

Reviewing Your Meeting's Financial Records

The article that follows is aimed at guiding a non-professional through the review of a Meeting's financial records and checking that they are in "good order."¹ Reviewing a Meeting's records is not an accusation about the treasurer's truthfulness, it is simply a standard financial practice. Records need to be verified.² And what does "good order" mean? It means that the books are understandable. It means that they are neat, legible and logical.³ It means that there is a system set up that is consistently followed. When the books follow these "good order" principles, it is easy to find and correct mistakes. It is easy to keep the books true. When the time comes, if the books are in "good order," it is easy to transfer them to a new treasurer.

It needs to be said that no Meeting's records will be in perfect order.⁴ Also, that this article is aimed at Meetings with a simple accounting system. The one most commonly used is a "cash" accounting system where income is recorded when received and expenses are recorded when paid.⁵ If your Meeting has employees, a double entry or accrual bookkeeping system (your treasurer will know if it does), or multiple funds managed by the treasurer, the records may be too complex for a non-professional. You may wish to read *Philadelphia Yearly Meeting's Treasurers Guide for Religious Organizations* by Rosalie Bond for assistance. More information on *Treasurers Guide* can be found on page 4 and 5 of this article.

Before the Review – A Meeting's Responsibilities

At least two of the Meeting's officers should have an up-to-date list of all of the Meeting's accounts and the signers on those accounts.⁶ Each account should have two signers. When an account needs to be closed or changed and the Meeting doesn't know who the signers are, hopefully only time and aggravation are incurred. Having only one signer on an account is an obvious pitfall. Treasurers go on vacation or die. If the one signer to the account is unavailable and bills need to be paid, the Meeting has problems.

All changes to accounts and signers need to be Minuted.⁷ It is a Meeting's responsibility, not the treasurer's, to determine what accounts are necessary and who is authorized to care for them.

A Meeting needs to approve a budget for its treasurer.⁸ Without a budget, a treasurer has no guidance, has not been instructed as to how money has been apportioned to each category of the Meeting's expenses. Not providing a treasurer with a budget gives her all of the responsibility and none of the authority to handle the accounts.

Before Everything – A Treasurer's Responsibilities

A treasurer needs to keep the Meeting's books in a secure and known location.⁹ Just as having two signers on accounts is important for continuity, so, too, is having a known location for the books.

Tax Exempt Status – Yearly Meetings generally hold 501(c)(3) recognition from the IRS, and larger ones may have Group Exemptions. Group Exemptions provide the same recognition to each of their member Meetings using a Group Exemption Number (GEN). Each Meeting must have its own Employer Identification Number (EIN).¹⁰ Since 9-11 and this country's changed banking laws, it is difficult to get a new bank account without one. If your Meeting doesn't have one, an application for one may be made at www.irs.gov/ein. Be sure to choose "church" – the IRS term for a house of worship of any organized religion – as the type of legal structure. Yearly Meetings can also help local Meetings obtain state sales tax exemption and town or city property tax exemption.

A Meeting's and one's personal funds need to be kept strictly segregated.¹¹ This might be as simple as having one's left pocket for personal funds and the right pocket for the Meeting's. Just keep them straight.

Financial reports should be presented often. This will allow for mistakes to be caught and easily corrected.¹² It will also point out adjustments that may need to be made to the budget.

Bank reconciliations need to be kept¹³ either as printed documents, or on the computer. They will be needed by the examiner. They will also be an indication of "good order."

It is worthwhile for the treasurer to keep a file of pertinent financial Minutes.¹⁴ For example, having the Minuted information readily available as to what a contractor was hired to perform, will help determine whether the job is completed and payment in full is due.

Before the Review – Examiner’s Requirements

An examiner must be independent¹⁵, i.e., must not be related to or be a close friend of the treasurer. The examiner also needs to have financial experience¹⁶ in order to understand the books and be able to question the treasurer about his system.

