



**EPISCOPAL DIOCESE OF IOWA**  
**ANNUAL CONGREGATION FINANCIAL REVIEW PROCEDURES**  
Revised 2023

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**I. Purpose of Annual Financial Review**

Annual audits are required by the Canons of TEC for all parishes, missions, and other institutions. 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 his/herself against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishops' committees, treasurers, and other persons holding positions of fiduciary responsibility may be liable for any losses, which would have been discovered by an ordinary audit but were not discovered because of failure to have an audit conducted.

In addition, an announcement to the congregation that a completed audit reveals that all monies and investments are properly accounted for will have a positive impact on stewardship.

**II. For Churches**

**A. Scheduling your Annual Financial Review**

Keeping good records saves money by helping the examiner avoid using professional time for routine work, such as gathering information.

Keep the examiner informed of changes and new directions in the congregation.

The treasurer and others, such as Vestry members, rectors, and staff, should be available to the examiner to provide any needed information.

Examiners may be certified public accountants, other financial professionals, or a committee of individuals independent of the decision making and financial record keeping functions of the congregation. A typical committee has three members.

**B. Preparation by the Church**

**1) Interview** to be completed by the Church and given to the Examiner prior to the start of review.

Church Legal Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Rector/Vicar/Priest-in-Charge: \_\_\_\_\_

Senior Warden: \_\_\_\_\_

Junior Warden: \_\_\_\_\_

Treasurer: \_\_\_\_\_

Other: \_\_\_\_\_

Financial records maintained by: \_\_\_\_\_

Location of financial records: \_\_\_\_\_

List all bank accounts, savings accounts, CDs, investment accounts, and securities:

_____	_____
_____	_____
_____	_____
_____	_____

List all loans, mortgages, or other indebtedness:

_____	_____
_____	_____

Names of individuals authorized to access online accounts and make and/or approve online transactions (bill pay, fund transfer, ACH payments, etc.):

_____	_____
_____	_____

Names of individuals authorized for check signing and fund withdrawal:

_____	_____
_____	_____

Names of authorized individuals with business credit cards:

_____	_____
_____	_____

Names of authorized individuals entrusted with account and passwords for financial accounts, parochial reporting, etc.:

_____	_____
_____	_____

How is online account information securely stored? \_\_\_\_\_

_____	_____
_____	_____

**2) Checklist** to be completed by the Church and given to the Examiner prior to the start of review.**Financial Management**

		Yes	No	N/A
1.	Do you use an accrual-based accounting system?			
2.	Do you use a computer-based accounting program?			
3.	Are all checking accounts (including discretionary funds and Episcopal other special funds) in the name of the congregation using its Federal Employer Identification Number?			
4.	Are bank statements reconciled regularly to accounting records and the checkbook?			
5.	Are all checks, payments and transfers supported by bills or payment requests, and approved by an individual different from the one signing the check or authorizing the online transaction?			
6.	Are two signatures required on large checks?			
7.	Do you have at least 2 people counting offerings?			
8.	Does a different person verify, record, and prepare the deposits?			
9.	Are the people taking deposits to the bank different from the ones recording the offering?			
10.	Are all business credit card holders employees of the church?			
11.	Is there an approval process for business credit card purchases?			
12.	Do the business card holder/s provide receipts and a purpose for all statement transactions?			

**Payroll:**

		Yes	No	N/A
1.	Has a housing resolution been included in the Vestry minutes for each cleric employed by the congregation?			
2.	Have total employee wages and withholding taxes been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3 and other required forms?			
3.	Have all Federal and State withholding taxes been remitted on a timely basis?			
4.	Is a current, signed Form W-4, I-9 or other required forms on hand for each employee?			
5.	Do you keep a secure file of completed Forms W-9 for all supply clergy and other individuals that you pay, in order to provide Form 1099?			

**Pledges:**

		Yes	No	N/A
	Do you have an annual pledge campaign?			

**Gifts, Endowments and Invested Funds**

		Yes	No	N/A
1.	Do you have a gift policy or procedures for gifts?			
2.	Do you maintain a list and individual files for gifts, grants, bequests, trusts, and endowment funds, to ensure compliance with terms, conditions, and restrictions?			
3.	Do you have any <u>future</u> bequests and gifts, such as proceeds from life insurance policies or sale of property willed to a congregation?			
4.	Do you have funds invested with the Diocesan Foundation Fund, brokers, or other financial institutions?			
5.	Do you hold any physical bonds or securities?			

