Audit Program

for Internal Auditors

of Churches

Published by the Missionary Society of Connecticut
125 Sherman Street
Hartford, Connecticut
860-233-5564

October 2000
Audit Program for Internal Auditors of Churches
Belonging to the Connecticut Conference of the United Church of Christ

Table of Contents

ACKNOWLEDGEMENTS .................................................................................................................................................. 4

1. GENERAL ........................................................................................................................................................................ 5

2. PREAUDIT PLANNING ...................................................................................................................................................... 6

3. REVIEW AND ASSESSMENT OF INTERNAL CONTROLS ................................................................................................. 7

4. SUBSTANTIVE TESTING OF TRANSACTIONS AND ACCOUNT BALANCES ................................................................ 14

5. SOURCES .......................................................................................................................................................................... 24

APPENDIXES ........................................................................................................................................................................ 25

WORKSHEET 1  BANK RECONCILIATION .......................................................................................................................... 26
WORKSHEET 1  BANK RECONCILIATION TEMPLATE ........................................................................................................... 27
WORKSHEET 2A  REVENUES ................................................................................................................................................... 28
WORKSHEET 2A  REVENUES TEMPLATE ................................................................................................................................ 29
WORKSHEET 2B  TEST OF RECEIPTS ................................................................................................................................. 30
WORKSHEET 2B  TEST OF RECEIPTS TEMPLATE .................................................................................................................. 31
WORKSHEET 3  TEST OF DISBURSEMENTS .......................................................................................................................... 32
WORKSHEET 3  TEST OF DISBURSEMENTS TEMPLATE ........................................................................................................ 33
WORKSHEET 4  CASH ............................................................................................................................................................... 34
WORKSHEET 4  CASH TEMPLATE ......................................................................................................................................... 35
WORKSHEET 5  COMPUTER EQUIPMENT ............................................................................................................................ 36
WORKSHEET 5  COMPUTER EQUIPMENT TEMPLATE .......................................................................................................... 37
WORKSHEET 6  NET ASSETS .................................................................................................................................................. 38
WORKSHEET 6  NET ASSETS TEMPLATE ................................................................................................................................ 39
SAMPLE OF ANNUAL REPORT OF THE INTERNAL AUDITORS ...................................................................................... 40
Introduction

Dear Fellow Auditor:

The task of auditing a Church is not a simple task, as I am sure you are well aware. However, it is an act of stewardship that should be commended by all of those involved in the Church. Likewise, the task of compiling this manual was not an easy task. As such, we are thankful to the authors of the audit manuals that came before this one, particularly the ones listed in the sources section of this guide! These sources include *The Manual of Business Methods in Church Affairs*, which was published by the Episcopal Church. Some of the checklists presented here have been derived from that manual. We wish to thank Tom Hershkowitz of the Episcopal Church for granting us permission to use them.

This program has been designed to help you in conducting the internal audit of your Church. However, due to the difficulty of the task ahead, and because this is the first time the Connecticut Conference has issued a formal audit program, we realize that you may have questions. We would also appreciate any comments you have to improve this program. For questions, comments, or technical assistance, you should call Ken Ulmer at the Connecticut Conference office at (860) 233-5564.

Sincerely,

Ken Ulmer
Associate Conference Minister for Administration
Connecticut Conference of the UCC
October, 2000
Acknowledgements

Committee Members

Reverend James Chapman, Chairperson
William Clark
Bob Giles
David Kneeland
David Ward

Other Contributors

Delores Spivey
1. GENERAL

Purpose of this guide: This program is intended to be used by an internal auditor or members of an internal audit committee within a Church belonging to the Connecticut Conference of the United Church of Christ. This audit program is not intended to be and should not be used as a substitute for an external audit conducted by a certified public accountant. This program is intended to supplement an external audit. It should be used by the internal auditor(s) to help them prepare for an audit conducted by a certified public accountant. By following the instructions contained in this guide, you may be able to reduce the cost and improve the effectiveness of your external audit.

This audit program has been compiled by the audit committee of the United Church of Christ, Connecticut Conference as a service to Churches within the Conference. This document may not be reproduced or distributed for commercial purposes. Also, it should be noted that the Conference is not providing legal or financial advice through this publication, nor can it be responsible for the conduct of local audits. It must be emphasized that this guide is not a substitute for regular audit programs developed by a certified public accountant and should not be used as such. Internal auditors should always seek assistance and advice on specific issues from professional accountants and auditors.

Reasons for an audit: The Conference recommends that an audit be conducted on an annual basis. This is because an audit is “the best way for a local church to protect those persons it elects to offices of financial responsibility from unwarranted charges of carelessness or improper handling of funds. It is not a symbol of distrust” (Local Church Audit Guide, p. 4, United Methodist Church). In addition, church committees, treasurers, finance committees, deacons, and other “persons in positions of responsibility are liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have the audit conducted” (Manual of Business Methods in Church Affairs, p. 8, Episcopal Church). Further, according to the Handbook for Treasurers and Trustees, published by the United Church of Christ, Massachusetts Conference, “the costs of dishonesty or mismanagement on the part of those entrusted with church funds are likely to be far higher [than the cost of having an audit performed]. Just as we allocate money in our church budgets to pay the costs of insurance, it makes sense to allocate money for periodic audits” (p. 4).

Although the primary reason for conducting an audit is to insulate church officers from the suspicion of mishandling of funds, current headlines indicate that mishandling of funds does occur. Consider the following: former Episcopal Church Treasurer Ellen Cooke is in jail for embezzling $2.2 million (Washington Times, p. A12, March 11, 1997). A 69 year old man “stole nearly $1 million from the First Presbyterian Church [of Naples, Florida] while he was its treasurer in the 1980s and early 1990s” (Inside Naples, January 15, 1998). Nazarenes and Friends (Quakers) were bilked out of $4.4 million in a fraud case conducted by a 63 year old Los Angeles-area woman (Christianity Today, April 27, 1998). A husband and wife team stole more than $324,000 over a period of two years from a Catholic Church in Georgia (The Augusta Chronicle, December 2, 1997). The Chapel Hill News reported a $478,000 embezzlement scandal that “rocked a 156 year old Chapel Hill church” (July 1, 1998). Closer to home, The Waterbury Republican-American’s May 12, 2000 headline read “State Question’s Priest’s Books: Missing Money Was For Students.” Much more numerous are the small cases which go unreported. Can this happen in your Church? Unfortunately, it can, and the larger the size of your endowment or your budget, the greater the risk to your Church.

The complexity of fraud schemes is one reason for the Conference’s recommendation that an audit be conducted by a certified public accountant in addition to having the internal audit done. Also, a professional should be used to audit the Church’s financial records because there are a myriad of new accounting pronouncements and standards that may affect your Church. These include new rules on how to record contributions, bequests, and appreciation on investments. Further, general tax laws such as those relating to accountable plans are complicated to those unfamiliar with the Internal Revenue Code. In addition, there are many laws which specifically relate to Churches, which even those otherwise familiar with the general tax law may have trouble deciphering! These include discretionary fund requirements, housing allowances, and “unrelated business income tax.” Further, an external certified public accountant can help you formulate an investment policy statement, which every Church should have. He or she should also be able to help with general legal and insurance questions.
Although most church officers recognize the benefits of having an audit conducted, many still are reluctant to engage professional auditors because of the expense involved. However, given the present volume and complexity of the laws and accounting standards, it should be noted that a professional would most likely save the Church money in the long run. In addition, according to the *Manual of Business Methods in Church Affairs*, published by the Episcopal Church, “an announcement to the congregation that an audit has been completed and that all monies and investments are properly accounted for will have a positive impact on stewardship” (p. 8).

**What is an audit?** A financial statement audit is a type of attest engagement. Webster’s dictionary defines “attest” as “to declare to be true or genuine” or “to certify by oath or signature.” In the case of the audit of financial statements, *audited* means that the financial statements “are accompanied by an audit report prepared by independent public accountants, expressing their professional opinion as to the fairness of the [Church’s] financial statements” (*Principles of Auditing*, Wellington, p.6).

