

FINANCIAL ASSESSMENT FOR CALENDAR YEAR 2020

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 2020 year.
- Copies of all year-end bank statements, including December 31, 2020 reconciliations to the balance sheet.
- Investment statements covering the entire year.
- A copy of the 2020 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 2020 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: We noted "Undeposited Funds" balance year over year had decreased. However, we believe deposits should be made intact on a timely basis to strengthen internal control over cash receipts.

We also noted, due to the changes in the accounting system, that many revenue and expense categories were not comparable to prior year balances, as they are categorized differently. Therefore, it is not possible to properly perform the above procedure on a detail basis.

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: We noted liabilities were recorded as "Sabbatical Reserve Fund" and "Accrued Expenses" in the amounts of \$15,000 and \$5,000, respectively. We believe these amounts are incorrectly recorded as expenses for the year ended December 31, 2020, along with the corresponding liabilities. We reviewed minutes of March 25, 2021 approving the reserve funds, however, we believe they are not properly recorded. While it is proper for the Board to designate funds to be used for a specific purpose, these amounts are not an expense, nor a

liability of a previous year. They should be designated amounts from equity category “funds without donor restrictions.”

Other balance sheet accounts were reviewed and appear to be properly stated.

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: One cash reconciliation for Citizens Bank (a/c 1110) was out of balance by \$4,921.05. The amount was recorded as a transfer to endowment account 1340. This account reconciliation was manually corrected for the \$4,921.05 transfer recorded on 11/05/2020, however, it appears the funds were never physically transferred. Cash and investments are properly stated, however, the reconciliation for Citizens was not corrected.

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 unusual new student loans for the 2020 year. However, one student received \$3,500 per year for each of the prior three years to 2020. The information provided to us includes a memo from July 10, 2003 indicating the maximum student loan per year to be \$2,500. Subsequently, guidelines were provided which indicates the annual allotment of \$3,500 was appropriate. We suggest these guidelines be dated so as not to confuse the allowable appropriation.

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

Results: See memo from Number 2 above.

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 reviewed the funds as provided in the Power Church summary printouts for unusual increases or decreases year over year. We also compared these changes to the applicable investment statements to determine transactions were properly recorded. It appears, transactions are properly recorded. However, we requested descriptive information on the various funds identified in the financial statements. We believe the information provided should be updated to correspond with the new Power Church fund design. If that information exists, it was not provided to us at the time of the Financial Assessment.

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

Results: As noted above, we reviewed two Somerset Trust account investment statements, United Church Funds investment statements, and year-end United Church of Christ

Cornerstone investment statements. We reviewed these funds for earnings, deposits, disbursements, along with fees paid.

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.

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

Results: We randomly selected several invoices and mileage reimbursements to determine proper compliance with the Fiscal Policy Guidelines. We noted nothing unusual. We reviewed the W-3 filed for the 2020 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.

11. 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 Tuesday, March 7.

Vickie L. Beu, Financial Assessment team
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