**Property and Equipment:**

		Yes	No	N/A
1.	Do you have a list of fixed assets, showing date of purchase and cost?			
2.	Do you keep an inventory for insurance purposes?			
5.	Are land and buildings carried on financial statements?			
6.	Are any liens outstanding against property and equipment?			
7.	Do you allow outside groups to use your facility?			
8.	Do you have written agreements in place and copies of certificates of insurance from all groups that use your facility?			

**Other Indebtedness:**

		Yes	No	N/A
1.	Have appropriate church officials properly authorized all indebtedness?			

**Other**

		Yes	No	N/A
1.	Has your church insurance coverage been reviewed in the past year?			
2.	Is your church insurance in compliance with the Diocesan Policy on Congregation Insurance Coverage ( <a href="https://www.iowaepiscopal.org/congregational-insurance">https://www.iowaepiscopal.org/congregational-insurance</a> )?			
3.	Have there been any significant matters (legal or financial) that could have an impact on the financial position of the church?			

### C. Records to provide for Examiner to review

*Documents to have available during the review.*

		Yes	No	N/A
1.	Vestry minutes			
2.	Annual financial report to parish			
3.	Treasurer's interim reports to vestry			
4.	Annual parochial report			
5.	Reconciled bank statements with access to view canceled checks			
6.	Copy of previous year's audit and internal control letter			
7.	Pledge Records			
7.	Chart of Accounts			
8.	Copy of Budget			
9.	General ledger			
10.	Income and expense records (deposits and paid bills)			
11.	Payroll records			
12.	Payroll tax records (Forms 941, W-2, W-3)			
13.	Savings/CD/money market account records and statements			
14.	Investment and endowment records and statements			
15.	List of all restricted gifts with designations including 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.			
16.	List of loans with 1) Name of the lending institution; 2) Date of origin; 3) Original amount of loan; 4) Interest rate and payment schedule; 5) Monthly payment; 6) Unpaid balance; 7) Purpose of loan			
17.	Statements for loans, mortgages and other indebtedness			
18.	List of significant fixed assets showing the cost and date of purchase			

**Names and phone numbers of persons available to Examiner during the Review:**

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## D. Post-Review Instructions for Leadership and the Vestry

1. Upon completion, the Examiner shall present the Financial Review to the Treasurer, Rector, and Wardens.
2. Any findings and recommendations that are included in the Examiner's Findings and Recommendations on the fourth page of the Examiner's certification form should be discussed.
3. The Financial Review and any comments from the Treasurer shall be presented to the Vestry/Bishop's Committee. Upon receiving the report, the certification form shall be signed by the Clerk. The Vestry/Bishop's Committee minutes should officially record the receipt, acceptance and instructions to file the report with the Office of the Bishop.
4. **The Clerk shall file a copy of the Financial Review with the Diocesan office by September 1 of each year.**
5. If, at any time during the financial review, the records suggest that something is seriously wrong, the matter should be brought immediately to the attention of someone of superior authority, including the Vestry and the appropriate diocesan authority.
6. Please provide feedback about this new financial review process and information. You can send comments to [financial@iowaepiscopal.org](mailto:financial@iowaepiscopal.org).

### III. For Examiners

#### A. Preparation - *To be completed by examiner before beginning the Financial Review*

1. Obtain a preliminary understanding of the accounting systems (both manual and computer) that generate significant financial statement items and of related principal internal accounting controls.
2. Review the minutes of the Vestry meetings for the period under examination. Read the minutes regarding the election of officers, compensation of personnel, bonding of the treasurer, budget approvals, contracts entered into, items purchased, monies borrowed, purchase and sale of securities, resolution confirming clergy housing allowance for tax purposes, etc. You may need to see the minutes of the previous year if they contain authorizations for expenditures in the year being audited.
3. Review the previous financial review, complete with the examination findings. This will offer the chance to check on the progress of corrections of management control deficiencies, an important part of the teaching process.
4. Review the annual financial statements as prepared and presented by the treasurer.
5. Review the procedures being used to account for church monies. Identify by name and position the individuals with responsibility for financial operations and decisions and verify with them that all the funds of the congregation are included in the statements.
6. Identify all bank accounts and all authorized signers of checks, withdrawals, and internet purchases.
7. Establish a time and location to perform the examination.
8. Upon completion of the Review, provide the certification to the Treasurer and Warden, including the letter, checklist, findings, and recommendations.
9. Review the procedures and work plan and MODIFY AS APPROPRIATE.
10. Please provide feedback about this new financial review process and information. You can send comments to [financial@iowaepiscopal.org](mailto:financial@iowaepiscopal.org).

