

University Mennonite Church Financial Audit Report For the Fiscal Year Ending August 31, 2024

Auditor: Terrence Yoder, Assistant Treasurer

Audit Date: November 5, 2024

1. Executive Summary

Terrence Yoder, serving as Assistant Treasurer of University Mennonite Church (UMC) has completed a financial audit for the fiscal year ending August 31, 2024. The audit was conducted using a random sampling approach to assess the accuracy of the financial records, compliance with internal policies, and the effectiveness of internal controls. This sampling method provides a representative view of the church's financial practices while optimizing the efficiency of the audit process.

Overall, the church's financial records appear to be accurate, with some areas that could be improved such as documentation of internal controls and policies in order to determine compliance with those controls and policies.

2. Scope and Methodology

The audit covered the period from September 1, 2023 to August 31, 2024. A random sampling method was used to review:

- Bank statements and reconciliations
- Contributions and cash receipts
- Cash disbursements and expenses
- Payroll records
- Restricted and designated funds
- Financial statements (income statement, balance sheet)

Using random sampling allows one the ability to conduct a thorough review without examining every individual transaction. The sampling was designed to provide a statistically significant representation of the church's financial activities.

3. Key Findings Based on Sampled Transactions

A. Bank Reconciliations

- The following samples of monthly bank reconciliations were reviewed:
 - *PNC Cash Rewards Visa Signature Business Credit Card*
 - Closing date 4/10/2024, Jim Rosenberger 2672

- Could not match transactions on paper statement to Categorized Bank Transactions for the various UMC Credit Cards
 - Closing date 8/11/2024, Kate Heinzl
 - Was able to match transactions on paper statement to Categorized Bank Transactions.
 - Summary: The PNC Bank Accounts, including the Credit Card accounts were linked in QuickBooks in June. After the linking of PNC Accounts in QuickBooks, all transactions for Credit Cards can be found under Categorized Transactions. This makes it easier to find individual Credit Card transactions.
- *PNC Non-Profit Checking*
 - Period 4/5/2024 – 5/6/2024
 - Searched under QuickBooks Bank Transactions. Could not find Check 11940 when looking for “Categorized” transactions, but found some others. I looked under the “Excluded” filter and found **Check 11940 and others. It was excluded because there was a duplicate entry.**
 - Searched for Check 11940 in the QuickBooks Bank Register and found it
 - Found all Checks from the Bank Statement in the QuickBooks Bank Register.
 - Period 7/6/2024 – 8/6/2024
 - Searched under QB Bank Transactions/Categorized. Found all of the transactions listed on the printed bank statement.
 - Summary: It looks like we linked our Bank Accounts in QuickBooks in June. This would explain why QuickBooks Bank Transactions could not be found for the April statement.
- Reviewed Reconciliation of PNC Checking account, Period ending 9/6/2024
 - Saved report as PDF (September2024Reconciliation.pdf)

B. Contributions and Cash Receipts

- A sample of contributions was reviewed to ensure proper recording and handling.
 - July 8, 2024 Deposit
 - Paypal transfer: \$1,496.42

- Bank Deposit of Cash and Checks: \$12,294.00
 - Checks and Cash received from individual donors were all recorded in the correct Account – **Contributions: Unrestricted Contributions**
 - Cash and check donations in the sample were deposited promptly after receipt.
 - Matched Bank Deposit on July 8 in QuickBooks to Paper Bank statement. Found the Deposit for \$12,294.00 and the ACH Transfer from PayPal on July 8 of \$1,496.42
- Recommendations: Document a policy for dual verification cash donations to further improve accuracy in handling contributions.

C. Cash Disbursements and Expenses

- Insurance Payment Sample:
 - Payee: Goodville Mutual Casualty Company
 - Bank Account: PNC Checking account
 - Date: 5/3/2024
 - Category: **Building and grounds: Insurance**
 - Description: ACH WEB #XXXXX5283 GOODVILLE VENDOR PMT
 - Amount: \$2,695.00
 - Found in Fiscal Year P & L under the correct Category
- Robert Pennabaker Plumbing Paper Invoice with attached check stub
 - Payee: Robert Pennabaker Plumbing
 - Bank Account: PNC Checking Account, Check #: 11931
 - Date: 2/24/2024
 - Category: **Building and grounds: Meetinghouse Projects & Repairs**
 - Description: Robert Pennabaker Plumbing, Backflow Preventer Inspection
 - Amount: \$80.00
 - Could not find this transaction under QB Expenditures. Found it in the Checking account register. Maybe because this transaction was before bank accounts were linked to QB.
 - Found in Fiscal Year P & L with correct Category

