

AUDITING

Church Treasurers' Workshop

April 9, 2017



RECORD TRANSITION



Procedure for Change over of Church Treasurer

- ▣ All church treasurer records
- ▣ Final financial statement with bank reconciliation
- ▣ Board action to change signature on bank accounts

Church Treasurer Custodian of All Church Funds

- ▣ *“The church treasurer is the custodian of all church funds. These funds are (1) conference funds, (2) local church funds, and (3) funds belonging to the auxiliary organizations of the local church.”*

· SDA Church Manual, page 83

CUSTODIAN OF ALL CHURCH FUNDS

Local funds

Auxiliary organizations funds

Conference funds

RESPONSIBILITIES

- ▣ Receiving Funds
- ▣ Depositing
- ▣ Payments
- ▣ Accounting
- ▣ Reporting to Church Board

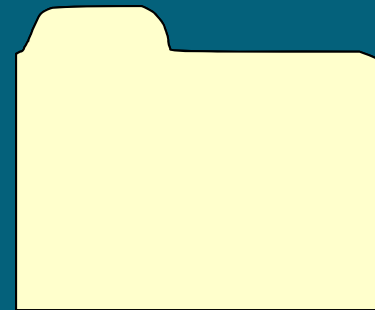
Ask for Assistance

- ▣ Teams of Counters
- ▣ Assistant treasurer/s
- ▣ Separation of duties



ORGANIZE

- ▣ Filing System



- ▣ Accounting system



FILING SYSTEM

1. Monthly financial statements
2. Cash Receipts Journal
3. Cash Disbursements Journal
4. Bank Statements
5. Church Board Minutes
6. SECC Weekly and Monthly Reports
7. Disbursement Voucher File (D-2's)



ACCOUNTING SOFTWARE

- ▣ QuickBooks Pro
- ▣ Jewel
www.JewelSDA.com

Receipting and Depositing

- ▣ Safe and secure environment for counting of funds
- ▣ Assign counting teams
- ▣ Establish procedures in writing
- ▣ Count loose offering immediately after collection
- ▣ Prepare tithe envelope for loose offering/ other miscellaneous income (rental income, etc.)
- ▣ Differentiate taxable/non-taxable (write “no name” or assign a non-taxable code)

- ▣ For checks received from Conference, make an offering envelope and label it “SECC”
- ▣ Total income reported should agree to bank deposit and SECC weekly summary



- ▣ Deposit funds intact on a timely basis (3-4 days)
- ▣ NO cash should be withdrawn for any reason
- ▣ Post your total weekly receipts – this amount should agree with conference weekly report in total and also in the allocations of funds

DONATIONS TO SDA ENTITIES

- ▣ Do not receive funds for non-SDA entities.
- ▣ For SDA entities, follow policy in handling such funds as outlined in *“Donations received for Overseas and Non-SDA organizations”*.

DESIGNATED DONATIONS

- ▣ Designated donations are non-tax deductible.
- ▣ For example, tuition payments and donations to benefit a specific individual (*see IRS Pub. 526*).
- ▣ Do not accept these donations.

SAFEGUARD THE PURPOSE OF FUNDS

“.....all offerings and gifts contributed by individuals to the church for a specific fund or purpose be used for that purpose. Neither the church treasurer nor the church board has the authority to divert any funds from the objective for which they were given.” SDA Church Manual, pg. 82

