
AcctTwo
Faith-Based Finance Collaborative

# AcctTwo is focused on delivering the future of finance and accounting to our customers.

Our dedicated team of over 100 people has helped more than 800 organizations optimize finance and accounting through software implementations, accounting outsourcing, and consulting.

AcctTwo has been recognized by Sage Intacct as its Partner of the Year from 2014 – 2019 and by our customers as a leader in overall satisfaction and popularity through their reviews on G2.

Learn more at www.accttwo.com

### CLOUD-BASED ACCOUNTING SOFTWARE
Grow your organization with the Cloud ERP that's #1 in customer satisfaction.

### MANAGED ACCOUNTING SERVICES
By outsourcing your accounting, you gain the freedom to focus on your mission.

### SOFTWARE DEVELOPMENT
Go the last mile of your financial journey with Sage Intacct+ to create a customized application to fit your organization.

# CPE CREDIT FOR THIS COURSE

There are three things needed in order for you to receive CPE credit for the course you are attending:

1. Sign the sign-in sheet for each course.
2. At the end of each course, you will receive a reminder to complete your course survey, and it will have a link to all surveys. Please only fill out the one for the course you just attended. You can also do this after the event if you don't have time in between sessions. And PLEASE don't forget to include your name, so we will know who to give credit to.
3. There will also be printable certificates available for you to download at the end of the conference. Please be sure to attend our last session to find out more!

<u>Without these items we are not properly able to credit you for this course.</u>

# SESSION OBJECTIVES

**At the end of this session you will be able to:**

- Select between audit, review and compilation
- Plan ahead for your audit
- Create a monthly and annual process to make the audit process easier
- Identify and effectively utilize technology to help with your audit

# SHELLY EINSPAHR

Client Controller
AcctTwo Shared Services, LLC

Shelly has 15 years of experience doing accounting for churches, most of which was spent at The Village Church in Flower Mound, Texas. In addition to general church accounting, she has experience implementing various new software systems, writing and researching church policy and considers Richard Hammar's Church & Clergy Tax Guide one of her favorite books.

Shelly joined AcctTwo in the summer of 2018 and her favorite thing about her job is the ability to serve multiple churches instead of just one. She has a passion for the local church and enjoys providing guidance to help ensure the church has sound financial policies in place.

# AUDIT NEED

# AUDIT, REVIEW OR COMPILATION?

| TOTAL ANNUAL REVENUE | CPA ENGAGEMENT |
|---|---|
| **$3M** or more | External audit of financial statements (GAAP/GAAS) |
| **$2M** to **$3M** | External review of financial statements prepared on either the accrual or modified-cash basis of accounting |
| **$2M** or less | Compiled financial statements prepared on either the accrual or modified-cash basis of accounting |

- *Audit*
  - Provides evidence of financial accountability to an organization's constituencies.
  - Auditor tests the data underlying the financial statements
  - Issues an opinion on the fairness of their presentation in accordance with (GAAP).
- *Review*
  - Provides limited assurance of the reasonableness of the financial statements presented.
  - States no opinion only that they are not aware of any material modifications that should be made to the financial statements.
- *Compilation*
  - Gathering of financial information and the development of financial statements for an organization.
  - It involves no assurance on the financial statements.

*chart courtesy of ECFA

# PLAN AHEAD

# BEFORE THE AUDIT

- Ensure key policies and procedures are established and available in writing and they provide internal control and segregation of duties for:
  - Cash collections
  - AP Disbursements
  - Credit cards charges
  - Policies (example of some usually requested)
    - Accountable Reimbursement Plan
    - Expense Reimbursement Policy
    - Gift Acceptance Policy
    - Record Retention Policy
    - Fixed Assets Capitalization and Useful Lives Policy
    - Conflict of Interest Policy
    - Building Usage Policy
    - Benevolence Policy

- Be involved in major decisions of the organization or church in order to determine what, if any, financial impact they will have:
  - New building project or campus additions
  - Decision to incur debt
  - Decision to solicit restricted donations
  - Decision to support new missionaries and method of support
  - New programs and how they are funded

- Develop a good relationship with your auditor
  - Sign up for newsletters from audit firm
  - Keep up with new accounting standards, legal and governmental changes

    https://www.irs.gov/charities-non-profits/subscribe-to-exempt-organization-update

- Verify audit fieldwork dates and reserve a room for the auditors
  - Ensure your team and key church leadership are available

# ACTION PLAN

# MONTHLY AND ANNUAL PROCESSES

- Create monthly close process to ensure accurate accounting and reduce audit preparation time
  - Reconcile giving between donor system and general ledger
  - Prepare Balance Sheet account reconciliations – resolve discrepancies
  - Prepare and regularly update Fixed Asset rollforward
  - Maintain support for balances in accounts such as Prepaids, Receivables, Payables and Payroll
  - Review Trailing 12 month TB report to uncover coding errors
  - Quarterly 941 Reconciliation to General Ledger

- Create year-end processes to prepare for audit
  - Identify accrual entries needed at year-end that might not be done throughout the year (accrued vacation, accrued payroll, in-kind gifts etc.)
  - Ensure Accounts Payable/Contribution staff are familiar with year-end cutoff policy
  - Prepare Net Asset Rollforward
  - Finalize fixed asset and roll forward schedules