## B. Procedures to conduct Financial Review

The Examiner should report the results from these procedures in the next section, C. Examiner Certification, Checklist, and Findings.

### 1. Receipts:

- a. Plate offerings: Cash receipts journal entries should be traced to weekly cash receipts records on a test basis.
- b. Pledge receipts: Pledge receipts should be verified by tracing cash receipt entries to individual pledge records on a test basis. A minimum of 10% of postings should be traced. Results will indicate if a broader sampling is necessary.

Random selection of individual pledge records should be tested for accurate total and balance. A minimum of ten percent should include the same individuals as above.

The examiner should always review the pledge receipts of the congregation personnel involved in money transactions.

The decision regarding the size of the representative sample of postings and pledge records for examination depends on the dollars involved and the sophistication of the parish records.

- c. Contributions from other sources: Receipts must be listed and amounts entered in the cash receipts journal, traced to weekly cash receipts records.
- d. Investment and endowment income: Income from securities should be verified by an examination of the brokerage house statement. Income from investment accounts should be verified by an examination of the statements provided or confirmed by the trustee or agency. Income from savings bank deposits should be confirmed from bank statements.
- e. Restricted income: Income received for special purposes should be noted by the examiner, who should trace the cash receipts journal entries to the weekly cash receipts records. The examiner should also be satisfied that the income was used for the purpose for which the gift was made.
- f. Non-income receipts: Verify all cash receipts journal entries by tracing them and ascertaining that the proper authorization has been given for any transfer or inter-fund borrowing, or for the sale or redemption of any investments or property.
- g. All cash receipts records should be traced to duplicate deposit slips or bank statements to ascertain that these receipts are deposited intact.
- h. Petty cash: The examiner should be satisfied that a proper imprest system is being maintained. Petty cash is not to be used to cash personal checks. Cash flow and size of fund over audit period should be checked for possible misuse.
- i. All receipts should be compared to budgeted amounts and the Treasurer's reports and material variances should be explained.
- j. Contributions of tangible assets or services.
- k. Verify the totals in the cash receipts records for a test sample. Check postings of monthly totals to the general ledger or to the monthly financial statements.
- l. Verify that donation/contribution statements were created for individual donors listing the date, description and amount of each tax-deductible donation during the year. Each statement needs to include a phrase similar to, "Unless otherwise noted, the only goods or services provided are intangible religious benefits."

### 2. Disbursements:

- a. Testing of Disbursements: Select a sample of disbursements. Results will indicate if a broader sampling is necessary. Test the disbursements to invoices as follows:

- 1) Compare a test sample of invoices with the recordings in the cash disbursements journal to assure the examiner that they are fairly recorded and classified. Comparison should include vendor's name, date and amount billed.
  - 2) Examine a test sample of non-routine invoices for verification that the items were received or services performed so the examiner may be satisfied that goods and services were acknowledged by a person authorized to do so.
  - 3) Check the arithmetic on a test sample of invoices and vendors' monthly statements to assure the examiner that invoiced amounts were properly recorded on the statements.
  - 4) Travel and business expense reimbursements should be checked to see that they are in accordance with an "accountable plan." If a "non-accountable" plan is used, check that expenses paid to employees are reported on Form W-2.
- b. Verify the totals of the cash disbursements records for a test sample. Check postings of monthly totals to the general ledger or to the monthly financial statements.

### **3. Bank Accounts:**

- a. The examiner should ascertain the number of bank accounts maintained and the purpose for which each is maintained.
  - b. The examiner should examine a test sample of canceled checks for:
    - 1) Authorized signature(s)
    - 2) Proper endorsement
    - 3) Comparison with the cash disbursements journal for proper recording of payee and amount.

If fewer than ten checks are written each month, then all items should be examined.

If copies of canceled checks are not available, view checks online with assistance of an individual authorized to access the bank account online.
  - c. The examiner should account for all voided or missing checks.
  - d. Outstanding checks from the previous period should be examined to determine proper bank clearing and amount. Any check outstanding for a period longer than three months from the balance sheet date should be questioned for satisfactory explanation.
  - e. The examiner should verify bank balances at the end of the period being audited and should check that the closing cash amount is correctly stated.
- Examine the January bank statement following the close of the audit year for items impacting the audit year.
- f. Determine whether transfer of funds occurred between bank accounts near the date of the Statement of Financial Position. Determine that the transfers were recorded in the books in the same accounting period and that any transfers not recorded by the bank in the same accounting period appear in the appropriate bank reconciliation.
  - g. Verify that direct debits such as internet purchases are appropriately recorded.