Excel Cash Receipts Journal

CASH RECEIPTS JOURNAL SAMPLE SDA CHURCH AUGUST 2013

ACCOUNT NAME	ACCT #	Aug 3	Aug 10	Aug 17	Aug 24	Aug 31	& Adjustment	TOTAL
TITHE	1	6,204.84	6,965.29	6,229.11	20,618.07	15,782.99	(100.00)	55,700.30
SABBATH SCHOOL	3	62.67	55.25	85.14	56.45	61.57		321.08
SS 13TH SABBATH	4	-	-	-	47.00	46.25		93.25
INVESTMENT	5	10.00	-	-	-	-		10.00
BIRTHDAY/THANK	6	10.00	-	-	-	-		10.00
ADRA	23	-	483.77	-	227.51	200.00		911.28
INNER CITY	48	-	10.00	-	-	-		10.00
RELIGIOUS LIBERTY	34	5.00	-	-	-	-		5.00
PINE SPRINGS	50	-	20.00	-	-	0.50		20.50
TOTAL CONF FUNDS		6,292.51	7,534.31	6,314.25	20,949.03	16,091.31	(100.00)	57,081.41
CHURCH BUDGET	126	3,689.37	1,645.36	2,332.74	2,441.18	19,657.40	239.58	30,005.63
CHURCH BUILDING	112	580.00	275.00	-	-	439.87		1,294.87
AUDIOVISUAL	90	15.00	-	350.00	-	1,285.00		1,650.00
CHURCH SCHOOL	124	-	-	-	-	800.00		800.00
COMMUNITY SERVICES	119	195.00	1,305.00	95.00	40.00	672.60		2,307.60
ENDOWMENT FUND	91	15.00	50.00	100.00	-	200.00		365.00
EVANGELISM	109	-	5.00	-	-	-		5.00
GENERAL IMPROVEMENT	92	-	3,500.00	-	-	-		3,500.00
RENTAL INCOME	94	1,000.00	-	-	-	-		1,000.00
PATHFINDER CLUB	114	275.00	-	408.31	-	250.00		933.31
WOMEN'S MINISTRY	93	20.00	-	-	1.00	-		21.00
YOUTH	110	165.00	-	-	-	-		165.00
TOTAL LOCAL FUNDS		5,954.37	6,780.36	3,286.05	2,482.18	23,304.87	239.58	42,047.41
TOTAL FUNDS		12,246.88	14,314.67	9,600.30	23,431.21	39,396.18	139.58	99,128.82
OTHER INCOME/ADJUSTMENTS								
Bank Interest - Savings						83.33		
Bank Interest - CD						156.25		
NSF check				(100.00)				
Total Other Income/Adjustments				(100.00)		239.58		

Jewel Deposit Report

JEWEL DEPOSIT REPORT - SAMPLE

SDA Church			Deposit Report (Page 1)		
Printed 10/14/2013			Checking - For the period from Jun. 1, 2013 to Jun. 30, 2013		
Dep. #	Date	Account	Memo	Amount	Total
25	6/17/13	Checking	06/15/13 offering de	Tithe 976.00 Sabbath School Mission 90.00 Investment 20.00 Community Service 80.00 Flower Fund 390.00 Thanks Fund 347.00 Cooking Class 2,213.00 Church Building Fund 250.00 Church Growth 587.00 Literature, books 172.00 Sabbath School Expense 89.00 Church Budget 1,349.00	6,563.00
26	6/23/13	Checking	06/22/13 offering de	Tithe 1,020.00 Sabbath School Mission 86.00 PSR Christian Summer Y 369.00 Community Service 190.00 Flower Fund 50.00 Rent for Our Apt/church 200.00 Thanks Fund 465.00 Cooking Class 1,171.00 Church Building Fund 4,540.00 Church Growth 1,845.00 Sabbath School Expense 85.00 Church Budget 890.00	10,911.00
27	6/30/13	Checking	06/29/13 offering de	Tithe 4,462.00 Sabbath School Mission 139.00 Investment 20.00 NAD Evangelism 341.00 Community Service 60.00 Dorcas 70.00 Flower Fund 210.00 Chin's Refund 600.00 Rent for Our Apt/church 850.00 Thanks Fund 415.00 Cooking Class 938.00 Church Building Fund 1,050.00 Church Growth 1,095.00 Literature, books 507.00 Sabbath School Expense 139.00 Church Budget 1,650.00	12,546.00
28	6/30/13	Checking	06/30/13 offering de	Tithe 1,796.00 Sabbath School Mission 117.00 Investment 30.00 Adventist Chaplaincy Mi 353.00 Community Service 252.00 Flower Fund 600.00 Rent for Our Apt/church 4,200.00 Thanks Fund 320.00 Cooking Class 2,275.00 Senior Society 30.00 Church Building Fund 5,700.00 Church Growth 2,522.00 EM Ministry 10.00 Literature, books 132.00 Sabbath School Expense 146.00 Church Budget 1,130.00	19,613.00
Total Deposits					49,633.00