Accordingly, an audit consists of a series of procedures done to independently verify the financial statements of the Church. It includes examining, on a test basis, specific information, which support the amounts and disclosures in the treasurer’s financial statements. An audit also includes assessing the accounting principles used by the management of the Church. The purpose of an audit is generally to express an opinion about the treasurer’s financial reports.

An audit includes examination of all of the funds of the Church, not only the operating accounts. Thus, all operating accounts, capital and other special funds, endowment and trust funds, assets of Church organizations, investment funds, discretionary funds, and any other assets, liabilities, revenues, and expenses of the Church must be audited. No account should be exempted from examination.

An audit is conducted in three parts -- Preaudit planning, tests of internal controls, and substantive tests of transactions and account balances; the audit should be performed in this order only. The culmination of these tests is the formulation of an opinion on the financial statements (which should consist of at least a statement of the assets and liabilities of the church and a statement of the revenues, expenses, and net asset or fund balances of the church). The opinion is expressed in a report, which is issued to the congregation.

The first step of the audit is the planning stage. Preaudit planning involves obtaining an understanding of the church’s financial operations and assembling the various documents that are needed to perform the audit.

Tests of internal controls involve tests of the policies and procedures employed by the church to safeguard assets and to ensure the reliability of the accounting data. The auditor examines the internal controls in order to determine the extent of the tests of the account balances. The better the internal control, the less testing of financial statement account balances is required by auditors. For instance, a policy may state that cash receipts must be deposited and recorded on a daily basis. If tests of this control reveal that deposits are being made infrequently and not being recorded in the books in a timely manner, this means that the auditor may have to test more receipts than he or she originally planned. Likewise, if deposits are examined and are being made in accordance with the established church policy, the auditor may not have to expand testing in this area.

Finally, substantive tests of transactions and account balances include examination of actual transactions and balances. For instance, the financial statement may indicate a balance of $10,000 in cash. In this stage of the audit, the auditor will examine the bank reconciliations and bank statements and verify that the balance per the bank is properly reconciled to the treasurer’s report.

2. **PREAUDIT PLANNING**

a. Before the audit begins, there are certain procedures, which the auditor must do in order to properly plan and perform the audit. First, the auditor must 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.

b. The auditors should then obtain copies of the minutes of any committee authorized to receive and disburse monies. Read the minutes with regard to the election of officers, compensation of personnel, bonding of the treasurer, budget approvals, contracts entered into, purchase of items, borrowing of monies, purchase
and sale of securities, resolution confirming clergy housing allowance for tax purposes, etc. This should be done before the actual examination of any accounting records. You may need to see the minutes of the previous year if they contain authorizations for expenditures in the year being audited.

c. Obtain a copy of the previous audit. This will enable you to verify the beginning balances of the assets, liabilities, and net assets. If available, you should also obtain the previous year’s management letter. The management letter details past audit findings and provides suggestions on how to improve the church’s financial operations.

d. Obtain a copy of the annual financial statements as prepared and presented by the treasurer.

e. Review the procedures, which are being used to account for church monies. Identify the individuals with responsibility for financial operations and decisions by name and position and verify with them that all the funds of the congregation have been included in the statements.

f. Identify all bank accounts and authorized check and withdrawal signers including those under separate treasurers.

g. Request that all accounting records of all funds be presented together including:

1. Chart of Accounts and Organization Chart
2. General Ledger
3. Cash Receipts Journals
4. Cash Disbursements Journals
5. Bank Statements including canceled checks
6. Blank checks that are both in and out of the binder
7. Paid Invoices
8. Individual payroll records including Forms W-4 and I-9
9. Federal and State payroll withholding reports
10. Passbooks and evidence of other investments
11. Pledge Records by individual and total

h. Perform a preliminary analytical review of the financial statements. This may consist of a comparison of the current accounts to the previous year balances and to the budgeted amounts. After this is done, arrange a meeting with the Treasurer. Inquire as to any significant variances noted in the preliminary analytical review. Also ask the Treasurer about any matters noted in the reading of the minutes and ask about any other matters, which may have occurred during the year in which you should be aware of before beginning the audit.

3. REVIEW AND ASSESSMENT OF INTERNAL CONTROLS

In order to properly plan and perform the audit, the auditor must first obtain an understanding of the internal control environment and assess its overall effectiveness. The internal control structure consists of the church’s policies, procedures, and commitment to reasonably prevent material errors and irregularities from occurring or going undetected. Internal control can be described as the overall plan of the church and the methods employed by the church to safeguard assets, ensure the reliability of the accounting data, encourage compliance with established procedures, and promote efficient operations. Good internal controls provide greater assurance that transactions are recorded properly. The review of the control system must be done by the auditor in order to assess the risk that the financial statements are materially misstated. Thus, if the controls in a particular area are bad, the risk that the account is misstated is higher and more testing in this area may be merited.

An internal control questionnaire is a good way to review the internal controls. You should fill out the questionnaire before the start of the audit. The questionnaire is intended to provide guidance to the auditor, which is used to evaluate the existing system. The normal answer is “yes.” However, a “no” answer does not necessarily mean that the church is unauditable or that the control environment is ineffective. It may simply suggest an area of the system that could be strengthened.
In addition, to supplement the questionnaire, a narrative description of the control procedures should be developed to provide documentation of the current review. This narrative should be retained for reference in future evaluations.

After obtaining an understanding of the control system via a review of the questionnaire and narratives, the responses must be tested to evaluate whether the controls are operating properly. For instance, if the response to question 1 (below) “are prior internal control questionnaires available” is yes, you must obtain a copy. This testing will enable a proper evaluation of the controls, which are in place.

**Internal Control Questionnaire**

**General:** The following items are intended to provide you with general information for an understanding of the overall accounting and internal control system.

1. Are prior internal control questionnaires available?  □ Yes □ No □ NA
2. Have recommendations of prior reports on internal controls been implemented?  □ Yes □ No □ NA
3. Is a complete and current chart of accounts, listing all accounts and their respective account numbers, available?  □ Yes □ No □ NA
4. Is the accounting system using a double-entry bookkeeping method?  □ Yes □ No □ NA

**Budget:** The development and use of a budget is a critical management tool that will aid in the stewardship and administration of church resources and program.

1. Is the budget approved by the church?  □ Yes □ No □ NA
2. Are all changes to the budget authorized by the church committee and recorded in the minutes of the meetings?  □ Yes □ No □ NA
3. Is there a periodic review of the budget by the church committee?  □ Yes □ No □ NA

**Reporting:** The best accounting system is of little value unless the information is communicated to those responsible. Although there may be variations, there are certain minimum standards to assure adequate communication of the financial information.

1. Is a Treasurer’s report submitted to the church committee or finance committee each month?  □ Yes □ No □ NA
2. Is the Treasurer’s report presented in sufficient detail to inform the reader as to the nature of the various items of income and disbursements?  □ Yes □ No □ NA
3. Does the report present the current actual financial data compared with the approved budget?  □ Yes □ No □ NA
4. Is there periodic reporting, at least quarterly, of all other funds and activities, including designated or restricted funds?  □ Yes □ No □ NA

**Cash receipts:** Clearly stated policies and procedures regarding the handling of cash and other receipts help not only to protect...
from loss, but assure that all receipts are properly recorded in the records.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Are there safeguards to protect the collections from theft or misplacement from the time of receipt until the time the funds are counted and deposited?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2.</td>
<td>Are the collection receipts counted and deposited so that the deposit equals the entire amount of receipts on a timely basis, i.e., at least weekly?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>3.</td>
<td>Are there at least two unrelated persons responsible for the counting and depositing of the collections?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>4.</td>
<td>Are the persons responsible for counting receipts rotated on a periodic basis?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>5.</td>
<td>Do the counters have a standardized form for recording the deposit information?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>6.</td>
<td>Are the counter's sheets retained and reconciled with actual deposits, and are all discrepancies investigated?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>7.</td>
<td>Is the cashing of checks out of the currency received prohibited?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>8.</td>
<td>Are third party checks returned to donors?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>9.</td>
<td>Are all of the pledge envelopes or other memoranda retained and reconciled to the recorded amounts?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>10.</td>
<td>Are all other cash receipts recorded and deposited on a timely basis?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>11.</td>
<td>Are all checks received restrictively endorsed “for deposit only” immediately upon receipt?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>12.</td>
<td>Are there procedures, which will highlight, or bring to someone's attention, the fact that all receipts or income have not been received or recorded?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>13.</td>
<td>Are periodic statements provided to donors of record, i.e., at least quarterly?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>14.</td>
<td>Do acknowledgments of contributions in excess of $250 include a receipt from the donee organization which describes itself as the contemporaneous acknowledgment required by the Internal Revenue Code, and states that, in accordance with Section 170(F)(8)(B), any goods or services provided consist solely of intangible religious benefits?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>15.</td>
<td>Are all discrepancies investigated?</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