- Eastern Mennonite University Check Stub #11992
 - Payee: Eastern Mennonite University
 - Bank Account: PNC Checking account
 - Date: 8/29/2024
 - Category: **Home Ministry: Menno Tuition Expense**
 - Description: Tuition Assistance for Bethany Spicher-Schonberg Fall 2024
 - Amount: \$500
 - Found under QB Expenditures/Expenses/All transactions
 - QB indicates this transaction was manually matched on 10/4/2024
 - Found in Fiscal Year P & L in the correct Category

D. Payroll and Personnel Records

- Kate 7/29/2024
 - Payee: Kate Heinzl
 - Bank Account: PNC Checking account, Check No. 11977
 - Amount: \$5875.28
 - Category details:
 - Salary Expenses:Housing \$2500
 - Salary Expenses:Salary \$3,646
 - Payroll taxes:Payroll taxes PA -\$188.68 (3.07% of salary + housing, **checked**)
 - Payroll taxes Local SCE -\$82.04 (2.25% of salary, **checked**)
- Ben Wideman 5/29/2024
 - Payee: Ben Wideman
 - Bank Account: PNC Checking account, Check No. 11963
 - Amount: \$1429.52
 - Category details:
 - Salary Expenses:Housing \$625

- Salary Expenses:Salary \$870
 - Payroll taxes:Payroll taxes PA -\$45.90 (3.07% of salary + housing, **checked**)
 - Payroll taxes Local SCE -\$19.58 (2.25% of salary, **checked**)

- Kate Reimbursement Sample:
 - Payee: Meijer
 - Bank Account: UMC PNC CC: Kate Heinzl
 - Date: 5/1/2024
 - Category: Payroll Expenses*OE: Ministry expenses – reimbur.
 - Description: MEIJER # 271 FUEL SOUTH HAVEN MI
 - Amount: \$26.63
 - Receipt Found
 - Found in Fiscal Year P & L with correct Category

- The sampled payroll records were accurate, and all taxes were withheld and reported correctly.

E. Restricted and Designated Funds

- Transactions from a sample of restricted and designated funds were reviewed to confirm compliance with donor intentions.
 - Category: Restricted Contributions Expend
 - Payment Date: 9/24/2023
 - Check No: 11869
 - Description: Everence Matched Grant for Out of the Cold
 - Amount: \$750
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 - Category: Restricted Contributions Expend
 - Payment Date: 12/13/2023
 - Check No: 11909
 - Description: (32) \$50 Gift Cards for Park Forest Preschool families
 - Amount: \$1600

- Sampled funds were used only for their designated purposes.
- Recommendations: Maintain regular reports on restricted fund usage for greater transparency. (Assumption: we can find reports on restricted fund usage in Congregational Meeting Minutes and Treasurer's Report)

F. Internal Controls

- Recommendations: Create policies for internal controls such as separation of duties or dual verification in cash handling and record-keeping processes. Does UMC have documented fiscal policies?

4. Financial Statement Review

The church's financial statements (balance sheet and income statement) were reviewed based on the sample data, which confirmed their accuracy in representing the financial position of the church. These statements comply with Generally Accepted Accounting Principles (GAAP) for nonprofit organizations.

- Balance Sheet
 - Brokerage Account AS OF Aug 31, 2024
 - Paper Balance Sheet: \$94,576.16
 - Quick Books: \$97,218.90
 - PNC Checking Account AS OF Aug 31, 2024
 - Checking Account Register in QB: \$26,156.85
 - Matches amount reported on Balance Sheet
- Check that a sample of income and expense categories are accurately reported.
 - Rent received: \$7410 (checked)
 - Electricity: \$2563.60 (checked)
- Compare actual income and expenses in the sample to the church's approved budget to identify any significant variances.
 - Actual vs Budget
 - Renovations:
 - Actual: \$16,566.87
 - Budget: \$2000.00
 - 8/29/2024 Heat Pump Installation; \$14,475.00

- Is the difference between actual and budget for renovations documented in the September Congregational minutes?

5. Summary of Recommendations

- **Continue usage of Linked Accounts:** Linked Bank Accounts (checking account and credit cards) in QuickBooks allows for easy searching and finding of individual bank transactions.
- **Internal Controls and Documentation:** Review existing policies or create new ones to include internal controls for things like dual verification for cash donations to ensure accuracy and reduce risk.

6. Conclusion

Based on the findings from the sampled transactions, University Mennonite Church's financial records are in good order. The recommendations provided, if implemented, will further strengthen the church's financial accountability and transparency.

7. Audit Limitations

This audit was based on random sampling; therefore, the findings reflect only the transactions reviewed and may not capture every detail of financial activities. However, the sampling method used provides a representative view of the church's overall financial practices.

8. Signatures

Terrence W. Yoder, Assistant Treasurer

[Signature]

Date of Report: November 5, 2024