EPISCOPAL CHURCH IN CONNECTICUT
PARTICIPATING IN GOD'S MISSION

PARISH FINANCIAL REPORTING REQUIREMENTS MANUAL

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MARCH 2025

Important Reporting Due Dates

PAROCHIAL REPORTS ARE DUE ANNUALLY MARCH 1.

The Parochial Report must be submitted via the The Episcopal Church's Parochial Report website on or before March 1, in accordance with The Episcopal Church Canons 1.6, 1.7, and 1.17. Instructions for completing the Parochial Report and helpful examples for common questions can be found on the Parochial Report Information page.

You will need a log in name and password to gain access to and ile the report. Contact Gigi Leakfeldt, gleackfeldt@episcopalct.org, if you need assistance.

Please note: Complying with this date allows us to begin our budgeting process for the coming year on schedule.

FINANCIAL REVIEW AND AUDITS ARE DUE ANNUALLY SEPTEMBER 1.

An Audit for parishes with total revenues in excess of $750,000 must be submitted to ECCT each year on or before September 1, in accordance with ECCT Canon IV, Section 2. D.

A Parish Financial Review for parishes with total revenues that are less than $750,000 must be submitted to ECCT each year on or before September 1, in accordance with ECCT Canon IV, Section 2. D.

Thank you for adhering to these important due dates!

Parish Reporting Guidelines Overview

The Episcopal Church in Connecticut has adopted these financial reporting requirements in order to fulfill its responsibility for annual financial oversight of its parishes in accordance with the canons of The Episcopal Church. The required Financial Review or Audit will help ECCT determine the financial health of its parishes and whether adequate accounting procedures and safeguards are being followed.

The reporting requirements depend on a parish's total revenues (as reported on line D of the Parochial Report) and are designed to provide ECCT with the information it needs to assess a parish's financial health and strength of its financial processes.

For parishes with total annual revenues less than $750,000, a financial review of agreed upon procedures is required.

The independent accountant engaged by the parish to perform the review should include in the scope of its engagement letter the development of:

- A summary of findings letter to management
- A statement of financial position based on information (unaudited) that is presented by the parish
- An assessment of the adequacy of the parish's financial controls as assessed against a listing of agreed upon procedures
- An evaluation of the process the parish used to complete its Parochial Report for the period being reviewed (see page 10)

For parishes with total annual revenues exceeding $750,000, a formal audit is required.

The CPA engaged by the parish to perform the audit should include in the scope of its engagement letter the development of:

- A summary of findings and qualifications letter to management
- An audited statement of financial position
- An audited statement of financial activity and changes in net assets
- An audited statement of cash flows
- Explanatory notes to these statements
- An assessment of the adequacy of the parish's financial controls
- An evaluation of the process the parish used to complete its Parochial Report for the period being audited (see page 10)

In both cases, time to present and discuss the review or audit findings with the parish's Vestry should also be reflected in the terms of the engagement letter.

All funds and entities under parish control must be included in the deliverables listed for audits and financial reviews, as required by Generally Accepted Accounting Principles (GAAP). This includes all committee accounts including those managed by nursery schools, child care centers, ECW, choirs, altar guild, youth, men's and women's groups, and the rector or priest-in-charge's discretionary funds, as well as any other discretionary funds.

By contrast, the parish's share of the balances of any shared trusts from which it receives income but are not under full control of the parish should not be included. Income from shared trusts should be included in the relevant audit schedules and should be included in Line 5 ("Other Operating Income") of the parish's Parochial Report.

Financial Review Standards for Parishes with Total Revenues Less than $750,000

ALL DOCUMENTS REFERENCED BELOW CAN BE FOUND AT EPISCOPALCT.ORG/PARISH-GOOD-STANDING-CRITERIA.

1. The engagement letter should document the understanding of the services to be performed between the parish and its independent accountant. It should also include a listing of procedures to be performed as seen in the Agreed-Upon Procedures Applied and Findings document. The parish should retain a copy of this agreement for its records.
2. The Internal Control Questionnaire should be filled out by the parish and given to the auditor and provided to ECCT with the completed Financial Review.
3. The parish should input its asset and liability information in the Parish Financial Report Excel template. The template calculates the net assets section of the form and some financial ratios for analysis purposes. Instructions for preparing the document are located in the Excel file. The completed template should be given to the accountant.
4. The parish should complete the Management Representation Letter, documenting the representations made by the parish to the independent accountant. The parish issues it to the accountant when it has completed the steps listed above.
5. The independent accountant should prepare their report with all elements listed on the Overview page above, including the Review of Agreed-Upon Procedures (which are listed on the following pages) The parish should provide a copy of this report to ECCT.
6. As the independent accountant completes their procedures, any errors or missing information should be communicated and worked out between the parish and the independent accountant.

The completed Financial Review, including the following documents, should be submitted electronically. For additional information visit ECCT's website.

- The Parish Financial Report may be completed manually and submitted to the independent accountant, or it may be downloaded to your computer, completed, printed, and submitted to the independent accountant. ECCT strongly recommends this second method to complete the report as the spreadsheet contains formulas that compute parish net assets and financial analytical ratios. The report must be submitted to ECCT. The printed Parish Financial Report form will also be included as an exhibit in the CPA or PA's report.
- The Agreed Upon Procedures Report with Findings (see below) should be presented on the independent accountant's stationery and contain the signature of the independent accountant.
- The Parish Internal Control Questionnaire will be submitted to the independent accountant for their review as a required component of the Agreed-Upon Procedures.
- The independent accountant should assemble all of these elements into a single document along with the required summary letter of findings letter to management.