### **4. Investments:**

- a. Investments with Diocesan Foundation Fund, brokers, and other financial institutions:
  - 1) Review monthly or quarterly statements
  - 2) Verify church accounting entries that income distributions and special withdrawals are recorded correctly.
- b. Investments held by Church (may not be applicable):
  - 1) Obtain or prepare a list of physical securities showing:
    - a) The description of each security

- b) The CUSIP number of bonds or securities
  - c) The number of shares/units of each stock, exchange traded fund, unit investment trust or mutual fund owned and/or the par value of any bond owned.
  - d) The coupon interest rate of each bond
  - e) The cost of each security and the amount recorded on the books
  - f) The interest and dividends received during the year
  - g) The market value of each bond or security as of December 31 of the year being audited
- 2) Review the investment results for reasonableness, consistency of amounts between years and obvious omissions.
  - 3) Compare the securities listed with ledger accounts and/or with the statement. Whenever practicable, CUSIP numbers should be compared with records of security purchases or gifts in order to obtain positive identification and to avoid the possibility of substitution.
  - 4) Examine securities listed or obtain confirmation from the holders if any are held by depositories. It is preferable for this examination to occur as close to the examination date as possible. Ensure that the securities are registered in the name of the congregation or are endorsed appropriately to be transferable to the congregation. Examine the coupons on bonds to ascertain that unmatured coupons are intact.
  - 5) Examine broker statements and compare with investment ledger where applicable.
  - 6) The examiner should be satisfied that the securities are being adequately safeguarded.
- c. For all investments:
- 1) Examine all transactions for verification of acquisitions and disposition.
  - 2) Trace acquisitions to disbursement records and sales (dispositions) to receipts records.
  - 3) Examine broker statements and compare with investment ledger where applicable.
  - 4) The examiner should be satisfied that the securities are being adequately safeguarded.
  - 5) Examine securities for ownership, certificate number, dates, endorsements, assignments, etc.
  - 6) Verify any income that has not yet been distributed.
  - 7) Determine, by reference to dates of purchase and disposal of investment, interest rates and published dividend records, whether income earned and accrued income receivable have been appropriately recorded.

## **5. Restricted Funds:**

- a. Review list of restricted funds showing:
  - 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.
- b. Examine the donor letter, or trust or agency agreement, for each new gift and contribution received during the fiscal year.

## **6. Loans:**

- a. Obtain or prepare a schedule of all loans to include:
  - 1) The name of the lending institution
  - 2) The date of origin
  - 3) The original amount of loan

- 4) The interest rate and payment schedule
  - 5) The monthly payment
  - 6) The unpaid balance
  - 7) The purpose of loan
  - 8) The authorizing body
  - 9) The collateral for the loan
  - 10) The restrictions placed by the lender
- b. Review balances for reasonableness, consistency of amounts between years and obvious omissions.
  - c. Determine that any new loans from the year being examined had the proper authorization and were recorded in the minutes of the Vestry or mission committee.
  - d. Verify that the borrower is in compliance with any loan covenants.
  - e. Reconcile the unpaid balance of all loans as reported by the congregation records to the figure reported by the lending institutions.

### **7. Property, Equipment, and Insurance:**

- a. Obtain a list of significant fixed assets showing the cost and date of purchase, if known.
- b. Review balances for reasonableness, consistency of amounts between years, and obvious omissions.
- c. Determine if any inventory identification procedure is in effect.
- d. The congregation should have a physical inventory of capital assets.
- f. If depreciation of property is recognized, review entries for accuracy.
- g. Verify property and liability insurance complies with diocesan minimum coverage (<https://www.iowaepiscopal.org/congregational-insurance>).

### **8. Payroll Records:**

- a. Examine the individual earnings records for name, address, social security number, number of exemptions, rate of pay, and effective date.
- b. Ensure that the salary paid is authorized and proper by comparing with the amount budgeted.
- c. Trace the individual earnings record postings to the check register.
- d. Reconcile total wages paid and total withholding taxes with the quarterly Form 941 and end-of-year Form W-3, checking that they were remitted on time.
- e. Determine if a current signed Federal Form W-4 and a Form I-9 (Immigration and Naturalization Service) is on file for each employee hired after November 6, 1986.
- f. Determine if a Form W-2 has been given to each employee (including the clergy) and that the Forms W-2 are correct and properly filed.
- g. Determine if Forms 1099 are being provided for all individuals who are not employees and unincorporated entities paid \$600 or more annually.
- h. Test the payroll to be sure that a real employee exists for payroll checks written.
- i. Ensure that terminated employees have been removed from the payroll in a timely manner.

