ADGL Independent Financial and Records Review/Audit Checklist (Q and A)

The Review should be completed by 2 or 3 people that are **not** signers on the accounts.
(Obviously not the treasurer or bookkeeper though their input is necessary)
Due one month after the congregation's annual meeting or May 15th whichever is earlier.

(Updated October 27, 2026)

Congregation Name: _____

FINANCIAL OVERVIEW

1. Are monthly financial statements prepared on a timely basis (Normally at each meeting of the Vestry/Mission Council) and submitted to them or the appropriate committee(s)?
   - Yes/No: _____ Comments: _____
2. Does the year-to-date profit and loss (Income and Expense) statement match the year-to-date profit and loss amount (or change in Net Worth from the previous year end) on the balance sheet as of the same date (If not the statements are out of balance and need to be addressed)? If you are confused on how to balance the statements, contact a member of the ADG Finance Committee or a CPA.
   - Yes/No: _____ Comments: _____
3. Do the financial statements include all funds (unrestricted, temporarily restricted, discretionary, benevolent, permanently restricted ext.)?
   - Yes/No: _____ Comments: _____
4. Are account balances in the financial records reconciled at least monthly to the amounts reported by the financial institution(s)?
   - Yes/No: _____ Comments: _____
5. The Articles of Incorporation should be verified that the congregation is a 501C3. If you did not file as 501C3 you may need a letter from the Diocese to avoid sales tax on purchases. Did you incorporate the congregation as a 501C3?
   - Yes/No: _____ Comments: _____
6. Verify the Employer Identification Number (EIN) is under the **exact same name** as stated in both the Insurance Policy and the Congregations Articles of Incorporation (If not file a Fictitious Name "DBA" with the State and notify your Insurance carrier of the same). Each Corporation MUST have it's own EIN number (NEVER use the Diocese's)
   - Yes/No: _____ Comments: _____

CASH RECEIPTS

General

7. Are written procedures established to care for offerings and/or monies received during the service, delivered, or mailed to the congregation outside a scheduled service?
    - Yes/No: _____ Comments: _____

Offering counting for Congregations

8. Are at least two **unrelated** members of the counting committee present when offerings are verified after the service (Some congregations rotate Vestry/Mission Council Members on a monthly basis)?
    - Yes/No: _____ Comments: _____
9. Do the money counters verify that the contents of the offering envelopes (if utilized) are identical to the amounts written on the outside of the envelopes?
    - Yes/No: _____ Comments: _____
10. Are money counters rotated regularly so the same individuals are not handling the funds each week or month?
    Yes/No: _____ Comments: _____
11. Are donor-restricted funds properly identified during the process of verifying the offerings?
    - Yes/No: _____ Comments: _____

Depositing of funds

12. Are two members of the counting team in custody of the offering until it is deposited in the bank, placed in a night depository, church safe, or locked area?
    - Yes/No: _____ Comments: _____
13. Are all funds promptly deposited? Compare the offering and other receipt records with the bank statement to see if there is a substantial (more than 72 hours) delay?
    - Yes/No: _____ Comments: _____

Restricted funds

14. Are donations for restricted purposes properly recorded in the accounting records?
    - Yes/No: _____ Comments: _____
15. Are restricted funds held for the intended purpose(s) and not spent on general operations?
    - Yes/No: _____ Comments: _____

DONATION RECORDS/RECEIPTING

16. Are individual donor records kept in order to provide year-end donor acknowledgments for all contributions?
    - Yes/No: _____ Comments: _____

17. Does the annual donor record statement include the following language (Or Very Similar) as required by the tax code? Statement: *"Goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits.* "Reminder: If goods or services (other than intangible religious benefits) were provided in exchange for a contribution, or the item given was not monetary then the giving record **cannot** contain a dollar amount per the tax code. (Example: If stock is given per the IRS you cannot give a dollar amount - Give a listing of the Company and the number shares received.)
    - Yes/No: _____ Comments: _____
18. Although not required by the IRS (Unless requested by the donor) has your congregation adopted a policy of issuing an annual contribution report to all donors who gave over $250?
    - Yes/No: _____ Comments: _____
19. Do the giving records plus unknown donor cash receipts equal the amount collected and deposited)? Deposits must match the donor records. Option 1: At a **minimum** the largest worship service deposit for each month should be verified that they match the individual donor records for that date. Option 2: Match all the giving records for the year, plus cash receipts, plus interest/other income to make sure they equal total giving for the year.
    - Yes/No: _____ Comments (Which Option Used): _____

