



DIOCESE OF NORTHERN CALIFORNIA

PARISH /MISSION FINANCIAL REVIEW GUIDELINES

The National and Diocesan Canons require an annual audit of the books and accounts of each church upon the close of the fiscal year, December 31. Funds of church organizations having separate treasurers are subject to the same audit and accountability requirements as the general accounts of the church. This includes discretionary funds as well. (A copy of Title I, Canon 7. Section 1. (5) of the National Canons is available upon request).

The Diocese of Northern California annual audit policy established August 2022 is that all Parishes will submit annual financial reports, TMRs, and Parochial Reports to the Office of the Bishop no later than March 1 of each year. After reviewing such documents, the Office of the Bishop will either assign a reviewer to meet with your treasurer and/or finance team to review the churches operations or request that the parish do an internal review using a committee of independent members of the parish.

FINANCIAL REVIEW PREPARATION CHECKLIST

(The following items should be made available for review by the auditor)

Cash Receipts:

- Weekly counter's reports (cash journals) or tallies
- Copies of deposit slips for the year

Cash Disbursements:

- Paid Bills and list of unpaid bills at year-end
- Balances on notes/mortgages at end of prior and current years
- Credit card statements *(if applicable)*

Banking:

- Bank statements *(December of prior year through December of audit year)*
- Bank-to-book reconciliation reports
- Copies of cancelled checks *(if applicable)*

Reporting:

- Monthly operating statement *(Report of receipts and disbursements provided to Vestry or Mission Committee)*
- Balance Sheet *(Minimum of December of prior year and December of audit year)*

Reporting *(Continued)*:

- TMR's submitted during the audit year including December report due January of following year
- Parochial report submitted for audit year.
- Budget for audit year and following year.
- Quarterly and annual payroll reports
- Year End 1096 and 1099 reports
- Books, bank statements, financial reports of organizations having separate bank accounts *(including discretionary funds, ECW, Altar Guild, Youth, Men's Groups, etc.)*

Other Information:

- Clergy housing allowance resolution(s)
- Property tax bills and welfare exemption filing.
- Inventory of properties and list of newly acquired items.
- Copy of prior-year audit report
- Policies
- Tech Soup
- The Treasurer!!



DIOCESE OF NORTHERN CALIFORNIA

CONGREGATION FINANCIAL REVIEW SURVEY

Congregation Name: Click here to enter text.

Address: Click here to enter text.

City: Click here to enter text.

Treasurer Name: _____

Phone: _____

Email: _____

Internal Review Committee Members (if applicable)

Name: _____ *Email:* _____

Name: _____ *Email:* _____

Name: _____ *Email:* _____

Name: _____ *Email:* _____

Name: _____ *Email:* _____

- Parish**
- Mission**
- Other Diocesan Institution**

For Office Use Only

Year ending December 31,

I have examined the congregation's accounting records, financial reports and the monthly report (TMR) prepared for the Episcopal Diocese of Northern California for the year. Receipts and expenditures and changes in fund balances are prepared in accordance with standards adopted by the Trustees of the Episcopal Diocese of Northern California except as noted in comments prepared for the Vestry or Mission Committee.

This inspection was performed by a representative of the Diocese and is not meant to be construed as an audit rendered by a Certified Public Accountant. It is to be used internally by the Episcopal Diocese of Northern California only.

Submitted By: _____

Date: _____

Name Printed: _____



DIOCESE OF NORTHERN CALIFORNIA

CONGREGATION FINANCIAL REVIEW SURVEY

1. Accounting for Cash Receipts and Income

Key Review Tasks:

Please complete these tasks prior to responding to the statements below

- Examine random weekly contribution/deposit reports.
- Review records in accounting system to confirm accounting entries match deposits.
- Review bank statement to confirm bank deposit matches amounts reported on contribution report and accounting system

Certifications:

- | | Yes | No |
|--|-----|----|
| a. There at least two (2) people counting cash, (not related), (one to count and one to verify) each Sunday. | | |
| b. The counters are rotated on a weekly basis. | | |
| c. The document used for recording cash is signed and initialed by the counters | | |
| d. Copies of deposit slips are retained in a file along with detailed contributor information. | | |
| e. All receipts that cannot be deposited right away are endorsed and placed in a secure location with limited access. | | |
| f. There is a division of duties between preparing deposits and recording deposits in the accounting system. | | |
| g. Someone other than the Treasurer maintains pledge records. | | |
| h. Periodic statements are sent to contributors on a regular basis. | | |
| i. Year-end tax statements are sent to contributors. | | |
| j. Stock and other Non-cash donations are acknowledged with a tax receipt and valued under the rules outlined in IRS Publication 561 (See link below)
https://www.irs.gov/publications/p561 | | |

