March 6, 2023

TO: UUSD Finance Committee

FROM: Donna Dolce and Gwen Johnson

FY 2021-2022 Financial Review Team

SUBJECT: Report on FY 2022 Financial Review process

**Scope of Work**

A review of the UUSD’s annual financial accounting practices is an organizational best practice and the team conducted such a review on February 23, 2023. The team members were Donna Dolce and Gwen Johnson and they were assisted by Board Finance Officers, Richard Wheeler, Kent Sprunger, UUSD Accountant and Bookkeeper, Leah Thompson and Past UUSD Finance Officer, Patricia Murdock.

The review was done via zoom where a variety of financial documents were easily displayed and made readily available, including requests for additional documents that may not have been a part of the original list. This allowed us to delve further into the financial practices and answer follow up questions,

Prior to the review, a scope of work was created identifying requested random documents to be reviewed with specific target months or dates to facilitate the analysis. Unfortunately, the documents were not made totally available prior to the meeting to allow the team to gather some knowledge or draft potential questions.

As identified in the established procedures, the basis of this report is to understand the following.

1. Purpose of the financial review
2. Identification of methodology to be utilized for analysis of the data.
3. Collection procedure and details sought from the data provided and information identified during the review process.
4. Identification of both successful practices utilized and potential areas of improvement.
5. **Reason for the Review.** Article 5.1.1.3 of the UUSD Board of Trustees Policy Manual dated October, 2013 prescribes the need for and the process outline for an internal review of the UUSD Financial practices and procedures.
6. **Sampling Technique.** The review team requested of the Finance Officers the following documentation
   1. Balance Sheets and Bank statements for two specific months during the past fiscal year
   2. All documentation related to deposits and disbursements for two specific Sunday dates.
   3. A review for a six-month record of all income, expense payments and account activity reports for three specific committees or account centers. The three targeted committees were Communication, Music and Worship.
   4. Comparison between the budget and actual income and expenses for the FY 2021-2022 fiscal year.
7. **Analysis of provided information, results and recommendations.**

***A review of the Balance Sheets and Bank Statement for December 2021 and June 2022 served as our focal point for this step in the process.***

* 1. **Process**

Between the two dates, UUSD had consolidated several of their banking accounts, including the maturity of one CD between the two dates and the closure of other accounts.

The following accounts were reviewed in December 2021

* PNC and Tidemark Checking Accounts
* Tidemark Savings
* Four (4) Tidemark Money Market Accounts
* Two (2) Community Bank CDs

The following accounts were reviewed for June 2022

* PNC Checking
* M&T Checking
* Tidemark Checking
* Tidemark Savings
* Tidemark Money Market
* Community Bank CD
  1. **Observations**

The December 2021 account demonstrated a deviation of $1,200 between the balance sheet and bank statement. Leah researched the possible rational for the discrepancy and reported that a deposit made in December was then reversed in January. The check was not to be deposited in the PNC account as credited and the bank took the monthly cycle to find the error. The error was noted in a subsequent email. There was also a $5.00 deviation between how the bank reports available funds vs. actual funds within the account.

Furthermore, one account reflected a negative balance as the balance sheet indicated the posting of checks which had not yet cleared the bank resulting in what appears as an overdraft since deposits are and can be recorded faster than the processing of checks/payments.

* 1. **Results**

The Balance Sheet and the Bank Statements for the identified time periods, for the most part and all purposes, matched and indicated accurate reporting.

***Trace deposits and other income vs disbursements***

1. **Process**

A comparison of all tally sheets, deposit tickets, receipts, checks and account activity was analyzed for September 26, 2021, and June 19, 2022 including a disbursement from the “Share the Plate” collection for the same time period.

1. **Observations**

The initial date to perform this part of the review was changed from an earlier date when it was realized that the tally sheet for that week was not available. This in of itself provides for additional recommendations as will be noted below.

The team reviewed all of the available documents related to tracing deposits, including cash, checks received either at the Sunday service or by mail. Copies of all checks are then sent to the bookkeeper in order to credit the appropriate accounts as to a pledge payment, share the plate or other miscellaneous donations or contributions.

1. **Results**

All funds were properly recorded and accounted for through each step of the transaction.

***Expense payment review***

1. **Process**

Review of the request for payment or disbursement process analyzing the related documentation for three committees/accounts. The accounts analyzed were:

* Communications Committee from June – December 2021
* Music Committee from December 2021 – March 2022
* Worship Committee from March – June 2022

1. **Observations**

Each account was reviewed for the various disbursements requested and submitted. Some requests contained a cover sheet that requested detailed information and a place for a signature by the person submitting the invoice, others contained simply the invoice with all signatures applied for approval directly on the invoice.