DISBURSEMENTS

20. Are all disbursements paid by check, debit card or credit card except for minor expenditures paid through a petty cash fund (A petty cash fund is not recommended)?
    - Yes/No: _____ Comments: _____
21. Is written documentation available to support **all** disbursements (Invoices to support checks or debit transactions)? At a minimum the largest 4 payments other than payroll should be evaluated each month that they have the required supporting data (Reminder: There must be supporting documentation for **all** debit card or Credit card transactions).
    - Yes/No: _____ Comments: _____
22. Do the yearend W2's and 1099's match what was approved in the Budget by the Vestry/Mission Council (If there was a variance greater than the budget there should be a record of the approval in the Vestry/Mission Council minutes.)
    - Yes/No: _____ Comments: _____
23. If a petty cash fund is utilized (not recommended), if so are vouchers prepared for **every** disbursement from the fund?
    - Yes/No: _____ Comments: _____

24. Discretionary/Benevolent payments **every transaction** will need to be verified by the Audit or Finance Committee that funds were disbursed in accordance with IRS guidelines and appropriate 1099's were issued.(A Separate account is Not Recommended) (Non compliance in this area has caused churches to lose their non-profit status) Are you in compliance? *(The inappropriate use of Clergy discretionary funds (i.e. personal use) and/or the non-reporting of 1099 forms and/or giving records is the major reason that churches have lost their non-profit status). It is*

*highly recommended that these funds be a line item in the general fund. Anyone receiving $600.00 or more for the Calendar year will require 1099. (There is an exception, but it will require **detailed** supporting data to be on file per the IRS guidelines).* (See ADGL Discretionary / Fund Policy Template and Worksheets)

- Yes/No: _____ Comments: _____

25. Has everyone who has received $600.00 or more for the calendar year received a 1099 MISC or 1099 NEC form as required per IRS regulations? If an **employee** has received any amount outside of payroll it must be added to their W2 or be issued a separate 1099 MISC. (See ADGL Discretionary/Benevolence Fund Policy Template).
    - Yes/No: _____ Comments: _____

BANK STATEMENT RECONCILIATION

26. Are bank reconciliations prepared on a timely basis? *Test the reconciliation for at least the last month of the fiscal year. Trace transactions between the bank and the financial accounting books for completeness and timeliness.*
    - Yes/No: _____ Comments: _____
27. When reconciling financial accounts, are there any checks that have been outstanding over one month or Debit Card Transactions, EFT's, ACH's and deposits that have been outstanding over three days? *(If so, investigate. There is probably a problem that needs to be addressed).*
    - Yes/No: _____ Comments: _____

SAVINGS AND INVESTMENT ACCOUNTS

28. Are all savings and investment accounts recorded in the financial records? Compare monthly statements to the Congregations Financial Balance Sheet.
    - Yes/No: _____ Comments: _____
29. Are earnings and/or losses from savings and investment accounts recorded timely in the financial records (Other Income)?
    - Yes/No: _____ Comments: _____

LAND, BUILDINGS, AND EQUIPMENT RECORDS

30. Are there amounts substantiated with detailed records of land, buildings, and equipment included on the balance sheet (If required to be capitalized)? Do the supporting documents indicate date acquired, description, and cost at acquisition or fair market value if lower than the actual cost?
    - Yes/No: _____ Comments: _____

31. Was an equipment physical inventory taken at year-end (Required by most Insurance Companies as a best practice)?
    - Yes/No: _____ Comments: _____

32. Have the property and equipment records been reconciled to the organization's level of insurance coverage?
    - o Yes/No: _____ Comments: _____