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

2. Accounting for Disbursements

Key Review Tasks:

Please complete these tasks prior to responding to the statements below

- Review random sampling of paid bills. Check for past-due balances, prompt payment, and proper backup for payments.
- Review health insurance and pension invoices to confirm amounts are paid and current.
- Review bank statements and canceled checks to confirm payees, signatures, and that checks match up to random paid bills.
- Review outstanding checks/deposits on bank reconciliation to determine if there are any items that should be addressed.
- If applicable, review credit card statements and petty cash reconciliation reports to confirm both proper payment of bills and adequate backup of invoices or receipts.

Certifications:

a. There is a voucher or expense approval process in place.

b. There are two signatures on each check*.

** A policy allowing for a single signer on checks under a designated amount is permissible if a process is in place ensuring that there is proper review and approval of disbursement requests prior to making payments.*

Yes	No

c. Blank checks are never signed by one or more signers.

c. No checks are written for cash.

d. Vendor W-9's are required and vendor payments are tracked in the accounting system.

e. If the parish has a mortgage or note payable, certify the following:

i. Payments on the note(s)/mortgage(s) are current.

ii. The principal balance of the debt is recorded on the books.

Yes	No

f. If the parish uses a business credit card, certify the following:

i. Only authorized personnel use the credit card.

ii. All charges are supported by a receipt or other backup.

iii. The credit card statement is reconciled and fully paid monthly.

iv. There is a credit card policy in place.

v. There is no debit card for church accounts (checking/savings or discretionary).

Yes	No

Yes	No



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CONGREGATION FINANCIAL REVIEW SURVEY

2. Accounting for Disbursements (Continued)

Certifications:

g. If the parish uses a petty cash account, certify the following:

- i. The petty cash account is less than \$250.00
- ii. Access to cash is limited to authorized personnel only.
- iii. All petty cash expenditures are supported by receipts.
- iv. Petty cash is reconciled monthly and replenished.

Yes	No

h. If the parish uses an online billpay service, certify the following:

- i. All online bill payments have proper invoices/backup.
- ii. Online bill payments are only made by authorized personnel.
- iii. All online bill payments require the same approval process as paper check payments.

Yes	No

- i. Paid invoices are kept on file along with check stubs or copies of checks and filed in an organized manner either in paper or digital format.

Yes	No

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

3. Bank Reconciliations

Key Review Tasks:

Please complete these tasks prior to responding to the statements below

- Review bank statements against month-end cash balances and printed reconciliation reports.

Certifications:

	Yes	No
a. Bank statements are reconciled within the month of receipt.		
b. One of the following statements is true:		
i. Cancelled checks are included with the bank statement; and/or		
ii. Online access to the bank account allows for review of cancelled checks.		
c. Bank statements are reconciled using the parish's accounting software.		
d. Bank statements are reconciled by a person not involved in the disbursement process.		
e. Bank statements are reviewed to check for stale-dated (more than 6 months old) checks on a regular basis.		
f. The reconciled bank balance matches the printed financial statements.*		

** Note: Don't print the reconciliation until you close the books.*

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

4. Personnel, Payroll, and Contractors

Key Review Tasks:

- Examine prior year W-2 and 1099 reports to review employees vs. independent contractors.
- Employee Contracts.
- Review accounting system to determine if 1099 payees were correctly reported.

Certifications:

- a. The parish has a personnel policies and procedures manual.
- b. IRS and California State Guidelines are followed differentiating between employees and independent contractors (see links below)

www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee
https://www.dir.ca.gov/dlse/faq_independentcontractor.htm

Yes	No

For Employees: (If no employees, check here and skip this section)

- c. Review employee contracts.
- d. Required labor law posters are up-to-date and on display in the workplace.
- e. Diocesan canons related to Lay employee health benefits and Pensions are being followed.
- f. All employees are offered the ability to contribute to our retirement plan.
- g. Paid time off (PTO) is offered to employees.

Yes	No

- i. California minimum required sick leave is being offered (minimum of 40 hours or five days per year).
- ii. Accrued untaken PTO & Sick Time is tracked for each employee
- iii. Accrued untaken PTO & Sick Time is reported regularly to all employees.
- iv. Employee Compensation Change Form(s) completed & sent to diocese.

Yes	No

For Independent Contractors: (If no independent contractors, check here and skip this section)

- h. Copies of outside contractor's workman's compensation and liability insurance are kept on file and tracked for expiration on a regular basis.
- i. 1096/1099's are filed annually per IRS regulations for all independent contractors.

