

## Trustees Report, February 28, 2024

The trustees propose the bylaws be amended to bring them into alignment with current financial practice. In Article V, Section 5.2 (h), (5), the responsibilities of the Finance Committee should be revised as shown below:

### **Current language:**

*Recommending certified public accountants to conduct an annual audit of the books and records of the church; reviewing the audit report; and advising the deacons and church concerning the acceptability of the report and any recommendations of the auditors.*

### **Proposed language:**

*Recommending certified public accountants to conduct an annual attestation of the books and records of the church, the extent of which will be determined by the Finance Committee reviewing the results of the attestation; and advising the deacons and church concerning the acceptability of the results and any recommendations of the accountants.*

### **Rationale for the amendment**

The expense of conducting an annual audit has become very costly and the benefit of doing so may oftentimes be limited in value. The most recent audit was for 2018. For a variety of reasons, it wasn't completed until 2023, at a total cost exceeding \$40,000. An annual audit is not a legal requirement for a church. In many circumstances, there are more efficient and less costly methods of reviewing the books and records of the church annually.

The proposed amendment provides greater flexibility to the Finance Committee in fulfilling its responsibility to determine what may be prudent in reviewing the books and records of the church annually.

### **What is the difference between an audit and a review?**

An audit is the highest level of assurance that can be provided for a set of financial statements. The work performed by the auditor is much more rigorous than a review. In an audit, the church staff provide financial balances and transactions to the auditor which are believed to be correct, but nothing is taken at face value. Everything is tested in some manner by examining evidentiary documentation often involving third parties - confirmation of bank balances with the bank, invoices from suppliers, and confirmations or other documentation from donors. At the end of an audit, the auditor's report will say the auditor is reasonably assured that the financial statements are free of material errors.

In a review, the level of work performed by the auditor is much less rigorous. The church staff provide the financial balances and transactions, and the auditor performs inquiries (of the staff) and analytics to make sure the numbers seem reasonable. This generally involves comparing balances to prior periods, making sure trends in revenues and expenses can be explained, or examining internal documents to substantiate the numbers. The auditor's report for a review will say that based on these limited procedures, the auditor is not aware of any material changes that need to be made to the financial statements.

Additionally, in an audit, the auditor is required to understand the church's accounting processes and controls over those processes. The auditor would be required to report material weaknesses they find in internal control as part of an audit. These would be situations where the auditor believes the internal accounting processes are not going to prevent or find material errors. A review does not have any requirements for the auditor to evaluate internal accounting processes or controls. The auditor may informally let management know about issues they come across but are not required to look for or report on any possible issues related to accounting processes.