**Cash disbursements:** The following procedures will assist in assuring that all payments are properly approved, recorded, and supported by appropriate documentation.
1. Are all disbursements made by check, except for small expenditures made by petty cash? □ Yes □ No □ NA

2. Are all checks pre-numbered and used in sequence? □ Yes □ No □ NA

3. Is there a clearly defined approval process for all disbursements? □ Yes □ No □ NA

4. Are all voided checks properly canceled and retained? □ Yes □ No □ NA

5. Are all checks made payable to specified payees and not to cash or to bearer? □ Yes □ No □ NA

6. Are all disbursements supported by original documentation? □ Yes □ No □ NA

7. Is the original vendor's invoice or other documentation canceled at the time of signature to prevent duplicate payment? □ Yes □ No □ NA

Check signing:

a) Is the signing of blank checks prohibited? □ Yes □ No □ NA

b) Is the use of a signature stamp or preprinted signatures prohibited? □ Yes □ No □ NA

c) Does all supporting documentation accompany checks presented for signature? □ Yes □ No □ NA

d) Are all account signers authorized by the church? □ Yes □ No □ NA

e) Is more than one signature required for any check? □ Yes □ No □ NA

f) If not, do checks for more than $500 require more than one signature? □ Yes □ No □ NA

g) If signature imprint machines are used, are the keys kept under lock and key except when in use? □ Yes □ No □ NA

9. Are all disbursements requiring special approval of funding sources or of the church committee properly documented in the Church committee or Finance Committee minutes? □ Yes □ No □ NA

**Journal entries**: Journal entries offer a special opportunity to make adjustments to accounting records. The general journal is just as important a book of original entry as the cash receipts and cash disbursements journals.

---

abelard:documents:computer seraph:projects:ctconfucc.org:posted items:audit program 09 01.doc

Page 10
1. Is there an appropriate explanation accompanying each journal entry?  □ Yes □ No □ NA

2. Are all journal entries approved by a knowledgeable person of authority other than the person initiating the entry?  □ Yes □ No □ NA

3. Is adequate documentation maintained to support each journal entry?  □ Yes □ No □ NA

Bank account reconciliation: The monthly reconciliation of all bank accounts is a primary tool for assuring the proper recording and accounting for all cash account activity.

1. Are all bank accounts reconciled within 10 days of receipt?  □ Yes □ No □ NA

2. Are the tasks of opening and reconciling the bank statement performed by two different people?  □ Yes □ No □ NA

3. Are the bank account reconciliations completed by someone other than the person who participates in the receipt or disbursement of cash?  □ Yes □ No □ NA

4) Do the reconciliation procedures provide for:
   a) Comparison of dates and amounts of deposits as shown on the bank statement with the cash receipts journal?  □ Yes □ No □ NA
   b) Investigation of bank transfers to determine that both sides of the transactions have been recorded?  □ Yes □ No □ NA
   c) Investigation of all bank debit and credit memos?  □ Yes □ No □ NA
   d) Review of all checks outstanding over 90 days?  □ Yes □ No □ NA
   e) Voiding of outstanding checks during the year-end reconciliation?  □ Yes □ No □ NA
   f) Is the bank immediately notified of all changes of authorized check signers?  □ Yes □ No □ NA

5. Are all journal entries for bank charges and bank account interest recorded routinely?  □ Yes □ No □ NA

Petty cash: The following controls are meant to provide for a timely recording of expenditures of cash in the accounting system.

1. Is the responsibility for the petty cash fund assigned to only one person?  □ Yes □ No □ NA

2. Are all petty cash funds maintained on an imprest basis, i.e., the total amount of vouchers paid or disbursed, plus cash, will always equal the amount of the fund?  □ Yes □ No □ NA

3. Is there adequate review of documentation before the fund is reimbursed?  □ Yes □ No □ NA

4. Is the petty cash fund reimbursed at least monthly?  □ Yes □ No □ NA

5. Is the cashing of checks and loans to employees prohibited?  □ Yes □ No □ NA
6. Is the actual petty cash protected from theft or misplacement? □ Yes □ No □ NA

**Investments:** Procedures for the proper recording and control of all investment instruments will help to assure that all assets and related income are accounted for and properly reported.

1. Are all investment instruments held in the name of the church only? □ Yes □ No □ NA
2. Is authorization for the sale and/or purchase of investments provided for by the church committee or authorized investment committee? □ Yes □ No □ NA
3. Are all investment instruments adequately protected from fire, theft, or misplacement? □ Yes □ No □ NA
4. Are the interest, dividends, and unrealized gains or losses recorded? □ Yes □ No □ NA

**Property and equipment:** Certain procedures involving the physical assets of the church will aid in detecting, identifying, and preventing losses.

1. Is formal approval of the church committee required for all property and equipment additions and dispositions? □ Yes □ No □ NA
2. Is a detailed inventory of all property, furniture, fixtures, and equipment maintained showing:
   a) Date acquired? □ Yes □ No □ NA
   b) Detailed description? □ Yes □ No □ NA
   c) Cost or fair market value at time of donation? □ Yes □ No □ NA
   d) Any funding source restrictions? □ Yes □ No □ NA
3. Is a periodic review conducted to:
   a) Compare the actual property, furniture and fixtures, and equipment to the recorded inventory listing? □ Yes □ No □ NA
   b) Ensure the adequacy of the insurance coverage? □ Yes □ No □ NA
   c) Improve loss prevention? □ Yes □ No □ NA

**Liabilities and other debt:** All liabilities and other debt must be clearly reported, and all provisions or restrictions complied with.

1. Is all borrowing or indebtedness authorized by the church committee and other appropriate committees? □ Yes □ No □ NA
2. Are all loan agreements and/or lease agreements in writing and properly safeguarded? □ Yes □ No □ NA
3. Are there periodic reviews conducted to determine compliance with any debt/lease provisions? □ Yes □ No □ NA
4. Are all liabilities noted on Financial Statements/Reports to Church committee?  □ Yes □ No □ NA

**Restricted gifts and income:** Gifts restricted by donors are not handled in the same manner as other contributions, and procedures are necessary to assure that these gifts are recorded properly and all restrictions are observed.

1. Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include:
   a) Date, amount and donor of gift?  □ Yes □ No □ NA
   b) Any restrictions or limitations?  □ Yes □ No □ NA

2. Are all restricted gifts and grants approved by the Church committee or other authoritative body?  □ Yes □ No □ NA

3. Are the income and other transactions periodically reported to the church committee?  □ Yes □ No □ NA

4. Are written acknowledgments issued for all contributions other than pledges?  □ Yes □ No □ NA

**Payroll:** The application of policies and procedures involving the employment of individuals assures compliance with payroll tax reporting to the various governmental entities.

1. Are personnel files maintained to include:
   a) Employment application and/or letter of employment?  □ Yes □ No □ NA
   b) Authorizations of pay rates and effective dates?  □ Yes □ No □ NA
   c) Internal Revenue Service Form W-4?  □ Yes □ No □ NA
   d) Department of Justice Form 1-9?  □ Yes □ No □ NA
   e) State Withholding Forms?  □ Yes □ No □ NA

2. Is there a written record of hours worked and approved by a supervisor when applicable?  □ Yes □ No □ NA

3. Are there adequate records to:
   a) Show computation of gross pay?  □ Yes □ No □ NA
   b) Account for all deductions from gross pay?  □ Yes □ No □ NA
   c) Support payroll tax returns and Forms W-2?  □ Yes □ No □ NA

4. Are payroll tax returns filed on a timely basis?  □ Yes □ No □ NA

5. Are payroll tax deposits made on a timely basis?  □ Yes □ No □ NA

6. Are all employees, clergy and lay, receiving a Form W-2?  □ Yes □ No □ NA
7. Are Forms 1099 being provided for all individuals who are not employees, and for all unincorporated entities paid $600 or more annually?  