Yes	No

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

5. Property & Insurance

Key Review Tasks:

- If this is a mission, comment below on the state of the property and identify and apparent areas of deferred maintenance.

Certifications:

- a. The tax parcel(s) under the parish's responsibility are filed under which of the following tax statuses? (see link below for a definition of the requirements for each exemption)

<https://www.boe.ca.gov/proptaxes/pdf/pub48.pdf>

- | | |
|--|---|
| | i. Religious Exemption (<i>Applicable if the ONLY use of the property is for religious purposes.</i>) |
| | ii. Welfare Exemption (<i>Applicable if property is used for religious and other qualifying secular nonprofit organizations.</i>) |
| | iii. Non-exempt (<i>Applicable for property being rented/used by for profit entities.</i>) |
| | iv. Vacant land (<i>Applicable for property with separate APNs.</i>) |

- b. Required property tax exemption paperwork has been filed and is current.
- c. An inventory of the contents/personal property of the parish has been completed within the last three years (*Digital/video is permissible*). and is stored online or offsite.
- d. The insurance coverage for the parish buildings and contents have been reviewed to ensure sufficient coverage within the last three years.
- e. There are written agreements for all organizations or individuals who use the premises that include regulations regarding safety and alcohol use.
- <https://www.norcalepiscopal.org/forms-documents/>
- f. Individuals and outside organizations using the parish property provide the parish with proof of insurance naming the church as additional insured (*this includes weddings*).

	Yes	No
b.		
c.		
d.		
e.		
f.		

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

6. Financial Reporting

Key Review Tasks:

- Review Operating Statement, Balance Sheet and Restricted/Designated Fund Report
- Compare Operating Statement to Annual Budget and note significant variances.

Certifications:

a. The parish financial reports are reported to the Vestry or Mission Committee on a regular (at least quarterly) basis and include the following statements:

	Yes	No
i. Statement of Financial Position (Balance Sheet).		
ii. Statement of Financial Activities (Operating Statement)		
iii. Restricted Funds report (may be incorporated as part of Balance Sheet)		

Statement of Financial Position/Balance Sheet Reporting:

	Yes	No
b. Cash balances reported match the reconciled balance on the bank statements.		
c. Investment funds are reported at current market value		
d. All bank accounts under the umbrella of the organization are reported on the balance sheet including Discretionary Funds and any funds controlled by subsidiary groups or committees.		

Statement of Financial Activities/Operating Statement Reporting:

	Yes	No
e. The operating statement shows income, expenses, and budget comparison information.		
f. Income with restrictions is shown clearly and reconciled with qualifying expenses.		
g. Transfers to and from restricted funds are clearly reflected on the operating statement.		

Fund Reporting:

	Yes	No
h. If there is no separate Fund Report, restricted funds are clearly segregated in the liability section of the Balance Sheet..		
i. Funds are clearly segregated into those with donor restrictions, unrestricted designated funds, and unrestricted undesignated funds.		
j. The fund report clearly shows changes in fund balances between periods.		
k. The vestry or mission committee has a document outlining the restrictions (either internal or donor) on each fund and there is a clear understanding of what the funds can be used for.		



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6. Financial Reporting (Continued)

Fund Reporting (Continued):

	Yes	No
l. Funds that are invested in a specific investment bank account match the asset balance in the balance sheet.	<input type="checkbox"/>	<input type="checkbox"/>
m. No operating expenses were paid directly from funds. Any funds used to cover operating expenses are shown as a transfer from restricted funds on the operating statement.	<input type="checkbox"/>	<input type="checkbox"/>

TMR Reporting:

	Yes	No
n. All TMR's for the previous year have been submitted to the Bishop's Office and apportionment payments have been made.	<input type="checkbox"/>	<input type="checkbox"/>
o. The year-end TMR reconciliation has been completed and submitted to the Bishop's Office.	<input type="checkbox"/>	<input type="checkbox"/>
p. The operating statement reconciles directly to the TMR.	<input type="checkbox"/>	<input type="checkbox"/>
q. Outreach reported on line h. meets the following criteria:		
i. Outreach expenses are reported on operating statement.	<input type="checkbox"/>	<input type="checkbox"/>
ii. Outreach income is reported on line f.	<input type="checkbox"/>	<input type="checkbox"/>
iii. Excess income (if outreach income is greater than outreach expenses) is transferred to a restricted outreach fund and reported on line o.	<input type="checkbox"/>	<input type="checkbox"/>
r. The allocation of maintenance costs for the use of facilities for outreach purposes (line i.) is based on supportable assumptions.	<input type="checkbox"/>	<input type="checkbox"/>
s. Capital Leases/Major Expenses reported on line l. meet the following criteria:		
i. Funds used to pay for said expenses is reported in the operating statement or reported as a transfer from restricted funds.	<input type="checkbox"/>	<input type="checkbox"/>
ii. Expenses are only for lease costs (i.e. office equipment leases) or major <u>non-recurring</u> expenses.	<input type="checkbox"/>	<input type="checkbox"/>
t. Any year-end surplus is recorded on line o. as a transfer to subsidiary funds for future purposes or any year-end deficit is recorded on line g. as a transfer from unrestricted reserves.	<input type="checkbox"/>	<input type="checkbox"/>