QuickBooks Deposit Detail

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04/02/14

Central SDA Church Deposit Detail January through March 2014

Type	Num	Date	Name	Account	Amount
Deposit		01/04/2014		Provident Bank 3 ~...	3,872.30
				01 Tithes	-1,611.13
				03 Sabbath School ...	-12.00
				112 Building Fund	-297.80
				096 Battered Wome...	-1.00
				125 Sabbath School	-26.00
				126 Church Budget	-1,924.37
TOTAL					-3,872.30
Deposit		01/11/2014		Provident Bank 3 ~...	4,241.31
				01 Tithes	-2,112.00
				112 Building Fund	-239.65
				125 Sabbath School	-39.95
				126 Church Budget	-1,849.71
TOTAL					-4,241.31
Deposit		01/13/2014		Provident Bank 3 ~...	800.00
				121 Non-deductible ...	-800.00
TOTAL					-800.00
Deposit		01/21/2014		Provident Bank 3 ~...	794.12
				01 Tithes	-547.50
				112 Building Fund	-66.29
				125 Sabbath School	-38.50
				126 Church Budget	-141.83
TOTAL					-794.12
Deposit		01/23/2014		Provident Bank 3 ~...	1,500.00
				119 Community Ser...	-1,500.00
TOTAL					-1,500.00
Deposit		01/27/2014		Provident Bank 3 ~...	1,485.33
				01 Tithes	-977.71
				112 Building Fund	-186.33
				125 Sabbath School	-38.29
				126 Church Budget	-283.00
TOTAL					-1,485.33
Deposit		01/31/2014		Provident Bank 3 ~...	1.31
				Interest Earned	-1.31
TOTAL					-1.31
Deposit		02/03/2014		Provident Bank 3 ~...	1,688.37
				01 Tithes	-971.40
				112 Building Fund	-281.53
				125 Sabbath School	-34.97
				126 Church Budget	-400.47
TOTAL					-1,688.37

PAYMENTS

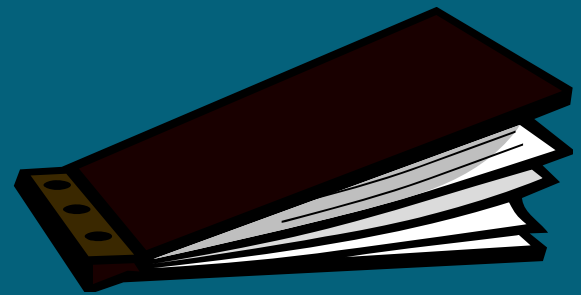
- ▣ Checks
- ▣ Electronic payments
- ▣ Debit/Credit card purchases

DISBURSEMENTS

- ▣ Online/Electronic payments - assign a number to each payment
- ▣ Record that number on the supporting statement/vendor invoice, along with date paid, purpose, and account to be charged
- ▣ File in numerical order in Online disbursement voucher file

Disbursements

- ▣ Record all payments – checks, electronic and credit card payments,
- ▣ All bank charges
- ▣ Agree in total and posted correctly
- ▣ All checks entered including voided and cancelled checks



DISBURSEMENTS

- ▣ All checks must be supported by proper documentation
 - Vendor invoices/receipts
 - Check Request form signed by appropriate department head/pastor (example enclosed)
 - Reference to church board action (help to needy, honorarium, etc.) or other document in file

- ▣ NO checks payable to “Cash” and no self-issued checks

DISBURSEMENTS

- ▣ Unsupported payments to individuals of a reimbursement nature, are viewed as taxable income by the IRS.

BENEVOLENT GIFTS

- ▣ Establish a written policy (purpose, criteria, who is responsible, identify amounts).
- ▣ Establish a benevolent fund (e.g. Needy Fund).
- ▣ Have documentation to support each gift.

CREDIT CARD

- ▣ Establish a policy (who, \$ limit)
- ▣ No personal charges
- ▣ Used only for church operating purchases