   □ Yes □ No □ NA

8. Are Form W-2 wages reconciled to the general ledger accounts, and all four quarterly payroll tax returns?  

   □ Yes □ No □ NA

9. Are clergy housing allowances recorded in the minutes of the church committee no later than the first meeting of the year?  

   □ Yes □ No □ NA

**Computer systems:** The use of computers creates the need for additional procedures to safeguard the system and data.

1. Are current or duplicate copies of the operating system and programs maintained off premises?  

   □ Yes □ No □ NA

2. Are the files backed up at least weekly and the backups maintained off premises?  

   □ Yes □ No □ NA

3. Is access to the computer and computer programs limited to authorized persons?  

   □ Yes □ No □ NA

4. Is there adequate documentation, including user manuals, available on-site for all computer programs?  

   □ Yes □ No □ NA

5. Is a printed copy retained of all journals, general ledger, financial statements and any other computerized records?  

   □ Yes □ No □ NA

4. **SUBSTANTIVE TESTING OF TRANSACTIONS AND ACCOUNT BALANCES**

Assemble the following documents:

Before assembling the documents, it should be noted that the auditor should retain a file of the work papers, which were prepared to assist with the formation of the opinion on the financial statements. When the next year’s audit is to be performed, these papers could be an invaluable guide to problem areas. The next auditor, if it is not you, should be provided with a copy of your work papers. These work papers should include such things as: the marked up audit and internal control check lists; lists of bank accounts, restricted funds, investments, insurance accounts and loans; the schedules you prepared and the procedures you followed in making the audit.

- Minutes of the Church committee  
  □ Yes □ No □ NA

- Minutes of any group authorized to disburse monies  
  □ Yes □ No □ NA

- Annual financial report to congregation  
  □ Yes □ No □ NA

- Treasurer’s interim reports  
  □ Yes □ No □ NA

- Names of those authorized for check signing, fund withdrawal or transfer, and disbursing approval  
  □ Yes □ No □ NA

- List of securities held  
  □ Yes □ No □ NA

- Copy of previous year’s audit and internal control letter  
  □ Yes □ No □ NA

- Organizational Chart  
  □ Yes □ No □ NA

- Chart of Accounts  
  □ Yes □ No □ NA

abelard:documents:computer seraph:projects:ctconfucc.org:posted items:audit program 09 01.doc
<table>
<thead>
<tr>
<th>Item</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General ledger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts journal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash disbursements journal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank statements for audited year, plus last statement for previous year and first for current year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid checks and deposit slips</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll records with Forms I-9, W-2, W-3, W-4, and State and Federal withholding records</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings account passbooks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investment records</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Test receipts [See Worksheets 1, 2A and 2B]:**

a. *Plate offerings:* Cash receipts journal entries should be traced to weekly cash receipts records on a test basis.

b. *Pledge receipts:*

1. An analytical test of pledges should be done as follows: determine the number of pledging units. Test the number by verifying by reference to documents generated outside of the accounting function; e.g. membership records, directories, etc. Divide the total pledge receipts per the financial statement by the total pledging units. Compare this figure to similar records from prior periods and investigate any significant differences.

2. Adding machine tapes should be made of the individual pledge records with the total agreeing with the total pledge payments reported.

3. Random selection of individual pledge records should be tested for accurate total and balances. A minimum of 10 percent should be tested, unless number 4, below, is followed.

4. If the auditor is engaged before year end and if the church sends statements to the pledgers, the auditor can save time and effort by supervising the mailing of the year end statements. The auditor can then use this mailing to obtain direct confirmation. He does this by including a statement on the year end statements that all variances should be reported directly to the designated member of the audit committee. Any reported variances should be noted and investigated.

5. Auditors should always review the pledge receipts of the Congregation’s personnel involved in money transactions.

6. The auditor should determine if any amounts should be deferred as relating to future periods; for example, in 2000, a member may make a contribution for his or her 2001 pledge. This amount should be recorded as deferred income until the year 2001. The auditor should inquire as to the existence of deferred pledges and trace the deferred amount to supporting documentation.

7. Likewise, there may be pledges outstanding that were not collected by the end of the year. These amounts should be recorded as pledges receivable. The auditor should examine the pledges in the new year to determine the adequacy of the list of pledges receivable.

The decision as to the size of the representative sample of postings and pledge records for examination depends on the dollars involved and the sophistication of the congregation’s records.
c. **Contributions from mission organizations:** Receipts must be listed separately for each organization and amounts entered in the cash receipts journal traced to the weekly cash receipts records. These listed amounts shall be confirmed with their sources.

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 verified by examination of the entries in the savings bank passbook(s) or confirmed by the bank.

e. **Restricted income:** Income received for special purposes should be noted by the auditor who should trace the cash receipts journal entries to the weekly cash receipts records. The auditor 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 interfund borrowing, or for the sale or redemption or any investments or property.

g. A sample of 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 auditor 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 the audit period should be checked for possible misuse.

i. All receipts should be compared to budgeted amounts and material variances should be explained.

j. Contributions of tangible assets or services. Tangible assets or services should be recorded at the fair market value of such contributions.

k. Fill out the following checklist:

   Do the records of total receipts per individual pledge agree with the amounts recorded and reported in the cash receipts journal? □ Yes □ No □ NA

   Have the postings and arithmetic on individual pledge records been tested? □ Yes □ No □ NA

   Number sampled:

   Is there budgeting of contributions that can be reasonably estimated? □ Yes □ No □ NA

   Are contribution budgets periodically compared to actual, and are significant differences investigated? □ Yes □ No □ NA

   Are records kept and periodically reviewed of gifts, such as bequests, which are contingent on future events? □ Yes □ No □ NA

   Are future bequest and gift files, such as proceeds from life insurance policies or sale of property willed to a Congregation, maintained on a current basis? □ Yes □ No □ NA

   Are files kept on life income, endowment, and annuity gifts, including information on the nature of the principal, investment of the principal, or use of the principal income, as well as correspondence with donors or beneficiaries, and copies of pertinent documents? □ Yes □ No □ NA
Are individuals designated to be responsible for assuring compliance with the terms and conditions of all grants, restricted contributions, endowments, etc. received?  □ Yes □ No □ NA

Test disbursements [See Worksheet 3]:

a. Tests are to be made to satisfy that disbursements have been accurately classified, and that invoices in support of the disbursements have been properly approved and canceled or marked “PAID”.

b. The auditor must be familiar with the financial statement expenditure categories listed on the church’s chart of accounts.

c. All expense accounts should be compared to budgeted amounts and material variances should be explained.

d. Testing of Disbursements: Select a sample of disbursements in the following manner:

1. Determine the total amount of all expenses.

2. Pick all disbursements with a dollar value of greater than 10% of the total expenses. For instance, if total disbursements are $100,000, any disbursement of $10,000 or more will be tested.

3. Pick a minimum of 60 of the remaining postings in a systematic sample. Results will indicate if a broader sampling is necessary. To choose which disbursements to test in the systematic selection, first determine the number of checks written on all accounts. Divide this number by 60. This number will be the sampling interval. For instance, if there are 2,000 checks written, you will divide this by 60, which equals 33.33. Thus, you will test every 33rd check (always round down). Therefore, if the first check number is 40, you will test check numbers 40, 73, 106, 139, and so on until you have selected 60 checks.

Make a list of the disbursements you have selected. The list should include the check number, payee, date, and amount of the check. Test as follows:

1. Compare the checks selected to the postings in the accounting records and to the accompanying invoices to determine that the disbursements are fairly recorded and classified. Comparison should include vendor’s name, account classification, date, and amount billed.

2. Examine invoices for verification signature that the items were received or services performed for a sufficient number of items so the committee may be satisfied that goods and services were acknowledged by a person authorized to do so.

3. Check the arithmetic on invoices and vendors’ monthly statements for a sufficient number of items to assure the committee 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 the qualified reimbursement policy of the congregation. The auditor should examine the Church’s accountable plan.

