

Parish Audits by Certified Public Accountants

Guidelines for Auditors

The Canons of the Episcopal Church **do not** accept either compilations, reviews, or limited scope audits based on agreed upon procedures as meeting requirement for an annual audit of parish financial statements. All audits should be conducted in accordance with generally accepted auditing standards.

Financial Statements

1. The financial statements should include a Statement of Financial Position (or Balance Sheet), a Statement of Activity (or Statement of Revenue and Expense), and a Statement of Changes in Fund Balances, and any explanatory notes.
2. All accounts of the parish should be included in the financial statements, including, but not limited to, the operating account, property account, temporarily restricted custodial accounts, endowment accounts (permanently restricted and board designated), any clergy discretionary accounts, and accounts of all parish organizations (altar guild, choir, youth, day care, ECW, etc.). Parish Foundations or separately incorporated day schools may be included in the consolidated financial or audited separately and submitted.

Disclosures

1. All financial statements should be prepared using generally accepted accounting principles. Any exceptions to GAAP must be disclosed.
2. Statements may be prepared on a cash or modified cash basis as an alternative to full accrual.
3. Property may be shown at cost or at net book value (cost less accumulated depreciation), which is preferred. If original cost records have not been maintained, property may be reported at appraised value of "other reasonable level" as adopted by the vestry. The recording of depreciation is preferred but not yet required by the national church.
4. Prepaid pledges may be reported as income for the pledge year rather than in the year received, according to if cash or accrual books.
5. Reporting of the value of donated services is optional since the church uses so many volunteers for so much of its work.

Management Letter

1. A management letter is a required part of the audit. Continuous improvement is a worthwhile goal for any organization. Your thoughtful input to preparing the management letter is appreciated.
2. List any areas for improvement in record keeping or procedures identified during the audit.
3. Include a review of changes proposed in prior management letters and indicate which have been implemented.

Timing

Since all information must be submitted to the Diocesan Office by September 1, your work must be submitted in adequate time to be reviewed and accepted by the vestry in time to comply with this date.