

Audit Committee

The Audit Committee meets in early January after the financial books are closed from the previous fiscal year. The Committee annually reviews Salem's (a) General Fund account, (b) Other Asset & Liability account, (c) the Trust Fund's financial records, (d) insurance policies, and (e) petty cash funds. For the 2020 financial year, the audit review was completed on January 11, 2020 by Adam Swedberg, Bob Warfield, and Kelly Ostrom. The Committee reviewed the financial books maintained by Connie Brown as Salem's Financial Secretary and Doreen Robinson as Treasurer of the Trust Fund.

For the audit review, each account was verified against bank statements and investment records. A random sampling of the disbursement journals were compared to the invoices and/or supporting documentation and the checks written; no discrepancies were found. The procedures of dual signatures on disbursement checks were followed without exception. Due to COVID-19 the procedures for bagging, banking, and counting of the offerings differed from the normal protocols but were found to be appropriate given the unprecedented circumstances. Activity in the Trust Fund was reviewed and found to be appropriately documented. Insurance policies were reviewed and found to be complete with the exception documented below. Money in the petty cash fund was counted and the activity was reviewed. It was noted that the Trust Fund had extended a \$30,000 revolving line of credit to Salem's Operating Fund. During 2020, Salem's Operating Fund owed the Trust Fund approximately \$17,000. The Trust Fund was paid back in full by the end of the year.

Upon review, accounts appeared to be in proper order and well organized. There were excellent supporting documents and well-maintained records. The Audit Committee identified the following items for your consideration:

- ✓ Documented audit procedures are not available for the Audit Committee to follow. Audit procedures should be available as a guide to committee members to better facilitate the review process. We suggest developing and documenting audit procedures before the start of the next audit.
- ✓ A formal appraisal has not been performed since 2018. We suggest obtaining an annual appraisal from Arrow Adjustment and Appraisal. This appraisal should be used to determine the amount of insurance needed as Salem appears to be underinsured. Having adequate insurance coverage will be especially important after the completion of the upcoming building repairs and enhancements.
- ✓ There does not appear to be an updated inventory listing for church assets. An inventory listing should be used to track church assets over a certain dollar amount. We suggest creating and maintaining an inventory listing that includes the date of purchase, purchase price, and location.

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- ✓ Consider changing Salem's fiscal year end to reflect the church calendar year. This would allow the budget process to be completed during slower months and would facilitate a better measurement of financial position. Additionally, this would also assist with simplifying year-end accounting procedures for the financial secretary.
- ✓ During the count of the petty cash fund, it was identified that \$2 was in the fund at the time of the count and the church financial statements indicated there was \$25. Although there is documentation to account for this immaterial variance, these balances should agree. We suggest evaluating the use of the petty cash fund. If use of the petty cash fund continues, these funds should be reconciled within the accounting system at the end of the financial period.

Audit Committee

Bob Warfield *(term ends 01/31/2021)*

Adam Swedberg *(term ends 01/31/2022)*

Kelly Ostrum *(term ends 01/31/2023)*