Preparing for the Review

The following is a list of documents the treasurer should have ready for the examiner: the books, all bank statements, a copy of the budget, bank reconciliations, a summary of income and expenses for this and the preceding period, and the beginning and ending bank balances for the preceding period.¹⁷

The Review

The examiner will check the prepared documents to see that:

- The way the records are kept is efficient.¹⁸ Use of accounting software like QuickBooks or Peachtree is urged.¹⁹
- The records are up to date.²⁰
- The arithmetic is correct²¹ (if the books are done by hand).
- Checks and cash are deposited in their entirety and recorded promptly.²²
- Checks are pre-numbered.²³
- All expenditures made by check are recorded when issued.²⁴
- All electronic transfers, debit card transactions, etc. are recorded as they are made or deposited.
- When checks are voided, an adjustment is made to the accounts²⁵ and the voided checks are retained and mutilated.²⁶
- The ending balance of the preceding period equals the beginning balance of the period being examined.²⁷
- The bank statements match those claimed by the treasurer.²⁸

- The beginning balance plus receipts less expenditures equals the ending balance.²⁹
- The income is accurately accounted for and outgoing is properly spent.³⁰
- The accounts are reconciled monthly.³¹

The examiner will also:

- Check for liabilities on the closing date of the period.³²
- Compare the preceding period's expense and income totals to this period's and get an explanation as to any major differences.³³
- Make sure that petty cash payments are supported by receipts or vouchers.³⁴
- Check that bills are notated so as to prevent duplicate payment.³⁵
- Make sure that any checks made out to the treasurer or other signer have documentation.³⁶
- Make sure that expenditures are in accordance with the budget.³⁷
- Make sure that large checks written to one-time payees have available documentation as to purpose.³⁸

The Report

A report needs to be signed by the examiner and presented to the Meeting. This report should at minimum state that the books of the Meeting were examined and that the bank account balances were verified. The names of the accounts and the amounts in the accounts should be listed.³⁹ Often the treasurer will have a report ready for the signature of the examiner.

In Conclusion

So much more could and has been written on the subject of reviewing the financial records of Friends Meetings. The three documents researched for this article were *Treasurers Guide for Religious Organizations*, Second Edition by Rosalie Bond, *A Friendly Audit* by Jack N. Childs, Jr. and *Friendly Audits* by Elizabeth Muench. Thanks, must go to Frederick Martin for edits and suggested additions. If, after reading this article, you still have questions, please refer to the source material. If you find mistakes, please let me know.

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Bibliography

- Bond, Rosalie *Treasurer's Guide for Religious Organizations, Second Edition*.
Developed and published by: Philadelphia Yearly Meeting of Friends, 2008,
ISBN 0-941308-13-8
- Childs, Jack N., Jr. *A Friendly Audit*. Germantown Monthly Meeting, 2005
- Muench, Elizabeth *Friendly Audits, Guidance for Those Asked to Review Quaker Accounts and for Those Who Keep Them*. Quaker Press of Friends General Conference, www.quakerbooks.org, ISBN 1-888305-59-2; 1990, reprint 2002

Notes

- 1 Muench, Elizabeth, *Friendly Audits*, (Pennsylvania, Philadelphia, 1990, reprint 2002), 3
- 2 Rosalie Bond, *Treasurers Guide for Religious Organizations*, (Pennsylvania, Philadelphia, 2008), 31
- 3 Muench, *Friendly Audits*, 3
- 4 Muench, *Friendly*, 7
- 5 Bond, *Treasurers*, 10
- 6 Muench, *Friendly*, 7
- 7 Ibid, 7
- 8 Ibid, 3
- 9 Childs, Jack N. Jr., *A Friendly Audit*, (Pennsylvania, Philadelphia, 2005), 5
- 10 Bond, *Treasurers*, 33
- 11 Muench, *Friendly*, 6
- 12 Ibid, 4
- 13 Ibid, 6
- 14 Ibid, 5
- 15 Bond, *Treasurers*, 12
- 16 Ibid, 12
- 17 Ibid, 32
- 18 Muench, *Friendly*, 4
- 19 Bond, *Treasurers*, 11
- 20 Muench, *Friendly*, 4
- 21 Ibid, 4
- 22 Ibid, 5
- 23 Ibid, 6
- 24 Ibid, 6
- 25 Ibid, 7
- 26 Ibid, 6

27 Childs, *A Friendly*, 1
28 Ibid, 1
29 Muench, *Friendly*, 4
30 Bond, *Treasurers*, 31
31 Childs, *A Friendly*, 30
32 Ibid, 31
33 Ibid, 4
34 Muench, *Friendly*, 6
35 Ibid, 6
36 Childs, *A Friendly*, 5
37 Ibid, 6
38 Ibid, 5
39 Ibid, 6