



Anglican
Diocese of
PITTSBURGH

Congregation Audit Requirements

Revised May, 2024

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INTRODUCTION

The purpose of an audit is threefold: 1) to ensure financial transparency and provide an annual check and balance; 2) to present an accurate financial picture; and 3) to review the financial practices and procedures in place. This guide will walk you through the audit requirements of the Canons very specifically, addressing the various ways to perform an audit, the detailed process for an audit committee, the internal documentation expected in an audit, and the documentation that must be submitted to the diocese to fulfil the Canons.

Diocesan Canon XX, Section 5 states:

Section 5. ... All accounts of Parishes or other institutions shall be audited annually by an independent Certified Public Accountant, or independent Licensed Public Accountant, or such audit committee as shall be authorized by the Judge of Audits of the Diocesan Council or other appropriate diocesan authority.

All reports of such audits, including any memorandum issued by the auditors or audit committee regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in any such memorandum, shall be filed with the Bishop or Ecclesiastical Authority not later than 30 days following the date of such report, and in no event, not later than September 1 of each year covering the financial report of the previous calendar year. In any case of failure to file such audits, memorandum, or summary as required herein, any and all Lay Deputies of such delinquent Parishes shall be entitled to Seats with voice but no vote in the Convention.

REQUIREMENTS

- 1) Hire a qualified CPA or CPA firm to conduct an audit under Generally Accepted Auditing Standards
-OR- Create an audit committee to conduct an audit following guidelines detailed in this document
 - a. **If you hire a CPA or CPA firm submit the following documents**
 - i. Completed audit
 - ii. Management letter
 - b. **If you create an audit committee submit the following documents**
 - i. Audit Committee Certificate
 - ii. Statements –
 1. Large and Medium size churches (>\$100,000 operating income)
 - a. Statement of Financial Position or Balance Sheet
 - b. Statement of Activities or Profit and Loss Statement
 2. Small churches only (<\$100,000 operating income)
 - a. Summary of All Funds
 - iii. Audit Committee Findings (even to note that there were no findings)
- 2) Deadline: not later than 30 days following the date of such report, and in any case, not later than September 1 of each year covering the financial report of the previous calendar year
- 3) Submit to the Anglican Diocese of Pittsburgh (email preferred):
 - Via e-mail: accounts@pitanglican.org
 - Via Mail: Anglican Diocese of Pittsburgh, Attn: Director of Administration
907 Middle Street, Pittsburgh, PA 15212

Questions concerning this guide: Contact Administrator-(412) 281-6131, x202 -OR- accounts@pitanglican.org

AUDIT COMMITTEE GUIDANCE

Selecting an Audit Committee

An Audit Committee may consist of one or more individuals either from your congregation or another congregation in the diocese. A typical Audit Committee has three members. The actual number of members should be determined by the size and scope of the audit.

Audit Committee members should be independent of the decision making and financial record keeping functions of the congregation. Nor should they be related to anyone who has decision making and financial record keeping functions. They should not be the bookkeeper or treasurer, nor should they have the ability to sign checks. They should also not be regular counters of the deposit. **Note: If independent individuals are not available due to size of the congregation, please note their duties.**

At least one member of the Audit Committee should have sufficient financial skills and experience to conduct a competent audit (**consider asking for a volunteer from another congregation if you do not have this expertise within yours**). This person should direct the others in their duties. All members must acknowledge that the information they will have access to is confidential and that they must maintain that confidentiality.

Scope of Committee Audit

- Verify accuracy of financial statements
- Test a representative sample of transactions
- Review internal control practices and make notations of findings
- Provide Audit Committee Certificate and Findings

Accounts to be Audited

Diocesan Canon XX, Section 5 states: **All** accounts of Parishes . . . shall be audited annually by ...

What makes up ALL accounts?

Any checking, savings, or investment account held in the name of the congregation or any entity thereof. That means that the accounts to be audited include the operating fund, capital fund, discretionary fund, the youth fund, the Altar Guild fund, the missions fund, etc.

Contents for Submission

- The Audit Committee certificate (see example pg. 14)
- Statement of Financial Position or Balance Sheet (see example pg. 11) **and** Statement of Activities or Profit and Loss Statement (see example pg. 12)
-OR- smaller churches may choose to use a Statement of Funds (see example pg. 13)
- List of Audit Committee Findings – even to note that there were no findings (see example pg. 15)

Note: 1) If at any time during the audit, the records suggest that something is seriously wrong, the matter should be brought immediately to the attention of someone of superior authority, as well as the appropriate diocesan authority. 2) Make comments on the Audit Committee Findings of any “no” answers during the audit testing or suggestions for better procedures.