Excel Cash Disbursement Journal

CASH DISBURSEMENT JOURNAL SAMPLE SDA CHURCH AUGUST 2013											
CHK #	PAYEE	CHECK AMOUNT	CHURCH BUDGET	CHURCH BLDG	IT/ AUDIO	PATH- FINDERS	CHURCH SCHOOL	COMMUNITY SERVICES	GENERAL IMPROV.	SPECIAL MINISTRIES	CONF. FUND
2862	Andy Carpenter	230.02				230.02					
2863	AT&T	86.00									
2864	American Express	2,402.75	2,402.75								
2865	Gerald Moore	2,500.00							2,500.00		
2866	J&S Maintenance	1,220.00	1,220.00								
2867	Kelly Steward	100.00			100.00						
2868	Void										
2869	Anthony Booth	218.25	218.25								
2870	S.D. Academy	300.00					300.00				
2871	Vineyard Doors	1,100.00							1,100.00		
2872	Youth Group Promotions	160.00			160.00						
2873	La Mesa Florist	188.55	188.55								
2874	Margaret Burns	1,299.62	948.14					351.48			
2875	J&S Maintenance	900.00	900.00								
2876	Jeremy Smith	600.00			600.00						
2877	Jim Banks	130.00	130.00								
2878	AT&T	142.00	142.00								
2879	San Diego Wireless	27.09	27.09								
2880	Postmaster	175.00	175.00								
2881	XO Communications	729.98	729.98								
2882	S.E. California Conference	7,314.85	7,142.91			171.94					
2883	Lucy Perez	672.60						672.60			
2884	Lillian Lui	4,809.80						4,809.80			
2885	Christian Resources	1,035.00	1,035.00								
2886	American Express	1,931.52	1,931.52								
2887	SDG&E	2,105.13	2,105.13								
2888	Southeastern Cal. Conf. SDA	57,081.41									57,081.41
	Total Disbursements	87,459.57	19,382.32	260.00	600.00	401.96	300.00	5,833.88	3,600.00	-	57,081.41
	Expense items adjustments:										
2406	Voided: Leonard Barnes	(54.95)	(54.95)								
2413	Voided: Malcolm Walters	(100.00)						(100.00)			
	Returned item charged (NSF)	7.50	7.50								
	Total Disbursements	87,312.12	19,334.87	260.00	600.00	401.96	300.00	5,733.88	3,600.00	-	57,081.41

Jewel Checks Written Report

JEWEL CHECKS WRITTEN REPORT - SAMPLE

SDA Church				Checks Written Report (Page 1)		
Printed 10/16/2013				CHECKING ACCOUNT - For the month ending Dec. 31, 2012		
Chk. #	Date	Payee	Memo	Account	Amount	Total
-305	12/1/12	SE Calif. Conference of 7th-Day Advent	Payroll (Custodian / Janitorial Services)	Custodian / Janitorial Services	484.43	484.43
-302	12/7/12	Advance Disposal Company, Inc.	Trash / Waste Management Services	Trash (Advance Waste Disposal)	101.95	101.95
-303	12/7/12	Dewey Pest Control	Exterminator / Pest Control Services	Exterminator / Pest Control (Dewey)	46.00	46.00
-304	12/7/12	Southern California Edison (SCE)	Electric Utilities	Electric Utilities (Southern California Ed	397.61	397.61
-306	12/7/12	Montgomery, Debra	Bulletin Printing	Office Supplies & Photocopy Services	136.38	136.38
-307	12/7/12	SE Calif. Conference of 7th-Day Advent	SECC Youth Ministries	Juniors / Early-Teens / Youth (Activity	436.00	436.00
-308	12/12/12	Victor Valley Seventh-day Adventist Sch	Tuition assistance	Tuition Assistance (K-12)	400.00	400.00
-309	12/12/12	Victorville Seventh-day Adventist Churc	Church Subsidy	Church School Operations / School Subs	645.00	645.00
-311	12/12/12	Southwest GAS Corporation	Natural Gas Utility (Monthly Bill)	Natural Gas (Southwest GAS Corporatio	30.46	30.46
-312	12/12/12	Pacific Union Conference, (Revolving F	Monthly Mortgage Payment	Mortgage Payment (Pacific Union Revol	340.00	340.00
-317	12/12/12	Mesquit's Vacuums & Janitorial Supplies	Janitorial / Cleaning Supplies	Janitorial / Cleaning Supplies	141.62	141.62
-313	12/19/12	Hesperia Water District	Water use	Water & Sewage Treatment (Hesperia W	10.00	10.00
-314	12/19/12	Hesperia Water District	Water use	Water & Sewage Treatment (Hesperia W	268.01	268.01
-315	12/19/12	SuperMedia, LLC, (Yellow Pages)	Advertising: "Yellow Pages" (November	Advertising: Yellow Pages (SuperMedia)	22.80	22.80
-316	12/19/12	Verizon Communications Company	Telephone & Internet Service	Telephone & Internet Service (Verizon)	241.83	241.83
-318	12/21/12	High Desert Office Furniture	Desk Chair for Pastor's Office	Equipment Purchase & Repair	106.67	106.67
-319	12/26/12	Adventist Book Center (ABC)	Sabbath School Books / Resources	Adventist Book Center (ABC)	45.43	45.43
-320	12/31/12	SE California Conference of Seventh-da	Conference Remittance for December 20	Tithe	10,520.40	
				Sabbath School Missions (12 Sabbaths)	164.60	
				Sabbath School (13th Sabbath)	429.04	
				World Budget	199.00	
				ADRA (Disaster / Famine)	583.74	
				Adventist World Radio (AWR)	406.69	
				Conference Church / School Building Fu	10.00	
				Adventist Community Services (ACS)	22.00	
				Conference Budget	130.00	12,465.47
Total Checks						16,319.66