Test cash [See Worksheet 4]:

a. The committee should ascertain a summary of the bank accounts maintained. This should include the purpose for which each is maintained.

b. The committee should examine the canceled checks for:

1. Authorized signature(s)
2. Proper endorsement

c. The auditor should account for all voided checks.

d. The auditor should review the bank reconciliations to determine that the ending balance on the bank statement matches the one used on the reconciliation. The balance per the books should also be traced to the bank reconciliation.
e. Outstanding checks and deposits in transit from the year-end bank reconciliations should be traced to the subsequent bank statements. For instance, if you are auditing the December bank reconciliation, trace the outstanding checks to the January and February bank statements to make sure that they cleared the bank. Any items that are left outstanding should be questioned.

f. Determine whether transfer of funds occurred between bank accounts near the balance sheet date. 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. The auditor should count all petty cash accounts and reconcile the amounts to the books.

h. Fill out the following checklist:

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the petty cash fund imprest?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the checking account(s) reconciled to the accounting records and checkbook?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have paid checks been examined for authorized signatures?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have paid checks been examined for endorsements?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have the checks been compared to the disbursements journal for payees and amounts?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Have all voided checks been accounted for?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are checks outstanding at year-end accounted for in subsequent statements?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are disbursements supported by vouchers approved by authorized party other than check signer?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are two signatures evident on checks for $500 or more?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Is the bank notified immediately of all changes of authorized check signers?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are cash journal footings tested for accuracy?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are receipts records compared with bank deposits?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are transfers between accounts traced?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Are journal entries approved by an authorized party other than a check signer, and are they adequately documented?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Is documentation provided to support checks written to “Cash”?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Has the total balance of the cash summary sheet been traced to the annual financial report?</td>
<td>Yes</td>
<td>No</td>
<td>NA</td>
</tr>
</tbody>
</table>

Test investments:

a. Obtain or prepare a list of securities owned showing:

1. The description of each security
2. The serial number of bonds or securities
3. The denomination of each security or its par value
4. The interest rate of each bond
5. The cost of each security and the amount recorded on the books
6. The interest and dividends received during the year
7. The market value of each bond or security as of December 31st of the year being audited.

b. Review the investment summary for reasonableness, consistency of amounts between years and obvious omissions.

c. Compare the securities listed with ledger accounts and/or with the brokerage statement. Whenever practicable serial numbers should be compared with records of security purchases in order to obtain positive identification and to avoid the possibility of substitution.

d. 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. Insure that the securities are registered in the name of the church or are endorsed as to be transferable to the church. Examine the coupons on bonds to ascertain that unmatured coupons are intact.

e. Examine all transactions for verification of acquisitions and disposition.

f. Trace acquisitions to disbursement records and sales (dispositions) to receipts records.

g. Examine broker statements and compare with investment ledger where applicable.

h. The auditor should be satisfied that the securities are being adequately safeguarded.

i. Examine securities for ownership, certificate number, dates, endorsements, assignments, etc.

j. Verify any income, which has not yet been distributed.

k. Determine, by reference to dates of purchase and disposal of investments, interest rates and published dividend records, whether income earned and accrued income receivable has been appropriately recorded.

l. Fill out the following checklist:

   | Question                                                                 | Yes | No | NA |
---|--------------------------------------------------------------------------|-----|----|----|
| Is the securities list verified against subsidiary ledger accounts, validating serial numbers against purchase records of gifts? |     |    |    |
| Is the name in which securities are registered verified?                  |     |    |    |
| In the case of coupon bonds, are unmatured coupons intact?                |     |    |    |
| Is the market value of securities established at the date of the examination? |     |    |    |
| Are securities examined, or confirmed if held by depository or transfer agent? |     |    |    |
| Are brokers reports examined for securities bought or sold through brokers? |     |    |    |
| Were security purchases or sales authorized by appropriate church committee action and recorded in the minutes? |     |    |    |
| Have cash receipts records of dividends and interest been compared with record of securities held? |     |    |    |

abelard:documents:computer seraph:projects:ctconfucc.org:posted items:audit program 09 01.doc
Have the investments been recorded at their fair market values? □ Yes □ No □ NA

Has the total balance of the summary of investments (recorded at fair value) been traced to the financial report? □ Yes □ No □ NA

**Test trust and endowment funds:**

a. Obtain or prepare a list of trust and endowment 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 trust or agency agreement for each new trust and endowment fund received during the fiscal year.

c. Fill out the following checklist:

   Has a list of trust and endowment funds been obtained, including their terms and locations of the investments? □ Yes □ No □ NA

   Has there been an examination of the deed of trust or agency agreement for each trust and endowment fund? □ Yes □ No □ NA

   Have the agency accounting records been checked to determine whether or not the terms of the trust or endowment funds are being properly followed? □ Yes □ No □ NA

   Have the endowment funds been recorded at their fair market values? □ Yes □ No □ NA

   Has the total balance of the endowment fund summary (recorded at fair value) been traced to the financial report? □ Yes □ No □ NA
Test debt:

a. Obtain or prepare a schedule of all loans to include:

1. The name of the lending institution
2. The date or 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 loans from the year being examined had the proper authorization and were recorded in the minutes of the church committee.

d. Verify, by direct communication with any lender, the outstanding indebtedness at the year-end as well as the terms of the indebtedness.

e. Reconcile the unpaid balance of all loans as reported by the church records to the figure reported by the lending institution.

f. Fill out the following checklist:

Has all indebtedness been properly authorized by appropriate church officials?  □ Yes □ No □ NA

Have unpaid balances per church records been reconciled with balances as reported by creditor? □ Yes □ No □ NA

Is a detailed schedule of all loans prepared, including name of creditor, date of origin, original amount of debt, interest rate payment schedule, monthly payment, unpaid balance, loan purpose, and authorizing body? □ Yes □ No □ NA

Has the total from the detailed schedule been traced to the financial report? □ Yes □ No □ NA

Test property and equipment [See Worksheet 5]:

a. Obtain a list of fixed assets showing the cost or fair market value, if donated, and date of purchase.

b. Review balances for reasonableness, consistency of amounts between years, and obvious omissions.

c. Examine all the deeds and titles of ownership related to the properties owned by the congregation. Review them for the proper recording of the name of the owner and to determine if any encumbrances or liens exist.

d. Determine if any inventory identification procedure is in effect.

e. The church must have a physical inventory of capital assets. A sampling test of this inventory is to be made by the auditor.

f. Ensure that all property and equipment is adequately insured.

g. If depreciation of property is recognized, review entries for accuracy.

h. Fill out the following checklist:
Is there a list of fixed assets, showing date of purchase and cost? □ Yes □ No □ NA

Is an inventory identification procedure in effect? □ Yes □ No □ NA

Using preceding information, has a physical examination of assets been made, to extent possible? □ Yes □ No □ NA

Have any deeds and titles required been examined as evidence of ownership? □ Yes □ No □ NA

Are land and buildings carried on financial statements? □ Yes □ No □ NA

Are any liens outstanding against any property and equipment? □ Yes □ No □ NA

Has the total of the detailed schedule been traced to the financial report? □ Yes □ No □ NA

**Test payroll:**

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 and all recipients of educational scholarship funds of $3,000 or more in a given year.

h. Test the payroll to be sure that a real employee exists for every payroll check written.

i. Fill out the following checklist:

   Have total wages been reconciled with quarterly Federal Form 941, Form W-2, and Form W-3? □ Yes □ No □ NA

   Have total withholding taxes been reconciled with Form 941? □ Yes □ No □ NA

   Has it been determined that all Federal and State withholding taxes were remitted on a timely basis, to avoid hidden penalties? □ Yes □ No □ NA

   Is a current signed Form W-4 on hand for each employee? □ Yes □ No □ NA

   Has the total balance of the payroll reconciliation been traced to the financial report? □ Yes □ No □ NA
Test receivables and payables:

a. Prepare a schedule of accounts receivable as of the balance sheet date. These may include pledge payments which were made after the end of the year in which they money was pledged or authentic obligations owed to the congregation at year end. Check the cash receipts in the new year to verify that the amounts listed were collected. Inquire as to any uncollected balances.

b. Prepare a schedule of payables as of the balance sheet date. These may include monies owed by the congregation to vendors at year-end for goods and services received during the year being audited. Look in the paid bills file for the new year and trace any invoices dated in the year under examination to the accounts payable listing. For example, if you are auditing the 1999 payable figure, ask the treasurer for the file of the January 2000 bills in which he or she paid. Examine these invoices to see if any are dated for 1999. If they are dated 1999, but not paid until 2000, they should be on the payables list. Also examine the new year’s cash disbursement journal and search for any liabilities which have not been recorded. Discuss with the treasurer any old or disputed payables.

c. Fill out the following checklist:

Is there a policy covering the procedure for write-offs of receivables or loans, approval required, provision for reserves?