Getting Started

After your committee is formed, the assigned person needs to contact the treasurer or bookkeeper of the congregation and others with access to finances and ask them to organize the following items:

- December 31 financial reports, including a statement of financial position (balance sheet) and a statement of activities (income/expense statement) or a Statement of Funds for smaller churches
- Bank account and investment statements with reconciliations
- Budget
- General Ledger (GL)
- Cash Receipts Journal (if applicable)
- Cash Disbursements Journal (if applicable)
- Paid invoice packets
- Deposit slips with deposit packets
- Outstanding bills at year end
- All payroll records with proof of salary, 941s, w-2s, w-3s, state, local, and federal withholding records
- Contribution records
- Copies of the vestry minutes for the year
- Insurance policies

Audit Workday

Minutes— Review the minutes for anything that might have a financial implication to the congregation and investigate whether the event has been recorded in the General Ledger or deemed insignificant.

Insurances – Check policy to make sure the congregation is covered for the following: Note any exceptions on the List of Audit Committee Findings

- Fire insurance on buildings and contents (if applicable)
- General liability
- Theft
- Fine Arts (if applicable)
- Misconduct
- Workers' Compensation
- Fidelity Bond
- Directors' and Officers' Liability
- Umbrella Policy

Receipts Testing – Use Receipts Review Form to list Deposit dates and track confirmation of information reviewed.

- Select about 10% of the deposit for the year from all the bank statements
Note: Check all transfers between accounts to see if they were authorized and that they were deposited into the correct account
- Review deposit packet - the counting sheet from after the service on Sundays signed by two, non-related counters and any supporting documents.
- Check each part of the deposit in the general ledger to make sure they have been posted correctly; that is, that pledge income is posted as pledge income, loose cash as loose cash, donations given for a specific purpose posted as restricted.

Receipts Review Form					
Date	Amount	Deposit Package Reviewed	Counters Sheet Signed (2)	Amt on BS	Amt on GL

Payroll Testing

- Review form 941s, W-3s, and W-2s to ascertain if correct and properly filed _____**yes/no**
 - Clergy are to receive a W-2 not a 1099 and cannot have Social Security and Medicare tax withheld
- Check to make sure that all the taxes are being transmitted to the proper governing authority by reviewing transmittal forms or direct payment on bank statement to taxing authority _____**yes/no**
- Check General Ledger to verify that all taxes and other deductions are being withheld and are being properly recorded _____**yes/no**

Payroll Records - Use Payroll Review Form to list payroll dates and track confirmation of information reviewed.

- Select one pay period.
- List persons who received a pay in that period.
- Verify that the salary paid is authorized and proper
- Check to see if a W-4 and an I-9 are on file for each person.

Payroll Review Form						
Date	Name	Gross Pay	Net Pay	Authorized Salary	W-4 on file	I-9 on file

Statement of Financial Position Testing– Verify (or create and then verify) the Balance Sheet

*This applies to large and medium sized churches (>\$100,000 operating income)

- Verify all checking and investment account balances against bank and investment statements and reconciliations.
 - Note on Audit Committee Findings if outstanding checks or other adjustments are more than 6 months old
- Check items listed as Accounts Payable to make sure this is correct. Also check to see if other unpaid bills should be listed.
 - Note on Audit Committee Findings if payables are more than 3 months old
- Review loan balance for accuracy.
 - Note any errors on Audit Committee Findings
- Check the categories under Fund Balances for accuracy.
 - Note any errors on Audit Committee Findings
- Assets must equal Liabilities plus Fund Balances.

-OR-

Statement of Funds Testing – Verify (or create and then verify) the Statement of Funds

*This applies to small sized churches (<\$100,000 operating income)

- Verify all checking and investment account balances against bank and investment statements and reconciliations.
 - Note on Audit Committee Findings if outstanding checks or other adjustments are more than 6 months old

FINAL STEPS

- Complete and sign the Audit Committee Certificate
- Complete the Audit Committee Findings
 - If there are no recommendations for the current year, submit findings noting that nothing was found.
 - List the recommendations for the current year. These should be items that you consistently noted a negative answer on the completed audit forms.
- Present the Financials Statements to Vestry along with Worksheets, Certificate and Findings
- After Vestry approval send to the Anglican Diocese of Pittsburgh (email preferred)
 - Financial Statements (or Fund Statement)
 - Audit Committee Certificate
 - Audit Committee Findings

Anglican Diocese of Pittsburgh (email preferred)

Via e-mail: accounts@pitanglican.org

Via Mail: Attn: Director of Administration
907 Middle Street
Pittsburgh, PA 15212
Attn: Director of Administration

If you have any questions concerning these instructions, contact the Director of Administration

Phone: 412-281-6131, x.202

Email: accounts@pitanglican.org

Example – Statement of Financial Position (Balance Sheet)

**St. Everyone’s Church
Anywhere, PA
Statement of Financial Position (or Balance Sheet)
For year ending December 31, XXXX**