ACCOUNTS PAYABLE / ACCOUNTS RECEIVABLE

33. Is there a schedule of unpaid invoices including vendor name, invoice date, and due date *(Withholding taxes are normally an item that is paid monthly or quarterly and therefore it would be considered an Accounts Payable).*
    - o Yes/No: _____ Comments: _____

34. Are any of the account payable items significantly past-due *(All accounts payable must be on the Balance Sheet)?*
    - o Yes/No: _____ Comments: _____

35. Are there any disputes with vendors over amounts owed?
    - o Yes/No: _____ Comments: _____

36. If you utilize cash advances (Not Recommended) You will be required to set up an accounts receivable on the balance sheet until an invoice is received for that amount or greater. If utilized, is this being done correctly?
    - o Yes/No: _____ Comments: _____

INSURANCE POLICIES

37. Does the Church have Insurance Coverage of at least $1 million per incident covering Liability, Counseling and especially Misconduct (Separate Rider)?
    - o Yes/No: _____ Comments: _____
38. Is Workers' Compensation insurance being carried by the congregation? Normally cheaper if purchased from the state (Some states do not have coverage).
    - o Yes/No: _____ Comments: _____

AMORTIZATION OF DEBT

39. Is there a schedule of debt including mortgages and notes on the Balance Sheet (Reminder: Church Credit Cards are debt instruments)?
    - o Yes/No: _____ Comments: _____
40. Have the balances owed to all lenders been compared to the obligations recorded on the balance sheet?
    - o Yes/No: _____ Comments: _____

SECURITIES AND OTHER NEGOTIABLE DOCUMENTS

41. Does the Church own any marketable securities or bonds? If so, are they kept in a safety deposit box, electronic storage, brokerage Account or other secure fireproof location?
    - Yes/No: _____ Comments: _____
42. Have the contents of the safety deposit box or safe been examined and recorded? This should be done at a minimum annually.
    - Yes/No: _____ Comments: _____

PERSONNEL MATTERS

43. Are applications for employment on file (if utilized)?
    - Yes/No: _____ Comments: _____
44. Are W-4 forms for each employee on file? (Required by IRS)
    - Yes/No: _____ Comments: _____
45. Are Personnel files in a fireproof location, backed up on the computer or web?
    - Yes/No: _____ Comments: _____
46. Is an Employee Handbook or Personnel Policy utilized? (ADGL template is available)
    - Yes/No: _____ Comments: _____
47. Is an I-9 form for each employee on file as required by law for all full and part time employees (clergy and laity)?
    - Yes/No: _____ Comments: _____
48. Was a resolution passed by the Vestry/Mission Council on file indicating the level of Clergy Housing Allowance with corresponding backup data which is required before 12/31 of the previous year end? (Required annually per tax code) – *Per Ministry Works (AKA Brotherhood Works) you cannot have 100% of your income designated for Housing at least $1 per year must be salary. (4-page Housing Allowance Template available).*
    - Yes/No: _____ Comments: _____
49. Is the W-2 Housing Allowance in Box 14 of the W2 (Required to be on a W2 in Box 14)? If it is not in box 14, engage a new payroll provider. *(Reminder: You cannot pay Social Security for Clergy. They are considered a sole proprietor under the tax code) The Diocese recommends the following provider: Brotherhood Works: https://www.brotherhoodmutual.com/works*
    - Yes/No: _____ Comments: _____
50. Concerning Health Benefits, (Each congregation **must** have a written 125 Plan in order for the funding to be pre tax - even if paid directly by the congregation). Another option: If you are reimbursing the insurance premiums and/or health related costs for an employee (clergy or lay) **outside** of a group 125 plan or local church approved 125 plan, you must have one of the following plans (QSEHRA, ICHRA or HSA) in place in order to be potentially pre-tax. If none of these plans are utilized the payments must be added to the salary- see your accountant **Are you in Compliance with Federal and State Statutes?** .*(The diocese utilizes Isolved Benefit Services for their ICHRA– Contact is Sherry Kirksy (704) 440-4971 Ext. 2272). Brotherhood Works also offers Benefit Services including Group Health 125 Plan, Dental, Vision, Life, Long Term Care, Short*

Term Care, ICHRA and QSEHRA. Our contact is Jestin Davis 419.980.8569 or jdavis@lightwell.com.