- Yes
- No
- NA

Have the items on the payable and receivable lists been traced to subsequent payments or deposits?

- Yes
- No
- NA

Have the totals of the detailed payable and receivable schedules been traced to the financial report?

- Yes
- No
- NA
Test net assets [See Worksheet 6]:
A schedule should be prepared listing net assets according to the following classifications: unrestricted, temporarily restricted, and permanently restricted. All restrictions should be reviewed and verified. The summary schedules should be traced to the financial report.

Test insurance:
A schedule should be prepared listing the name of carrier, description of coverage, period of coverage, period of insurance, premium amount and date of premium payment for the following policies which the committee is to review:

- Fire insurance on buildings and equipment
- General Liability (Public Liability and Property Damage)
- Burglary
- Fine Arts
- Malpractice
- Workmen’s Compensation
- Fidelity Bond
- Automobile coverage on cars owned by the church
- Non-ownership liability insurance for cars owned by others when used for church business
- Directors’ and Officers’ Liability
- Umbrella Liability
- Other special policies held by the church.

m. Fill out the following checklist:

Has insurance coverage been reviewed, and has a copy of policies been obtained and a schedule prepared detailing name of carrier, description of coverage, period covered, premium amount, and date of premium payment? □ Yes □ No □ NA

Has there been inquiry as to whether there are any contingencies or commitments facing the church, e.g., legal action with prospects of potential loss? □ Yes □ No □ NA

Test the discretionary fund:
Check that the discretionary fund is the name of the church, that the church’s federal tax 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. If a separate checking account has been authorized, all monies for the discretionary fund must pass through the church’s general bank account and subsequently a check should be written to transfer the monies to the separate discretionary fund checking account.

5. SOURCES


*Local Church Audit Guide*, United Methodist Church, 1998.


APPENDIXES

Worksheet 1 Bank Reconciliation
Worksheet 1 Template

Worksheet 2A Revenues
This worksheet is a comparative report. It compares budgeted activity with actual activity.
Worksheet 2A Template

Worksheet 2B Test of Receipts
Worksheet 2B Template

Worksheet 3 Test of Disbursements
Worksheet 3 Template

Worksheet 4 Cash
Worksheet 4 Template

Worksheet 5 Computer Equipment
This worksheet references only one of the arenas of equipment, i.e., computers. Other arenas are furniture, buildings, organ. Use the same format for testing all arenas of property and equipment.
Worksheet 5 Template

Worksheet 6 Net Assets
Note: Net assets is a new term for what was previously referenced, in accounting terminology as “Fund Balances.”
Worksheet 6 Template
## Worksheet 1  Bank Reconciliation

<table>
<thead>
<tr>
<th>First Church</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Reconciliation</td>
<td></td>
</tr>
<tr>
<td>Anytown Bank -- Checking</td>
<td></td>
</tr>
<tr>
<td>December 31, 2001</td>
<td>COMMENTS</td>
</tr>
</tbody>
</table>

**Balance Per Bank:** $2,860.04  
Note 1

| Add: |  |
| Deposits in transit: |  |
| December 30, 2001 | $250.00  
Traced |  |
| December 31, 2001 | $1,567.00  
Traced |  |
|  | $1,817.00  
Traced |

| Less: |  |
| Outstanding Checks |  |
| Ch # 2456 | $10.00  
Traced |  |
| 2460 | $125.25  
Traced |  |
| 2461 | $500.00  
Traced |  |
| 2462 | $285.79  
Traced |  |
| 2463 | $301.00  
Note 2 |  |
| Total | $1,222.04 |

**Balance per books** $3,455.00  
t/b

**NOTES:**
- t/b = Agreed to the trial balance
- Note 1 = Agreed to the bank statement
- Traced = traced to the January 2002 bank statement; cleared in a timely manner
- Note 2 = noted the date on ch #2463, which was Dec. 31. Also pulled check #2464, which was dated Jan 1 and therefore should not be on the outstanding check list.
# Worksheet 1 Bank Reconciliation Template

<table>
<thead>
<tr>
<th>Bank Reconciliation</th>
<th>Bank Checking</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 20___</td>
<td>COMMENTS</td>
</tr>
<tr>
<td>Balance Per Bank:</td>
<td></td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Deposits in transit:</td>
<td></td>
</tr>
<tr>
<td>December 30, 20___</td>
<td></td>
</tr>
<tr>
<td>December 30, 20___</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Outstanding Checks</td>
<td></td>
</tr>
<tr>
<td>Ch #</td>
<td></td>
</tr>
</tbody>
</table>

| Total                |               |
| Balance per books    |               |

**NOTES:**
### Worksheet 2A Revenues

<table>
<thead>
<tr>
<th>First Church</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2001</th>
<th>Actual 2000</th>
<th>Budget</th>
<th>Actual 2001</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plate Offerings</td>
<td>$ 25,435</td>
<td>$ 25,000</td>
<td>$ 26,568</td>
<td>Consistent</td>
</tr>
<tr>
<td>Pledges</td>
<td>$245,455</td>
<td>$245,000</td>
<td>$250,675</td>
<td>Consistent</td>
</tr>
<tr>
<td>Promises to Give</td>
<td></td>
<td></td>
<td>$225,000</td>
<td>Note 1</td>
</tr>
<tr>
<td>Rent</td>
<td>$ 10,500</td>
<td>$ 10,500</td>
<td>$ 12,000</td>
<td>Note 2</td>
</tr>
<tr>
<td>Unrealized Gains</td>
<td>$100,536</td>
<td>$100,000</td>
<td>$154,600</td>
<td>Note 3</td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>$ 50,632</td>
<td>$ 50,000</td>
<td>$ 55,675</td>
<td>Note 1</td>
</tr>
<tr>
<td>Other Contributions</td>
<td>$21,397</td>
<td>$20,000</td>
<td>$20,043</td>
<td>Consistent</td>
</tr>
<tr>
<td>Total</td>
<td>$453,955</td>
<td>$450,500</td>
<td>$744,561</td>
<td>F/S</td>
</tr>
<tr>
<td><strong>Temporarily Restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contrbins to Special Funds</td>
<td>$ 48,500</td>
<td>$ 45,000</td>
<td>$ 11,750</td>
<td>Note 4</td>
</tr>
<tr>
<td>Interest &amp; Dividends</td>
<td>$ 1,045</td>
<td>$ 1,000</td>
<td>$ 1,000</td>
<td>Note 4</td>
</tr>
<tr>
<td>Total</td>
<td>$ 49,545</td>
<td>$ 46,000</td>
<td>$ 12,750</td>
<td>F/S</td>
</tr>
<tr>
<td><strong>Permanently Restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bequest</td>
<td>$ -</td>
<td>$ -</td>
<td>$162,500</td>
<td>Note 5</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$503,500</td>
<td>$496,500</td>
<td>$919,811</td>
<td></td>
</tr>
</tbody>
</table>

| **Analytical Test of Pledges** |

| Pledges | $245,455 | $245,000 | $250,675 |
| Pledging Units | $254 | $254 | $254 |
| Average | $ 966 | $ 965 | $ 987 | Consistent |

Consistent = means that no accounting was identified.

Note 1= increase due to unconditional pledges. Examined gift letters -- see promises to give/pledge workpapers for more info.

