

FINANCIAL ASSESSMENT FOR CALENDAR YEAR 2021

In lieu of an Audit or Review by a Certified Public Accountant, a financial assessment may be performed on an annual basis in accordance with the Penn West Conference, United Church of Christ Fiscal Policy Guidelines. A financial assessment is to be performed by independent persons of the Conference using the "Financial Assessment Procedure."

- To begin the Assessment process, the following documents were provided to the Assessment team:
- A copy of the Fiscal Policy Guidelines.
- A copy of the balance sheet and revenue and expense statement for the 2021 year.
- Copies of all year-end bank statements, including December 31, 2021 reconciliations to the balance sheet.
- Investment statements covering the entire year.
- A copy of the 2021 W-3, along with accompanying supporting W-2's.
- E-mails and other documents supporting changes in Donor Restricted funds.
- Access to the general ledger detail for the 2021 year.

The detailed procedures (identified and approved by the Penn West Conference, United Church of Christ) listed below were performed. The results are in summary form below the procedure.

1. Review the general ledger activity and obtain explanation as to any large or unusual transactions noted.

Results: Within the Power Church software, we were able to generate an activity report for all accounts for the entire year. From this report, we were able to scan activity for large or unusual transactions. We found nothing large or unusual that could not be explained.

We did note that the report totals, by account, do not agree to the consolidated trial balance. In order to reconcile account totals, one must add the account totals by fund. We were unable to generate a report that would give us the entire account activity, inclusive of all funds, to tie to the consolidated trial balance. This matters, in that, we wanted to ensure we captured all activity for review. To determine we, in fact, had all activity, we manually tested several accounts by adding the account totals of all funds to tie to the consolidated trial balance.

2. Review the comparative balance sheet and revenue and expense statement and obtain explanation of any large differences when current year balances are compared to those in the prior year.

Results: This year, since there was now two years activity recorded in Power Church software, we were able to review comparative balance sheets and income statements. We reviewed and investigated any large differences. In some instances, new funds were created for new initiatives within the conference, such as "Caring for Churches/Caring for Clergy."

Other balance sheet account reconciliations were reviewed with no exceptions noted. However, we questioned A/C 2285 “disability insurance withheld” liability account balance of \$234.84. Ms. Fox indicated it was over withholding of her disability insurance and should be refunded to her. She is reluctant to initiate the reimbursement to herself. We recommend the committee initiate a reimbursement request on her behalf of the over withheld balance.

3. Review all cash and investment statements and tie totals to balance sheet. Obtain an explanation for any large or unusual entries on those statements.

Results: We reviewed all cash and investment statements, along with accompanying reconciliations and agreed to the trial balance. No exceptions were noted.

4. Obtain an explanation for any large changes in fixed asset accounts (Leasehold improvements and furniture and fixtures).

Results: There were no changes in fixed asset accounts. It appears depreciation is properly recorded.

5. Review loan agreement for any new student loans and tie to balance sheet.

Results: We noted no new student loan agreements. We did question whether the recipients are serving in the Penn West Conference as required. We were informed all but one were serving. According to conference staff, the one that is not serving in the Conference is currently being billed on a monthly basis, and payments from that individual are not being received on a regular basis.

6. Investigate any new liability accounts such as reserve funds.

Results: We reviewed for new liability accounts, along with reserve funds. None were noted.

7. Review documents for any new increases in restricted fund or any large decreases in balances of existing funds when compared to balance in prior year.

Results: We noted a new fund created, Caring for Churches/Caring for Clergy, with a substantial increase in balance.

8. Restricted balances that DO NOT increase with investment earnings – trace investment earnings to current year fund expenditures.

Results: We noted fund balance increases, due to investment earnings, as well as market value increases over the prior year.

9. Review Fiscal Policy Guidelines and review documents for compliance with these guidelines.

Results: It appears, based upon information available at the time of assessment, that Fiscal Policy Guidelines are being followed by the Conference Administration.

We randomly selected several invoices and mileage reimbursements to determine proper compliance with the Fiscal Policy Guidelines. We reviewed bank statements, as well as check

signatures. We noted nothing unusual. We reviewed the W-3 filed for the 2021 year, along with the supporting Forms W-2. We were able to tie the W-2 wage balances to agreement with the expense reports. No exceptions noted. We also reviewed Form 1099's issued for payments that exceeded \$600 as required by Internal Revenue Service rules.

10. Any unusual items noted during the assessment should be traced to source documents related to these items.

Results: We had two situations requiring additional information to reconcile the trial balance to the source documents.

We were provided, for our review, hard copy printouts of all of the fund net assets statements. The total of the unrestricted net assets totaled for all funds did not agree with the trial balance total. The difference was \$150.01. When we questioned the difference, we were provided with a copy of the journal entry for \$150.01 correcting this error. The problem was that the printouts were not rerun after the journal entry was posted, thus the amounts did not reconcile. We considered this explanation appropriate.

We questioned miscellaneous income of \$10,851.40 as unusual, and requested additional information supporting the balance. There were four funds reflecting miscellaneous income comprising this balance, three of which were relatively small amounts. The largest balance was a refund of payroll taxes paid by the PA Department of Revenue in the amount of \$8,950.40. The entire withholding for the 2021 year for PA income tax was \$1,553.87. This was an obvious error. As per discussion with Conference staff, attempts were made to return the funds credited to the Conference by mistake. Apparently, they were not successful, and coded the refund to the general fund miscellaneous account.

Financial Stewards shall report the Assessment results to the Conference Board of Directors. This report should include any recommendations the Assessment Team has to improve financial stewardship.

Results: We are scheduled to meet with the Financial Stewards to review our report on November 2, 2023.

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