(s) in your report to the accountant to explain the source or source of the deficit, and provide the church’s accountant with a full and complete report to the finance committee. (Note: sources of funding for the deficit might include one or more of the following: bank borrowings, negative working capital (e.g., accounts payable and other short-term liabilities exceed cash balances), restricted assets used to support ongoing church operations).

Recommended Procedures

- Agree the “balance per bank” from the reconciliation to the corresponding ending balance of the church’s bank account(s) that have dates on or before the date of the end of the test period and for one other month. Agree the amounts of selected checks to the corresponding amounts in the list of outstanding checks included in the bank reconciliation being tested. (For example, to test the completeness of the list of outstanding checks included in the 2014 bank statement with dates on or before December 31, 2013) and agree the check list used in the bank reconciliation for December 2013, select checks from the January bank statements in the following month within three business days following the following month’s bank reconciliation tested. Agree the amounts of selected checks to the corresponding outstanding check amounts included in the list of outstanding checks included in the bank reconciliation being tested. (For example, to test the completeness of the list of outstanding checks included in the 2014 bank statement with dates on or before December 31, 2013) and agree the check list used in the bank reconciliation for December 2013, select checks from the January bank statement with dates on or before the date of the end of the test period and for one other month. Agree the amounts of selected checks to the corresponding amounts in the list of outstanding checks included in the bank reconciliation being tested. (For example, to test the completeness of the list of outstanding checks included in the 2014 bank statement with dates on or before December 31, 2013) and agree the check list used in the bank reconciliation for December 2013, select checks from the January bank statement with dates on or before the date of the end of the test period and for one other month. 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What’s Involved in the Audit?

Document that donor designated money, and income earned from designated funds are being used correctly.

What’s Involved in the Audit?

Review accounting controls, – systems that reduce the possibility of loss, inappropriate use of funds, or errors.

What’s Involved in the Audit?

Segregation of Duties – assurance that more than one person is involved in critical steps in handling money so that there can be checks and balances.

What’s Involved in the Audit?

Reasonableness of systems and procedures in light of all factors, including the size of the church and its budget.

What’s Involved in the Audit?

Records that show “donor’s intent” for the use of gifts made to the local church.

What’s Involved in the Audit?

Confirm that Tax reporting requirements are being met.
What’s Involved in the Audit?

Review maintenance of important church records (and access). Are electronic records backed up regularly? Paper documents kept safely?

“Who Ya Gonna Call?”

• A church member, accounting exp.
• Someone in banking field
• Someone manages business
• Great: someone not yet in leadership
• Two or more is great.
• NOT: Treasurer, Financial Secretary, Finance Chair (relatives of any of these).

Audit Team Exchange?

Get Required Information Ready

✓ Treasurer,
✓ Financial Secretary,
✓ Finance Chairperson

Information Required for the Audit

For audits performed by a qualified member of the church or other volunteer, the person(s) must obtain access to the following information and materials (at a minimum) during the audit:

1. Copies of all church policies and procedures related to finance and treasury functions and copies of minutes approving those policies.
2. Copies of all minutes from the finance committee, the trustees, the administrative board, the previous charge conference(s), and any other entity listed on the prior page.
3. Listing of all bank and investment accounts, including the person authorized to sign on each, and including any special use accounts under the control of the pastor(s) and in the name of the church.
4. All financial statements for each month of the year, plus December of the prior year and January of the subsequent year (a fourteen month period).
5. Bank and investment account statements for the same period.
6. Bank reconciliations for that same period.
7. Original books of entry, which will be the general and subsidiary journals; for those books that are computerized, a print-out of all transactions by account for the entire year.
Follow the Roadmap!

Questions?
Thank You!

Monday, April 13th, 10:30am CDT
PROPEL Stewardship: Good Stewardship, Greater Generosity
Following Clayton Smith, Executive Pastor of Generosity at Church of the Resurrection UMC, celebrating the release of his new book of the same title, join us as Clayton shares with us the wisdom of a career spent cultivating generosity and faithful stewardship.

Tuesday, May 5th, 10:00am CDT
Called to Care for God’s Good Creation: Intergenerational Environmental Stewardship
What is our responsibility for God’s creation? How can we invite persons of all ages to be good stewards of all that God has given us? Join Tanya Eustace, Ken Sloane (Discipleship Ministries) and John Hill (Church & Society) as we discuss ways to develop, nurture, and encourage faithful environmental stewardship in our churches and homes.

Thursday, May 14, 2015, 6:30pm CDT
Stewardship in the Digital World: Has Your Church Made the Leap?
Money has gone digital, communication has gone digital, education has gone digital—the church can embrace the digital culture without losing the human relationships that mean so much to all of us. Join us as we share some of the ways stewardship can (and must) thrive in the digital world.

http://www.UMCdiscipleship.org/webinars