In the case of a Worship Committee request, the disbursement was for an online order, without a formal form authorizing payment, but rather an attached email approving or verifying the expenditure. The payment was made by credit card, thus necessitating a request to review the credit card statement verifying the delivery and payment. The invoice for Soul Matters, showing the amount was ‘paid in full,’ was provided to the review team the day after our meeting.

There was one sizable reimbursement made to an individual who had personally expensed or charged the cost to their personal debit card as the vendor required immediate payment and did not accept credit cards and there was no one available to cut a manual check. All supporting documentation was provided so there wasn’t an issue.

1. **Results**

Although there were no discrepancies noted, recommendations will follow on ways to potentially improve this process for better clarity and to streamline the procedure for consistency.

***Budget Review***

1. **Process**

A comparison between the proposed FY 2021-2022 budget and actual expenditures focusing specifically on the above-mentioned Committees as well as the Property Committee.

1. **Observations**

The budget appeared to have more fluctuations than may have been expected as the congregation continued to transfer back to in person services. Increased property & music expenses, while other areas showed decreases to offset those areas with increased costs. The bottom line reflected a net gain of $57,483.

The following information was gleaned from the data

Projection Actual Difference Percentage

Income $313,021 $346,351 $33,330 10.6%

Expenses $313,021 $288,868 ($24,153) (7.7%)

Comment: Our mortgage and loan principal are added to the Income Statement presented to the Board because the principal amount is included in the loan line of the budget. The net expense, with principal, at YE FY2022 was $316,657, yielding a net gain of $29,694. The overall income/expense results were not reviewed or included in the scope of the original review procedures. Rather, the stated focus was on the Committee budgets and spending, which do not include loan principal.

(In response to the comment above, please refer to recommendation (g) in the Recommendations area below.)

* 1. **Results**

The budget reflected an accurate and true comparison of projected vs actual income and expenses. The increases in income, which usually reflects the potential need for increased expenses did not necessarily factor in and if we had only “made” our projected income, we would have easily realized a noticeable positive monetary position.

According to some accounting best practices, budget discrepancies should vary less than 8% and given that both accounts either exceeded or came close to those measures, without either an unplanned income windfall or unplanned expenditure to provide altered results, a closer analysis of the budgeting process should be considered to bring the projected and actuals into better alignment. Ideally, a variation of 3% or less is preferred or recommended by some auditors.

1. **Recommendations**
   1. Access to either all documents or at least those requested should be provided in advance of the meeting so that the team members can review them and come prepared with any questions. At least one person from a previous team should be part of the next year’s team to provide some experience and knowledge continuity that will also ease the process.
   2. As noted earlier, one of the requested dates for documents did not contain a copy of the requested material, thus a different date was requested. The original date should have been retained and the lack of documentation noted.
   3. Tally sheets for each week, although scanned and saved, perhaps would benefit from the creation of a yearly spreadsheet of all cash and checks received for each Sunday so that an analysis of ups and downs or share the plate recipients can be better tracked. It might also be beneficial to establish a “constant” donation amount regardless of what might actually be in the plate so that one organization might benefit more than another based on which month they receive donations, and each organization receives the same amount.
   4. The system for disbursements and the forms used should be consistent. The purchase of a “stamp” that provides the location for a name, signature, date, etc. placed on the invoice could also replace the form and provide assurances that the appropriate information is recorded.
   5. A five-year analysis of the budget for all income and expenses might help to identify any trends of committees that may either consistently over or under budget.
   6. Future reviews should also include a review of the Capital or Reserve accounts and there should be an annual budget line to designate a specified amount to be channeled to Reserves or Capital in anticipation of such expenses.
   7. With regard to the review of the Budget Review (b) and subsequent comments, if the budget does in fact contain allocations to the mortgage and/or capital reserve, the budget reviewed should include these projected and actual amounts to be included by the review team.

**Conclusion:**

The Financial Review Team finds that the financial health and management of their financial accounting practices to be more than satisfactory and fairly represents the status of UUSD. We are grateful to the Financial Officers and Bookkeeper for their support in this process and their dedication in maintaining and monitoring the finances of the organization professionally.