Yes/No: _____ Comments: _____

51. Are you paying HSA plan payments in accordance with the tax code? *(Required on the W2) to be nontaxable the employee must be enrolled in a high deductible health plan (HDHP), not be enrolled in Medicare/ Medicaid, and the outlay of funds does not exceed the maximum under the code. (See your accountant and/or tax advisor for specifics).*
    - Yes/No: _____ Comments: _____
52. If the congregation or employee pays into a Pension plan it must be a traditional plan to be potentially pretax. If it is a Roth IRA obviously the amount must be added to the salary. Are you in compliance with theIRS?
    - Yes/No: _____ Comments _____
53. Journal Entries (**Not Recommended**) by the Treasurer or Bookkeeper circumvents the normal controls of GAAP accounting and can hide various types of income and expenses. If a Journal entry is utilized it should be approved by the Finance Committee or Vestry/Mission Council and be placed in the Minutes of said committee. Are you in compliance?
    - Yes/No: _____ Comments _____
54. Do you have a Written Expense Reimbursement Policy approved by the Vestry/Mission Council? **Required** per the tax code. (ADGL template is available)
    - Yes /No: _____ Yr. Approved _____ Comments: _____
55. Do you have a Written Discretionary/Benevolent Fund Policy- with worksheets? It is required to protect the congregation's non-profit status. (ADGL template is available). Are you in compliance with the requirements?
    - Yes/No: _____ Yr. Approved _____Comments: _____
56. Do you have a Written Abuse Prevention Misconduct Policy with an Application (Application is required by law to perform background checks) (ADGL template is available). Are you in compliance?
    - Yes/No: _____ Yr. Approved _____ Comments: _____
57. Do you have a Written Code of Conduct Policy? Are you in compliance?
    a. Yes/No;_____ Yr. Approved_____ Comments:_____
58. Do you have Written By-laws that are in compliance with the ADG Canons? Make sure there is *Indemnification language in the By Laws to protect both the staff and Vestry/Mission Council. Warning: Obviously the indemnification language should not be greater than your insurance coverage – Have your insurance carrier review the proposed Indemnification language. (ADGL template is available that meets the requirements of the new ACNA and ADGL Canons).* Are you in compliance?
    - Yes/No: _____ Yr. Approved _____ Comments: _____
59. Do you have a Conflicts of Interest Policy? It is often required by the state (Definitely required by the State of Ohio in order to maintain non-profit status) for all non-profit corporations, (ADGL template is available). Are you in compliance?
    - Yes/No: _____ Yr. Approved _____ Comments: _____
60. Do you have an Anti-Harassment Policy? It is required or highly recommended by all insurance companies and may be required by your state (ADGL template Available) Are you in compliance?

- Yes/No: _____ Yr. Approved _____ Comments: _____

61. Have all Clergy and Staff completed the Brotherhood Anti Harassment training in as mandated by the ADGL Bishop Ordinary?
    - Yes/No: _____ Yr. Approved _____ Comments: _____
62. Do all clergy and staff have an annual review on file less than 12 months old? (Required by some insurance carriers - ADGL template is available)
    - Yes/No _____ Comments:_____
63. Have all Clergy completed the Keeping your Sacred Trust or Guarding Your Heart training and Anti-Harassment training. (Check with Clergy and/or Diocese to review the completion certificates)?
    - Yes/No: _____ Comments: _____
64. Do all Clergy have a current (less than five years) Oxford Document Background Check as required by the Diocese (Contact the Diocesan office for Clergy status)?
    - Yes/No: _____ Comments: _____
65. Have all Clergy, Staff (Full and Part Time), Vestry/Mission Council Members as well as all Volunteers that work with children: (1) Completed the Youth Worker and Misconduct Coverage Application. (2) Had the appropriate level background check as required by the Diocese and/or your insurance carrier (The most lenient level is usually no more than every five years). (3) Completed Ministry Safe training within the last two years. Some states require fingerprinting in order to supervise or counsel children (Verify your state requirements). *(Vestry/Mission Council members are considered the Board of Directors of the non-profit corporation and are normally required by some if not most insurance carriers as a best practice to have a background check – To protect yourself Receive an annual written confirmation if waived or not required by your Insurance Company).*
    - Yes/No: _____ Comments: _____