QuickBooks Check Detail

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Central SDA Church Check Detail January through March 2014

Type	Num	Date	Name	Item	Account	Paid Amount
Check		02/03/2014	Frontier Communi...		Provident Bank 3 ~...	
					Telephone Expense	-106.92
TOTAL						-106.92
Check		02/03/2014	Southern CA Edis...		Provident Bank 3 ~...	
					Utilities - Electric	-341.12
TOTAL						-341.12
Check		02/03/2014	Southern CA Gas ...		Provident Bank 3 ~...	
					Utilities - Gas	-131.97
TOTAL						-131.97
Check	Debit	01/24/2014	Provident Bank		Provident Bank 3 ~...	
					Bank Service Charg...	-255.00
TOTAL						-255.00
Check	E-chk	01/03/2014	Hariand Clarke		Provident Bank 3 ~...	
					Office Supplies	-218.82
TOTAL						-218.82
Check	E-chk	01/03/2014	Frontier Communi...		Provident Bank 3 ~...	
					Telephone Expense	-106.76
TOTAL						-106.76
Check	E-chk	01/03/2014	Southern CA Edis...		Provident Bank 3 ~...	
					Utilities - Electric	-308.25
TOTAL						-308.25
Check	E-chk	01/03/2014	Southern CA Gas ...		Provident Bank 3 ~...	
					Utilities - Gas	-88.92
TOTAL						-88.92
Check	5239	01/14/2014	Inland Builders Su...		Provident Bank 3 ~...	
					Office Supplies	-9.16
TOTAL						-9.16
Check	5240	01/14/2014	Inland Builders Su...		Provident Bank 3 ~...	
					Office Supplies	-20.50
TOTAL						-20.50
Check	5241	01/16/2014	Inland Builders Su...		Provident Bank 3 ~...	
					Repairs and Mainte...	-6.01
					Office Supplies	-23.97
TOTAL						-29.98

Form D-2

Note: Attach invoice, disbursement voucher, or other evidence of authorization for payment to the upper portion of this form and fill in information called for on the blank lines below.

If no invoice is available (which will be the case for such items as rent and loan payments) fill in the requested information below and place this form in the disbursement voucher file in regular numerical order according to check number.

DO NOT ATTACH THE CANCELED CHECK TO THIS SHEET.

DATE _____ AMOUNT \$ _____

PAID TO _____

FOR _____

CHARGE TO _____

CHECK NO. _____

CHECK REQUEST

Date: _____

Requested by: _____

Pay to: _____

Amount: \$_____

Purpose: _____

Charge to: _____

Approved: _____

Disbursement Voucher File

- ▣ File paid invoices/cash register receipts in numerical order in a folder or binder.



CLOSE MONTH

- ▣ Make sure all income and expenses for month entered
- ▣ Last check is usually the conference remittance check

AFTER MONTH CLOSING

- ▣ BANK RECONCILIATIONS

- ▣ MONTHLY REPORTS

FINANCIAL STATEMENTS

- ▣ Monthly
- ▣ At minimum should have beginning balances, income, expense and ending balances
- ▣ List of checks written
- ▣ Balances of bank and investment accounts that agree to the fund balances

REQUIREMENTS FOR AFFILIATE GROUPS

- ▣ Same accounting and record-keeping requirements as church
- ▣ Audited at the same time as mother church

AUDIT NOTIFICATION PROCEDURE

- ▣ Every 2 years
- ▣ Written request
- ▣ Allow 21 days for records to be provided or audit scheduled



SEVENTH-DAY
ADVENTIST®
CHURCH

Southeastern California Conference

Seventh-day Adventist Church

Auditing

11330 Pierce Street
Riverside, California 92505-3303
Mail: P.O. Box 79990
Riverside, California 92513-1990
Office: (951) 509-2374
Fax: (951) 509-2377
Web: seccadventist.org