**Addendum:** Comments (red) are added by Kent Sprunger and Richard Wheeler, Co-Finance Officers. This is the first review which, due to the excellent, diligent, and exacting analysis by the reviewers, the Co-Finance officers felt it would add to the understanding of the review to provide these elucidating comments.

***Expense payment review***

1. **Observations**

Each account was reviewed for the various disbursements requested and submitted. Some requests contained a cover sheet that requested detailed information and a place for a signature by the person submitting the invoice, others contained simply the invoice with all signatures applied for approval directly on the invoice.

In the case of a Worship Committee request, the disbursement was for an online order, without a formal form authorizing payment (see Note below), but rather an attached email approving or verifying the expenditure. The payment was made by credit card, thus necessitating a request to review the credit card statement verifying the delivery and payment. The invoice for Soul Matters, showing the amount was ‘paid in full,’ was provided to the review team the day after our meeting.

Note: There are several factors associated with our current process: 1. If an item being purchased is specifically contained in the budget approved by the congregation, an authorization is not required to be submitted prior to purchasing the item or service. 2. There are many situations where a prior authorization would not be efficient, such as credit card purchases by the minister or supplies purchased by the Administrator. There are receipts for these purchases, but currently no prior authorization is required.

***Budget Review***

**d) Results**

The budget reflected an accurate and true comparison of projected vs actual income and expenses. The increases in income, which usually reflects the potential need for increased expenses did not necessarily factor in and if we had only “made” our projected income, we would have easily realized a noticeable positive monetary position.

According to some accounting best practices, budget discrepancies should vary less than 8% and given that both accounts either exceeded or came close to those measures, without either an unplanned income windfall or unplanned expenditure to provide altered results, a closer analysis of the budgeting process should be considered to bring the projected and actuals into better alignment. Ideally, a variation of 3% or less is preferred or recommended by some auditors. (There are several factors contributing to the budget discrepancies: 1) In terms of expenses, Personnel and the mortgage comprise 70% of the expenses in the FY23 budget, which fluctuate very little. Since the budget is created in April for the fiscal year beginning in July, there will be changes in committee expenditures relative to budget as the year progresses, such as cleaning fee increases, internet contract costs, committee purchases not made because of changes in tasking (examples: less RE training, no GA scholarship, Properties misc. service repairs not needed, etc.) These type of changes cannot be predicted almost a year in advance. 2) We have received large donations during the fiscal year that were not anticipated, or known, when the budget was prepared in April. In addition, in-person services were resumed fully and Other and Plate income increased accordingly. 3) factoring in the mortgage and loan principal, as noted above, changes the expense actuals vs budget variance to +1.2% (vs -7.7%).

**4. Recommendations**

1. (Agree with both)
2. (Agree)
3. Tally sheets for each week, although scanned and saved, perhaps would benefit from the creation of a yearly spreadsheet of all cash and checks received for each Sunday so that an analysis of ups and downs or share the plate recipients can be better tracked (Currently the bank deposit slip lists each check and cash, including a total being deposited. This data is retained and sent to the bookkeeper each week. In our opinion, a spreadsheet would necessitate dual entry of deposit detail). It might also be beneficial to establish a “constant” donation amount regardless of what might actually be in the plate so that one organization might benefit more than another based on which month they receive donations, and each organization receives the same amount (This issue may only be decided by the Board).
4. The system for disbursements and the forms used should be consistent. The purchase of a “stamp” that provides the location for a name, signature, date, etc. placed on the invoice could also replace the form and provide assurances that the appropriate information is recorded.
5. A five-year analysis of the budget for all income and expenses might help to identify any trends of committees that may either consistently over or under budget. (A recent five-year analysis of committee budgets, by detail categories, would not necessarily provide valid comparisons. Most importantly, the fluctuations in all income and expense budget and actual categories during, and after, the pandemic have been significant. Any growth in the congregation size may further impact most income and expense categories. Therefore, in our opinion, this data would be difficult to use for analysis and conclusions since there are so many variables affecting these budgets.
6. Future reviews should also include a review of the Capital or Reserve accounts and there should be an annual budget line to designate a specified amount to be channeled to Reserves or Capital in anticipation of such expenses. As stated in the review, the operational budget for FY23 does include $5,000 for the Capital Reserve Fund contribution. We agree that a clear, identifiable transfer of Operating funds to Capital funds for the reserve amount at year-end close is advisable.
7. With regard to the review of the Budget Review (b) and subsequent comments, if the budget does in fact contain allocations to the mortgage and/or capital reserve, the budget reviewed should include these projected and actual amounts to be included by the review team.