Assets			
	Checking Accounts		
	General Account	\$	1,524.30
	Rector’s Disc Fund	\$	320.00
	Flower Fund	\$	20.00
	Building Fund	\$	4,525.36
	Total Checking Accounts	\$	6,389.66
	Investments		
	ABC Investments	\$	5,265.00
	Organ Fund – Diocese	\$	36,842.00
	Nice Person’s Endowment	\$	120,965.25
	Total Investments	\$	163,072.25
	Property		
	Church Building	\$	1,230,000.00
	Church Contents	\$	560,000.00
	Parish House Building	\$	500,000.00
	Parish House Contents	\$	260,000.00
	Total Property	\$	2,550,000.00
Total Assets		\$	2,719,461.91
Liabilities			
	Accounts Payable		
	Invoices Payable	\$	250.00
	Taxes Payable	\$	362.30
	Total Accounts Payable	\$	612.30
	Loans		
	Diocese	\$	25,630.00
	Total Loans	\$	25,630.00
Total Liabilities		\$	26,242.30
Fund Balances			
	Without Donor Restriction	\$	2,556,497.00
	With Donor Restriction	\$	136,722.61
Total Fund Balances		\$	2,693,219.61
Total Liabilities and Fund Balances		\$	2,719,461.91

Example – Statement of Activities (Profit and Loss)

**Statement of Activities (or Profit and Loss)
St. Everyone's
For period ending December 31, XXXX**

	Without Donor Restriction	With Donor Restriction	Totals
Revenue			
Loose Plate	5,267.50		5,267.50
Pledge	112,625.00		112,625.00
Holiday Receipts	2,350.75		2,350.75
Capital Campaign Donations		42,000.00	42,000.00
Other Donations	25,325.00	978.00	26,303.00
Investment Income	1,375.33		1,375.33
Flower Fund	8,462.00		8,462.00
Rental of Building to AA	1,200.00		1,200.00
ECW	5,000.00		5,000.00
Fundraising Picnic	926.25		926.25
From Diocese	3,000.00		3,000.00
Bequests	2,500.00	50,000.00	52,500.00
Total	168,030.00	92,978.00	261,009.83
Expenses			
Godly Share	17,125.00		17,125.00
Mission/Outreach	10,000.00		10,000.00
Clergy Compensation	75,546.82		75,546.82
Lay Compensation	25,208.33		25,208.33
Office Expenses	9,875.23		9,875.23
Maintenance/Utilities	15,677.27	102,005.83	117,683.10
Programs	13,867.24		13,867.24
Fundraising Picnic Costs	1,625.22		1,625.22
Other Disbursements	1,375.14	977.81	2,352.95
Total	170,300.25	102,983.64	273,283.89
Transfers between funds			
Increase (Decrease)	(2,270.25)	(10,005.64)	(12,274.06)
Beginning Fund Balance	2,558,767.25	146,728.25	2,705,493.67
Ending Fund Balance	2,556,497.00	136,722.61	2,693,219.61

Example – Statement of Funds

**Statement of Funds
For the Year Ending December 31, xxxx**

	Operating	Building	Memorial	Discretionary	Total
January 1st Cash	60,000	5,000	7,000	800	72,800
Revenue					
Contributions	32,000	700	2,000	1,100	35,800
Other	800	-	-	-	800
Expenses					
Personel	(25,000)	-	-	-	(25,000)
Other	(8,000)	(2,000)	(500)	(1,200)	(11,700)
December 31st Cash	<u>59,800</u>	<u>3,700</u>	<u>8,500</u>	<u>700</u>	<u>72,700</u>

EXAMPLE: Audit Committee Certificate

Date _____

To the Rector, Wardens and Vestry of: _____
Congregation Name

Address _____

Subject: The audit of above congregation for the year: _____

We have inspected the statement of financial position of _____ [congregation]
as of December 31, _____ [audit year], and the related statement of activities for the year then ended. Our
inspection was made in accordance with the audit guidelines as provided by the Anglican Diocese of Pittsburgh
for congregations, and the financial statements are prepared on a (cash basis or accrual basis: circle one), except
as noted: [if no exceptions omit this part]

We have taken steps to see that the accompanying financial statements present fairly, in all material respects,
except as noted above, the financial position of the Congregation at December 31, _____; and that the
changes in the net assets and its cash flows for the year then ended are in accordance with the principles
authorized by The Anglican Diocese of Pittsburgh on a basis consistent with that of the preceding year.

Our inspection and certificate are not meant to be construed as an audit and opinion rendered by a Certified
Public Accountant.

Sincerely,
Members of the Audit Committee:

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

APPROVED BY VESTRY on _____ [Date]

Signature of Vestry Member _____

EXAMPLE: Audit Committee Findings on Policies and Procedures

Date: _____

To the Rector, Wardens and Vestry of: _____
Congregation Name

Address: _____

Subject: The audit of above congregation for the year: _____

During the course of the above inspection, the following items pertaining to internal control and other operation matters were noted.

Comments and recommendations of current year committee auditors:

Members of the Audit Committee:

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Approval from vestry of audit and recommendations

Date: _____ Signature of Vestry Member _____