Note 2 = The Nursery’s rent increased from $875 /mo to $1,000. $1,000 x 12 = $12,000
Note 3 = See the investment workpapers for an analysis of the increases
F/S = tied to financial statement
Note 4 = Traced to net asset workpapers. See net asset workpapers.
Note 5 = This is the Smith bequest, which established the Smith Fund. See the net asset workpapers for supporting documentation.
Note 6 = Counted pledge cards to verify #. Also added up all pledge cards. Total was $247,058, which was very close to actual.
Also, a letter was sent to each household to request that they notify auditor if discrepancy between the tax report statement and their records. Found one math error.
# Worksheet 2A Revenues Template

<table>
<thead>
<tr>
<th>Revenues</th>
<th>December 31, 20___</th>
<th>Budget</th>
<th>Actual 20___</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanently Restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analytical Test of Pledges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
Worksheet 2B Test of Receipts

First Church

Test of Receipts

December 31, 2001

Sample Selection:

- Total deposits for yr: 132
- Random Start #: 3
- Total: 129
- Number to be tested: 25
- Interval: 5.16
- Rounded: 5

Testing of Receipts

<table>
<thead>
<tr>
<th>Reference #</th>
<th>Sheet #</th>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>1/22/00</td>
<td>640.70</td>
<td>OK</td>
<td>640.70</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>1/25/00</td>
<td>106.00</td>
<td>OK</td>
<td>4,241.50</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>2/8/00</td>
<td>7,715.28</td>
<td>OK</td>
<td>7,715.28</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
<td>2/24/00</td>
<td>1.00</td>
<td>OK</td>
<td>225.00</td>
</tr>
<tr>
<td>5</td>
<td>15</td>
<td>3/8/00</td>
<td>109.29</td>
<td>OK</td>
<td>2,057.79</td>
</tr>
<tr>
<td>6</td>
<td>18</td>
<td>3/24/00</td>
<td>75.00</td>
<td>OK</td>
<td>105.25</td>
</tr>
<tr>
<td>7</td>
<td>21</td>
<td>4/5/00</td>
<td>3,512.15</td>
<td>OK</td>
<td>8,868.15</td>
</tr>
<tr>
<td>8</td>
<td>24</td>
<td>4/21/00</td>
<td>3,000.00</td>
<td>OK</td>
<td>3,526.07</td>
</tr>
<tr>
<td>9</td>
<td>27</td>
<td>5/5/00</td>
<td>50.00</td>
<td>OK</td>
<td>50.00</td>
</tr>
<tr>
<td>10</td>
<td>30</td>
<td>5/17/00</td>
<td>92.00</td>
<td>OK</td>
<td>5,407.41</td>
</tr>
<tr>
<td>11</td>
<td>33</td>
<td>6/1/00</td>
<td>99.65</td>
<td>OK</td>
<td>4,030.15</td>
</tr>
<tr>
<td>12</td>
<td>36</td>
<td>6/14/00</td>
<td>70.69</td>
<td>OK</td>
<td>3,129.19</td>
</tr>
<tr>
<td>13</td>
<td>39</td>
<td>6/30/00</td>
<td>2,950.00</td>
<td>OK</td>
<td>3,104.57</td>
</tr>
<tr>
<td>14</td>
<td>42</td>
<td>7/14/00</td>
<td>5,570.75</td>
<td>OK</td>
<td>5,570.75</td>
</tr>
<tr>
<td>15</td>
<td>45</td>
<td>7/31/00</td>
<td>12.93</td>
<td>OK</td>
<td>12.93</td>
</tr>
<tr>
<td>16</td>
<td>48</td>
<td>8/17/00</td>
<td>801.83</td>
<td>OK</td>
<td>801.83</td>
</tr>
<tr>
<td>17</td>
<td>51</td>
<td>8/30/00</td>
<td>179.75</td>
<td>OK</td>
<td>3,665.29</td>
</tr>
<tr>
<td>18</td>
<td>54</td>
<td>9/13/00</td>
<td>6,067.02</td>
<td>OK</td>
<td>6,067.02</td>
</tr>
<tr>
<td>19</td>
<td>57</td>
<td>9/28/00</td>
<td>170.73</td>
<td>OK</td>
<td>4,790.73</td>
</tr>
<tr>
<td>20</td>
<td>60</td>
<td>10/4/00</td>
<td>84.73</td>
<td>OK</td>
<td>4,204.23</td>
</tr>
<tr>
<td>21</td>
<td>63</td>
<td>10/18/00</td>
<td>139.20</td>
<td>OK</td>
<td>7,044.78</td>
</tr>
<tr>
<td>22</td>
<td>66</td>
<td>10/31/00</td>
<td>11.53</td>
<td>OK</td>
<td>11.53</td>
</tr>
<tr>
<td>23</td>
<td>69</td>
<td>11/9/00</td>
<td>-</td>
<td>OK</td>
<td>-</td>
</tr>
<tr>
<td>24</td>
<td>72</td>
<td>12/7/00</td>
<td>300.00</td>
<td>OK</td>
<td>3,803.25</td>
</tr>
<tr>
<td>25</td>
<td>75</td>
<td>12/27/00</td>
<td>3,423.50</td>
<td>OK</td>
<td>8,305.50</td>
</tr>
</tbody>
</table>

OK = traced to general ledger and bank deposit; noted current amount; deposit made in timely manner; coded to correct account/fund; verified two signatures present.

Total deposits for yr: 132

Free of errors...
### Worksheet 2B Test of Receipts Template

<table>
<thead>
<tr>
<th>Reference #</th>
<th>Sheet #</th>
<th>Date</th>
<th>Plate</th>
<th>Pledge</th>
<th>Interest</th>
<th>Rent</th>
<th>Total Deposits</th>
<th>From Ch. Orgns</th>
<th>Honorarium</th>
<th>Other</th>
<th>Total Deposit</th>
<th>Comment</th>
</tr>
</thead>
</table>

**NOTES:**

- Testing of Receipts
- Rounded
- Interval
- Number to be tested
- Total
- Total deposits for yr
- Sample selection
- December 31, 2020
- Test of Receipts
Worksheet 3  Test of Disbursements  

First Church  
Test of Disbursements  
December 31, 2001  

Sample Selection:  
First Check  
1654  
Last Check  
2562  
Total  
908  
Random Starting #  
5  
Subtotal  
903  
Interval  
15  
Rounded  
15  

<table>
<thead>
<tr>
<th>Check #</th>
<th>Date</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/12/00</td>
<td>Office Supplies</td>
<td>ABC Co</td>
<td>202.50</td>
<td>OK</td>
</tr>
<tr>
<td>2</td>
<td>1/19/00</td>
<td>Liturgical Supplies</td>
<td>X, Inc.</td>
<td>6.90</td>
<td>OK</td>
</tr>
<tr>
<td>3</td>
<td>1/30/00</td>
<td>Office</td>
<td>Joe's Office</td>
<td>5.00</td>
<td>OK</td>
</tr>
<tr>
<td>4</td>
<td>1/29/00</td>
<td>Payroll</td>
<td>J. Clark</td>
<td>1,684.50</td>
<td>OK</td>
</tr>
<tr>
<td>5</td>
<td>2/3/00</td>
<td>Furniture</td>
<td>First Furniture</td>
<td>300.00</td>
<td>OK</td>
</tr>
<tr>
<td>6</td>
<td>2/12/00</td>
<td>Payroll</td>
<td>H Knight</td>
<td>92.35</td>
<td>OK</td>
</tr>
<tr>
<td>7</td>
<td>2/12/00</td>
<td>Dayschool</td>
<td>Smith - reimbrsmnt</td>
<td>23.00</td>
<td>OK</td>
</tr>
<tr>
<td>8</td>
<td>2/20/00</td>
<td>Payroll</td>
<td>J. Knight</td>
<td>2,030.00</td>
<td>OK</td>
</tr>
<tr>
<td>9</td>
<td>2/24/00</td>
<td>Dayschool</td>
<td>Smith - reimbrsmnt</td>
<td>2,030.00</td>
<td>OK</td>
</tr>
<tr>
<td>10</td>
<td>2/24/00</td>
<td>Office</td>
<td>Joe's Office</td>
<td>112.31</td>
<td>OK</td>
</tr>
<tr>
<td>11</td>
<td>3/3/00</td>
<td>Payroll</td>
<td>Rev. Jones</td>
<td>2,408.46</td>
<td>OK</td>
</tr>
<tr>
<td>12-58</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
<td>OK</td>
</tr>
<tr>
<td>59</td>
<td>11/9/00</td>
<td>Pension</td>
<td>The Church Pension</td>
<td>466.47</td>
<td>OK</td>
</tr>
<tr>
<td>60</td>
<td>12/7/00</td>
<td>Payroll</td>
<td>F. Knickerson</td>
<td>230.78</td>
<td>OK</td>
</tr>
</tbody>
</table>

NOTES:  
OK = Compared to invoices and check vouchers for proper approval; date, amount and account coding. No problems noted. Compared to General Ledger for proper account and fund coding and amount.  
Note 1 = This was a reimbursement form submitted to Mr. Smith. Checked accountable plan for compliance with church procedures.  
Note 2 = Traced to time cards for proper hours. Looked at personnel files and recomputed net and gross pay.  
Note 3 = Looked at minutes and found no housing allowance. Traced to memo in personnel file, recomputed and no problems noted.  