### **9. Receivables and Payables:**

- a. Prepare a schedule of accounts receivable as of the date of the Statement of Financial Position. These may include pledge payments, which were made after the end of the year in which the money was pledged, or authenticated obligations owed to the congregation at year end.

- b. Prepare a schedule of accounts payable as of the date of the Statement of Financial Position. These may include monies owed by the congregation to vendors at year-end for goods and services received during the year being audited. Discuss with the treasurer any old or disputed payables.

**10. Discretionary Fund:**

Check that the discretionary fund is owned by the congregation, that the congregation's Federal Employer's Identification Number is the number used to identify the account at the bank, and that the fund has not been used for operating fund expenses or for the personal expenses of the clergy.

## C. Examiner Certification

**These 4 pages may be used by the examiner as the Certificate of Audit required by the Episcopal Church Canon and to be sent to the Diocese of Iowa no later than September 1 each year.**

Diocese of Iowa  
225 37th Street  
Des Moines, IA 50312

\_\_\_\_\_ Date \_\_\_\_\_

I/We have examined the accompanying financial statements of \_\_\_\_\_, Church Name  
located in \_\_\_\_\_, City as of and for the year ended December 31, \_\_\_\_\_, Year  
in accordance with the standards established by the Episcopal Corporation of the Diocese of Iowa. All  
information included in these financial statements is the representation of \_\_\_\_\_, Church Name  
Church.

An examination consists principally of inquiries of Church personnel and selected procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my examination, I am not aware of any material modification that should be made to the financial statements.

\_\_\_\_\_  
*Examiner 1 Signature*

\_\_\_\_\_  
*Examiner 2 Signature*

\_\_\_\_\_  
*Printed Name 1*

\_\_\_\_\_  
*Printed Name 2*

\_\_\_\_\_  
*Examiner 1 Address, City, State, Zip, Phone*

\_\_\_\_\_  
*Examiner 2 Address, City, State, Zip, Phone*

\_\_\_\_\_  
*Examiner 3 Signature*

\_\_\_\_\_  
*Printed Name 3*

\_\_\_\_\_  
*Examiner 3 Address, City, State, Zip, Phone*

\_\_\_\_\_  
*Date Received by Vestry/Bishop's Committee*

\_\_\_\_\_  
*Clerk of the Vestry signature*

**Examiner Procedure Checklist****Yes No N/A****1. Receipts/Income:**

- a. Tested entries, record-keeping, and bank records for cash offering, pledges and other contributions, investment and endowment income, restricted income, transfers, and deposits.
- b. Compared a sample of deposits to bank statements/records.
- c. Compared receipts to treasurer's reports and budget.
- d. Verified that gift statements were produced listing all tax-deductible donations during the year.

**2. Disbursements:**

- a. Tested a sample of disbursements for entries and record-keeping
- b. Compared a sample of checks and payments to bank statements/records
- c. Compared disbursements to treasurer's reports and budget
- d. Checked reimbursements according to either an "accountable plan" or a "non-accountable plan."

**3. Bank Accounts**

- a. Tested a sample of canceled checks
- b. Accounted for voided or missing checks
- c. Accounted for checks not cleared in a timely manner
- d. Verified transfers
- e. Verified balances

**4. Investments**

- a. Foundation Fund, broker, and financial institution accounts: reviewed statements and verified recorded income
- b. Investments physically held by Church: Reviewed holdings and statements and verified activity to bank records:

**Yes No N/A****5. Restricted Funds:**

- a. Reviewed list of restricted funds
- b. Reviewed files for new gifts

**6. Loans**

- a. Reviewed list of loans
- b. Verified borrower is in compliance

**7. Property, Equipment, and Insurance**

- a. Reviewed list of significant fixed assets
- b. Reviewed inventory procedures
- c. Ensured property and liability insurance is adequate
- d. Reviewed depreciation of property

**8. Payroll Records:**

- a. Examined employee earning records
- c. Verified employment forms for each employee (W-4, IA W-4, I-9)
- d. Verified Form W-2
- e. Verified Forms 1099

**9. Receivables and Payables**

- a. Prepared a schedule of accounts receivable as of year-end
- b. Prepared a schedule of accounts payable as of year-end

**10. Discretionary Fund**

- a. Verified discretionary funds are in the congregation's name and FEIN.
- b. Verified disbursements are in accordance with the purpose of discretionary funds.

**Examiner's Findings:**

**Recommendations:**

**Additional Comments:**