

7.0 Financial Review of the Books or Audit

Financial responsibility, transparency and accountability are fundamental requirements, both morally and legally. These standards are binding on the Diocese of Western Anglicans, which includes its Deaneries, congregations and church plants. The Deaneries, congregations and church plants are in environments with varying resources available to them and varying levels of organizational maturity. It is necessary, however, that once a missional community forms, regardless of its organizational development, must address the basics of financial management. This begins the moment anyone exchanges funds with anyone else associated with the work of common mission and ministry. Consequently, it is necessary that everyone plans in advance for this moment by gathering the necessary information so that they may be able to comply with the requirements of the Internal Revenue Service (IRS) or state tax authority for nonprofit religious organizations. If you do not know of these regulations, please contact your Dean and/or your Deanery Treasurer for assistance.

Your options may include:

1. Organize in your state as a Limited Liability Company and operate under the 501c3 corporation established by your Deanery. You can handle your own banking and operate your own accounts receivable and accounts payable. If you need assistance with bookkeeping, your Deanery may be able to offer this assistance, as well. The Deanery will file all of the year-end reporting requirements so that appropriate IRS forms may be filed on your behalf and will be responsible to seek professional assistance from a Certified Public Accountant (CPA) with nonprofit expertise. In this case, you will need to sign an agreement with your Deanery and they will be your overseeing group for your financial affairs. Such an agreement is established with a clause that allows either your church or the Deanery to terminate the agreement with just a few days notice.
2. Organize as a 501c3 nonprofit religious organization with the IRS and operate as required by the IRS.

You must understand that as soon as you begin to operate as a religious organization with the expectation that you will be able to offer your contributors a statement for their taxes on their contributions, the IRS believes, according to Bob Brown, an attorney expert in tax law, “that all of the money you collect is their money”, so they expect to regulate its use.

In all cases, all Deaneries and congregations are required annually to submit a review of the financial records of the previous year. In some cases, this review may include a full audit. This review of the books is due within 180 days of the following year (‘calendar year’ if you are on a calendar year fiscally or ‘fiscal year’ if you have a defined fiscal calendar). This report shall correspond to the requirements and standards as approved by our Executive Committee and included in the Treasurers’ Manual (published Oct 2018). The purpose of the review of the books is to ensure good order, and that all obligations concerning financial transparency and disclosure are being faithfully discharged. The review of the books may also act as an ‘early warning’ sign of pastoral or leadership difficulties that may

otherwise go unnoticed. The Treasurer and President of the Diocese read these documents and alert the bishop in the case of a potential or identified problem.

The congregation is responsible to identify a CPA with knowledge of non-profit religious corporations and arrange for a review of the books. In no case, shall it be acceptable for a church member with knowledge of the church's finances and/or personal relationships with its members, to conduct the review of the books. If the congregation does not have access to a person competent to conduct the review, the church Treasurer should contact the Deanery office for a referral. The congregation should budget for this annual review, but if resources are not available, a request for assistance may be made to the Dean for a referral to someone who will provide the service pro bono.