Testing of Disbursements  
First Church  
December 31, 2001  

Sample Section  
First Check  
986  
Last Check  
1654  
Total  
326  

Worksheet 3 Test of Disbursements Template

<table>
<thead>
<tr>
<th>Reference #</th>
<th>Check #</th>
<th>Date</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
<th>Comment 1</th>
<th>Comment 2</th>
</tr>
</thead>
</table>

Sample Selection:
- First Check
- Last Check
- Random Selection
- Total

NOTES:
- Testing of Disbursements
- Sample Selection
- December 31, 20__
- Test of Disbursements Template
## Worksheet 4  Cash

<table>
<thead>
<tr>
<th>Account Name /Descrtn</th>
<th>2000</th>
<th>2001</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anytown Bank - Checking Account</td>
<td>12,345.00</td>
<td>3,455.00</td>
<td>Note 1</td>
</tr>
<tr>
<td>Anyfund Money Market</td>
<td>15,000.00</td>
<td>75,000.00</td>
<td>Note 2</td>
</tr>
<tr>
<td>Savings of Anytown - Youth Club</td>
<td>1,548.00</td>
<td>1,205.00</td>
<td>Note 3</td>
</tr>
<tr>
<td>Discretionary Fund - Second Bank</td>
<td>1,200.00</td>
<td>750.00</td>
<td>Note 4</td>
</tr>
<tr>
<td>First Bank - Cert of Deposit</td>
<td>10,000.00</td>
<td>10,000.00</td>
<td>Note 5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>35,941.00</td>
<td>22,250.00</td>
<td>F/S</td>
</tr>
</tbody>
</table>

**NOTES:**
1 = Agreed to bank reconciliation
2 = Agreed to bank statement. The increase in this account is due to the Smith bequest received at the end of the year. Amount invested in the subsequent year per the January 2002 bank statements. Also see net asset workpapers.
3 = Agreed to passbook
4 = Agreed to statement
5 = Agrees to CD statement. Reviewed documentation and determined that this is a short-term CD.
F/S = Agreed with financial statement
### Worksheet 4  Cash Template

<table>
<thead>
<tr>
<th>Account Name/Description</th>
<th>20___</th>
<th>20___</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 20___</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
# Worksheet 5
## Computer Equipment
### December 31, 2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1/31/00</td>
<td>Computer System</td>
<td>SL/HY</td>
<td>10,525.67</td>
<td>1,052.57</td>
<td>1,052.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/30/00</td>
<td>Computer</td>
<td>SL/HY</td>
<td>1,270.80</td>
<td>127.08</td>
<td>127.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/11/00</td>
<td>Computer System</td>
<td>SL/HY</td>
<td>3,342.35</td>
<td>334.24</td>
<td>334.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/30/01</td>
<td>Computer System</td>
<td>SL/HY</td>
<td>2,090.32</td>
<td>209.03</td>
<td>209.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>17,229.14</strong></td>
<td><strong>1,513.89</strong></td>
<td><strong>1,513.89</strong></td>
<td><strong>3,236.79</strong></td>
<td><strong>4,750.68</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
- **P/Y** = Tied to prior year financial statement
- **F/S** = Tied to year end financial statement

**General Notes:**
- Examined insurance policy and confirmed the computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- Reviewed the church’s insurance policy and confirmed that computers are adequately insured.
- Examined depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.

**General Notes:**
- **F/S** = Tied to prior year financial statement
- **P/Y** = Tied to prior year financial statement

**Notes:**
- Examined insurance policy and confirmed the computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
- Examined the church insurance policy and confirmed that computers are adequately insured.
- Reviewed depreciation entries and recalculated them.
- Took a physical inventory of the computer equipment listed above. All work and are in good condition.
- The church follows IRS guidelines for determining useful lives of assets. I reviewed guidelines and determined church is in compliance.
<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Life Method</th>
<th>Cost</th>
<th>2000 Dep</th>
<th>2001 Accum. Dep</th>
<th>2001 Dep</th>
<th>2001 Accum. Dep</th>
<th>Total</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
# Worksheet 6  Net Assets

## First Church

### Net Assets

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2001</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance 12/31/00</td>
<td>Revenues</td>
<td>Disbursements</td>
</tr>
<tr>
<td><strong>Temporarily Restricted Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Improvement Fund</td>
<td>255,000</td>
<td>55,675</td>
<td></td>
</tr>
<tr>
<td>Music Fund</td>
<td>55,000</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Special Gifts</td>
<td>15,400</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Adult Education</td>
<td>1,500</td>
<td>4,500</td>
<td>3,575</td>
</tr>
<tr>
<td>Small Groups</td>
<td>2,575</td>
<td>1,200</td>
<td>900</td>
</tr>
<tr>
<td>Youth Group</td>
<td>500</td>
<td>1,050</td>
<td>755</td>
</tr>
<tr>
<td>Habitat for the Community</td>
<td>10,500</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Other donor-designated funds</td>
<td>150</td>
<td></td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>340,625</td>
<td>12,750</td>
<td>63,555</td>
</tr>
<tr>
<td><strong>Permanently Restricted Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Smith Fund</td>
<td></td>
<td>162,500</td>
<td>162,500</td>
</tr>
<tr>
<td>Prudence White Fund</td>
<td>25,000</td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>Kitchen Fund</td>
<td>50,500</td>
<td></td>
<td>50,500</td>
</tr>
<tr>
<td></td>
<td>75,500</td>
<td>162,500</td>
<td>238,000</td>
</tr>
</tbody>
</table>

### NOTES:

F/S = Traced to financial statement

1 = Reviewed voucher and invoices and verified amounts. Also verified that these expenditures were in compliance with the donor’s restrictions placed on this fund.

2 = Reviewed gift letter (see copy) and traced to cancelled check and bank statement deposit.

3 = Traced to bequest documentation. This was set up so that this amount is permanently restricted and interest and dividends go into the Youth Fund.

4 = Reviewed the Permanent File, which has documentation showing the original donor contributions that set up these funds. See Permanent File.
# Worksheet 6  Net Assets Template

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 20___</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance 12/31/___</td>
<td>Revenues</td>
<td>Disbursements</td>
<td>Balance 12/31/___</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Temporarily Restricted Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permanently Restricted Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 12/31/___</td>
<td>Revenues</td>
<td>Balance 12/31/___</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
SAMPLE OF ANNUAL REPORT OF THE INTERNAL AUDITORS

Copies of this report should be distributed to the Chairpersons of the finance and church committees, recording secretary, treasurer, pastors(s), and the audit committee of the Connecticut Conference.

Audit Committee
Connecticut Conference of the UCC
125 Sherman Street
Hartford, CT 06105
860-233-5564

To the Members of _______________________________ (Church Name)
____________________________________ (Street)
____________________________________ (City, State)

We, the members of the audit committee of the above church have inspected the treasurer’s statement of assets and liabilities as of December 31, 20__ and the related statement of revenues and expenses, and changes in fund or net asset balances for the year then ended. Our inspection was made in accordance with the Audit Program for Internal Auditors of Churches Belonging to the UCC, Connecticut Conference. We have found the balances displayed to be correct, procedures proper, and records properly kept, except as noted below (attach additional sheets if necessary).

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________

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

Members of the Audit Committee:
Name                      Signature
__________________________ ________________________________
__________________________ ________________________________
__________________________ ________________________________

Source: Audit Committee of the Connecticut Conference of the UCC