# SET UP SAGE INTACCT TO MAKE YOUR AUDIT EASIER

- Set up and maintain account groups and dimension groups to make creating statements easier
  - Think carefully before changing default categories for General Ledger Accounts
  - Instead, create account groups or account dimension structures to customize reports
  - Can create dimension groups for all dimensions in Sage Intacct

- Use vendor types to quickly identify categories of vendors

- Close periods in Sage Intacct after month-end close is complete

- Attach bills in Sage Intacct for easy retrieval

- Assign proper permissions in your system for proper internal controls
  - Create roles to assign to staff or assign by individual
  - Require approval on journal entries, bills, payments
  - Create smart rules or triggers that notify an individual if certain actions are taken

# CREATE DASHBOARDS TO ASSIST IN REVIEW THROUGHOUT THE YEAR

- Department Head Dashboard – require monthly review
  - Budget to Actual Report for the month and the year
  - Project Balances Report
  - Include collaboration feed to make requesting a new vendor easier

- Church Leadership Dashboard
  - Cash trend report
  - Income Trend report
  - Fund/Grant Balance report
  - Employee Receivable report
  - Statistical information such as attendance, turn-aways, empty parking spaces

- Accounting Dashboard
  - Statement of Activities
  - Statement of Financial Position
  - Trial Balance and Trailing 12
  - Liquidity Disclosure

# OTHER IMPORTANT ACTION PLAN STEPS

- Request the ‘Audit Prep List’ a few weeks before the audit
  - Assign audit list line items to staff and provide deadlines
  - Create a central location to save all requested files
    - ✓Check if the audit firm has share file for data and verify that proper file permissions are maintained

- Identify and obtain key non-financial information that will be needed
  - List of related party transactions
  - List of board members
  - Board meeting minutes
  - Changes to governing documents/by-laws
  - List of insurance policies and coverage

# AND MOST IMPORTANTLY

Be prepared with all items requested when audit starts

Before any schedule is provided to auditor, ensure totals tie to trial balance

# LEVERAGE TECHNOLOGY

# OPTIONS FOR USING SAGE INTACCT

➢ There are multiple options for effectively using Sage Intacct for the audit

1. Provide the auditor a log in directly into Sage Intacct
   - Create an dashboard with all requested reports

2. Maintain and Internal Audit Dashboard to house needed reports in one place
   - Trial Balance – memorized report
   - Cash Disbursements – memorized report
   - Vendor AP Aging – memorized report
   - Functional Expense Allocation – financial report
   - Journal Entries posted since year-end – memorized report
   - Payments to attorneys – memorized report
   - Liquidity Disclosure – standard report in NFP dashboard

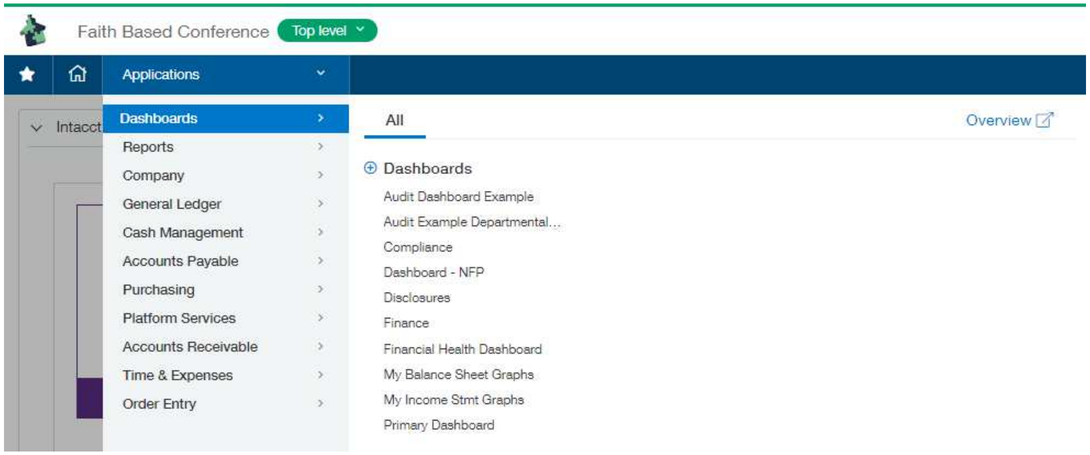
# WHEN CREATING AN AUDITORS DASHBOARD

➢ Important tips to remember about set up of the dashboard

- Include date prompt on the dashboard
- Include a location prompt if multi-entity and requested reports separated by entity
- Include fund prompt if requested reports separated by fund
- Test date filters on reports to ensure it is reporting the period you expect
  - Memorized reports will not filter based on date on dashboard
  - Financial reports will if set to allow dashboard filtering

# LET'S REVIEW SOME SAMPLE DASHBOARDS IN SAGE INTACCT

- Departmental Dashboard
- Leadership Dashboard
- Audit Dashboard
- Other Items
  - Account Categories
  - Account Groups
  - Dimension Groups
  - Duplicating a report
  - Dates in Memorized Reports
  - Allow dashboard filtering in financial report



# QUESTIONS