FEDERAL STATE REPORTING OBLIGATIONS

66. Does the organization file on a timely basis the following forms(if applicable)? Federal payroll tax forms (Form 941, Form W-2, Form W-3, Form 1096, Form 1099 MISC, and Form 1099 NEC. In addition, IRS Form 990 or 990 EZ may be required depending on the types of income received by the local congregation, (If you receive rental payments from a person or organization using your facility you will most likely need to file Form 990 or 990 EZ- check with your accountant). Are you in compliance?
    - Yes/No: _____ Comments: _____
67. Are your filings with the State Current (Do you need to file a Certificate of Continued Existence Renewals - Ohio is every 5 years (Similar documents in Indiana, Michigan and Kentucky do not need to be renewed at this time).
    - Yes/No: Comments _____
68. Have you completed the appropriate "New Hire Forms" for your State?
    Ohio (www.oh-newhire.com),
    Michigan (https://www.michigan.gov/mdhhs/inside-mdhhs/mdhhscareers/new-hire-forms)
    Indiana (https://www.in-newhire.com/),
    Kentucky (https://ky-newhire.com/downloads/KY_New_Hire_Form.pdf) and
    New York (https://www.tax.ny.gov/bus/wt/newhire.htm) Are you in compliance?
    - Yes/No: Comments _____

69. Cell Phone reimbursement: (If the cell phone ownership and plan is under the corporation (church) then it is probably not a taxable event in that any personal use is considered as a de minimis fringe benefit) If the congregation is reimbursing personal cell phone expenses of a phone and/or plan **not** in the name of the congregation: It is assumed by the IRS that some level of the usage on that cellphone is for personal use. If they are being reimbursed the individual per the tax code must keep a log on usage business versus personal. The congregation should receive from the person being reimbursed the percentage of the plan and/or cell phone expense that is for business use and that amount should be paid by the non-profit corporation (Congregation) to the individual (monthly, quarterly or annually). If the individual receives more than the actual business usage that difference will become taxable when they complete their IRS return. Some persons who do not want to keep a log have opted to have the reimbursement amount added to their annual earnings and pay a small amount of taxes (if any) on that amount. Are you in compliance with the IRS?
    - Yes/No: _____ Comments: _____

70. Laptop Computers (Desktop computers that remain in the church office are exempt from these requirements per tax code): If a laptop is purchased and given to a person and the warranty and ownership was registered in their name (not the congregation) it is a taxable event (See your tax accountant). If a laptop is purchased and the warranty is registered in the name of the Congregation (ownership remains with the congregation), a portion of the value of that laptop is normally considered for personal use by the IRS and is taxable. The recipient is required by the IRS to log usage both personal and business and the W2 (Or separate 1099 MISC) will be increased proportionately. This is similar to the cell phone reimbursement issue above. Some people, in order to not have to keep a log have opted to have the laptop registered in their name and the cost of the laptop added to their W2 income. Are you in compliance with the IRS?
    - Yes/No: _____ Comments: _____

Financial and Records Review Team (At minimum of two (2) Individuals)

Name _____ *Date*_____

Name _____ *Date*_____

Name _____ *Date*_____

Send scanned document to jeffsmead@adgl.us or if unable to scan mail to Jeff Smead 11725 Regent Park Drive, Chardon, Ohio 44024 This is a living document that is modified with changes in the tax codes, state statutes, insurance carriers and requirements by the ACNA and ADGL. If there are any questions, corrections or recommendations please contact The Ven, Canon Jeff Smead jeffsmead@adgl.us or 724.422.4230 (Cell).