Parochial Reporting:

	Yes	No
u. The Parochial Report was completed and submitted by the March 1 deadline.	<input type="checkbox"/>	<input type="checkbox"/>
v. The income, expense, and cash balances reported on the Parochial report can be tied to the figures in the operating statement, balance sheet and fund report.	<input type="checkbox"/>	<input type="checkbox"/>



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6. Financial Reporting (Continued)

Other:

w. There is an active Finance Committee that meets regularly.

x. Parish investment funds are invested with the EDNC Trust.

Yes	No

If NO,

i. If no, there is an active investment committee that meets regularly to review investments and returns.

ii. Investment transactions are made at arms-length and the investment manager (if any) is not a member of the parish.

Yes	No

Please comment on any items above that were answered NO.



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7. Fiduciary Responsibility

A Fiduciary is someone who is providing advice or managing the assets of another person or organization and stands in a special relationship of trust, confidence and/or legal responsibility. For Example; Vestry Members, Clergy, Financial Staff and any individuals handling money for events or fundraising.

Samples policies and documents can be found here <https://www.norcalepiscopal.org/site/church-accounting/>

		Yes	No
a.	The Vestry and financial staff understand (and have acknowledged in writing) that they understand and accept their fiduciary responsibilities and retain personal liability for a breach or abuse of these duties.		
b.	The parish has written policies and procedures in place for the following categories:		
		Yes	No
i.	Restricted Donation and Gift Acceptance Policy		
iii.	Investment Policy Statement (if applicable)		
iv.	Confidentiality Policy		
v.	Whistleblower Policy		
vi.	Conflict of Interest Policy		
c.	The vestry reviews the above policies on an annual basis and retains documentation showing that they are following the policies.		
d.	The parish has procedures in place to document that the use of restricted donor funds adheres to the donor's restrictions.		
e.	The vestry understands the legal process required to change a restricted gift's purpose to another purpose or need.		
f.	The parish follows the document retention guidelines outlined in the Episcopal Church's Manual of Business Methods https://www.episcopalchurch.org/finance-office/manual-of-business-methods/		

Please comment on any items above that were answered NO.



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8. Other Items

Certifications:

- a. The parish annual report includes a clear report of the congregation's financial resources and status.
- b. The use of clergy discretionary funds is reported annually in summary form.
- c. The clergy housing allowance resolution is on file and reviewed on an annual basis.
- d. The prior year audit was reviewed by the vestry or mission committee and any discussion on recommendations is noted in the minutes.
- e. All books and records are kept on the church premises.
- f. Computer records are backed up offsite on a regular basis or stored in a cloud-based file system (i.e. Google Drive, Dropbox, etc.)

Yes	No

Please comment on any items above that were answered NO.



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CONGREGATION FINANCIAL REVIEW SURVEY

9. Operational Questions:

Please respond to the following questions to help us better understand your accounting systems:

- | | |
|-----|----|
| Yes | No |
| | |
- a. Does the parish have a bookkeeper? *(If yes, please provide contact information)*
- Name/Firm:* _____
- Email/Phone* _____
- b. What Accounting Systems are used by the congregation?
- Contributions:* _____
- General Ledger:* _____
- Payroll Service:* _____

9. Attachments

Please include the following documents with the completed survey:

- Year-end Statement of Financial Position (Balance Sheet)
- Year-end Statement of Activities (Operating Statement)
- A year end Fund Report if not part of the Balance Sheet. Make sure the report shows a comparison with the prior year-end figures to show changes in Restricted and Unrestricted funds.
- TMR spreadsheet (in Excel format) for the reporting year including the completed year-end reconciliation.
- Completed Parochial Report for reporting year.



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Comments:

(Please include any additional comments that may be useful during the financial review of your parish)