Dear Church Treasurer:

It is time once more to conduct the audit of your church books. There is a period of **2 years** for us to review. We will need the documents from **January 1, 2015**, through **December 31, 2016**. Here is a list of the records that are needed for the audit:

- ☐ **1. Affidavit: List of church's Bank and Investment Accounts.** The form is enclosed with this letter. Please be sure that both the pastor and treasurer sign the affidavit.
- ☐ **2. Cash Receipts and Disbursement Journals.** Please send the cash receipts and disbursement journals stating clearly the local church funds. If you are using a computer software, please include the Detail General Ledger of each account. For QuickBooks or Jewel users, please send a backup copy on a CD or flash drive.
- ☐ **3. Financial Statements including Balance Sheet** as presented to the church board.
- ☐ **4. All Bank Statements with canceled checks and reconciliation papers (including a copy of the January 2017 bank statement).**
- ☐ **5. Investments.** We will need all the records for your savings accounts and other investments.
- ☐ **6. Loan and Debts.** Please provide the records of any loans and debts that the church might have.
- ☐ **7. D-2 Forms.** These should be in numerical order by check number with invoices and receipts attached. If you are printing duplicate checks or have a check stub showing check number, date, amount, payee and account to be charged, you may attach the receipts and vouchers to it in place of the D-2 Form.
- ☐ **8. Check Register.** If the checkbook is loose-leaf, we need only the register for the audit. Keep the unwritten checks to pay current bills.
- ☐ **9. Church Board and Finance Committee Minutes.** We check the authorizations for the annual budget, for all out-of-the-ordinary expenditures, for opening and closing bank or investment accounts, and authorizing signatures and signature changes on accounts. If you do not have copies of the minutes, please obtain them from your church clerk.
- ☐ **10. SECC Monthly & Weekly Receipts Summary.** Please separate the weekly into one folder and the monthly into another folder, if possible, or place the monthly summary on top for each month.
- ☐ **11. 1096 Annual Summary and 1099 Miscellaneous Forms.** Please provide copies of these forms that were submitted to the Internal Revenue Service Center using your church's tax identification number.

Records needed

- ▣ Affidavit
- ▣ Cash receipts and Disbursements journals
- ▣ Detail General Ledger
- ▣ Financial statements including Balance Sheet
- ▣ All bank statements for all accounts
- ▣ Canceled checks
- ▣ Investments
- ▣ Loans and Debts
- ▣ Disbursement file (D-2's) – Paid invoices and vouchers
- ▣ Check register
- ▣ Board and Finance Committee minutes
- ▣ SECC Monthly & Weekly Receipts Summary
- ▣ 1096 Annual Summary and 1099 Misc. forms



AUDIT FINDINGS

- ▣ Bank reconciliations
- ▣ Board minutes
- ▣ Financial statements
- ▣ Receipts
- ▣ Disbursements
- ▣ Remittance to Conference
- ▣ School Subsidy
- ▣ Payroll & 1099
- ▣ Overspent department funds
- ▣ Inactive local church funds
- ▣ Investments out of policy



1099-Misc.

- ▣ Each church needs to have an EIN number.
- ▣ Apply online or use the form in manual.
- ▣ If you pay independent contractors for services, make sure they complete a W-9 form.
- ▣ For honorarium payments of \$600 or more, make sure payee completes a W-9 or honorarium payment information form.

1099-Misc.

- ▣ At end of each year, need to issue 1099-Misc. form for payments of \$600 or more.
- ▣ Issue to payee by January 31 of following year.
- ▣ Send 1096 summary to IRS by January 31.
- ▣ Keep copies of 1099 and 1096 for audit.

GIFTS/HONORARIUMS TO PASTORS AND OTHER CONFERENCE EMPLOYEES

- ▣ These gifts/honorariums are considered taxable income and must be processed through Conference payroll.

AUDIT PROCESS

- ▣ Draft to treasurer and opportunity to respond to findings.
- ▣ After treasurer's response is received or due date passed, then full distribution.

AUDIT PROCESS

- ▣ If no treasurer's response, unsatisfactory response or incomplete response, a church board response is requested to learn what actions the board has taken to rectify deficiencies.
- ▣ Conference Audit Committee reviews all audits on a quarterly basis.

Role of auditor

- ▣ Informed treasurers
- ▣ Assist treasurers in safeguarding credibility
- ▣ Answer questions and provide assistance before audit