Auditing Standards for Parishes with Total Revenues Over $750,000

The parish financial statements must be prepared in accordance with GAAP and the audit must be conducted in accordance with Generally Accepted Auditing Standards (GAAS). However, ECCT recognizes there are two areas where application of GAAP to parishes may be difficult. Therefore, departures are permitted to for the following GAAP requirements:

1. GAAP requires capitalization of property and equipment at original cost and depreciation of the same. If the original cost of all parish property and equipment is not known, it is still preferable to present all parish property and equipment on the financial statements on some basis, for example, appraised value.
2. For states such as Connecticut that have adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), GAAP requires the reporting of endowment assets as follows:
    a. The original historical dollar of donor-restricted endowment gifts are presented as permanently restricted net assets (if the parish's interpretation of UPMIFA is the same as ECCT).
    b. Accumulated investment gains and income on donor-restricted endowment assets that have not been appropriated for expenditure represented as temporarily restricted net assets.
3. Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit* should apply to the terms and manner in which deficiencies are reported to church leadership.

The audit report with financial statements and the management letter issued in connection with the audit should be submitted electronically. For additional information visit ECCT's website.

Additional Auditing Standards

MORE INFORMATION REGARDING UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)

To assist you with the development of parish policy, we are including information on the Episcopal Church in Connecticut's interpretation of the relevant law and its investment and spending policies.

The former Executive Council of ECCT interpreted UPMIFA as requiring the preservation of the fair value of the original gift (as of the gift date) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the ECCT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ECCT in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ECCT considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of ECCT and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ECCT
- The investment policies of ECCT

ECCT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that ECCT must hold in perpetuity or for a donor-specified period.

To satisfy its long-term rate-of-return objectives, ECCT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ECCT targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

ECCT has adopted a policy to support its daily mission and to preserve the value of the investment portfolio over time. Specifically, 4-5% of the average of the fair market value of certain investments for the previous twelve quarters is budgeted to support operations for the upcoming year.

Recommendations for parishes:

- Because the original historical dollar of donor-restricted endowment gifts may not be known by the parish, the parish may present the total endowment funds, including the accumulated investment gains and income, as permanently restricted.

- Under UPMIFA, parishes are required to invest endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include for example, the effects of inflation. UPMIFA emphasizes that the investment decisions be made in relation to the overall resources of the parish.

AGREED-UPON PROCEDURES APPLIED AND FINDINGS FOR THE YEAR ENDING DECEMBER 31, 20XX

Procedures	**Findings**
Cash - Traced amounts reported on lines 1 (A) through 1 (E) to bank reconciliations. Scanned bank reconciliations for reasonableness and traced any unusual or questionable items to supporting documentation.	No exceptions noted (or list findings).
Marketable Securities - Traced the amounts reported in lines 2(A) through 2(D) to broker statements.	No exceptions noted (or list findings)
Receivables a. Pledges receivable- Traced the amount reported on line 3(A) to a list by donor and reviewed the list for reasonableness. Inquired as to the propriety of items that appeared unusual or questionable. b. Other receivables - Traced the amount reported on line 3(8) to supporting documentation and reviewed for reasonableness.	No exceptions noted (or list findings)
Mortgages Receivable - Traced amounts reported on line 4 to the applicable amortization schedules or other supporting documentation.	No exceptions noted (or list findings)
Property and Equipment - Traced the amounts reported on lines S(A) through S(D) to detailed lists or other supporting documentation. Reviewed the documentation for reasonableness and inquired as to the propriety of items that appear unusual or questionable. Traced the amount reported on line S(E) to the detailed depreciation schedule. Reviewed the depreciation schedule for reasonableness and inquire as to the propriety of items that appeared unusual or questionable.	No exceptions noted (or list findings)
Other Assets - Traced the amounts reported on lines 6(A) and 6(8) to supporting documentation and determined that they have been reported in accordance with the instructions to the 201_ Parish Financial Reporting Requirements. Traced to the amount reported on line 6(C) to supporting documentation and determined that it qualifies as an asset under U.S. generally accepted accounting principles ("GAAP").	No exceptions noted (or list findings)

AGREED-UPON PROCEDURES APPLIED AND FINDINGS FOR THE YEAR ENDING DECEMBER 31, 20XX

Procedures	**Findings**
Accounts Payable and Accrued Expenses -- Traced the amounts reported on lines 7(A), 7(8), and 7(C) to statements of account received from the Diocese. Traced the amounts reported on line 7(D) to a detailed list of accounts payable by vendor. Inquired as to the propriety of items that appear unusual or questionable. Examined the supporting documentation for all cash disbursements over $500 made from January 1, 20__ through January 31, 20__ to ensure that all such items pertaining to calendar 20__ were included in the accounts payable list.	No exceptions noted (or list findings). No cash disbursements exceeding $500 that were made during the month of January 20__ were found to be in the fiscal year 20__ expenses.
Accrued Payroll - Traced the amount reported on line 8 to the supporting calculations to determine whether it was calculated properly under GAAP.	No exceptions noted (or list findings)
Payroll Taxes Payable/Accrued - Traced the amount reported on line 9 to applicable payroll tax returns for the portion attributable to payroll periods ended on or before December 31, 20__. For the portion attributable to accrued payroll, traced to the supporting calculation for reasonableness.	No exceptions noted (or list findings)
Deferred Contributions/Revenue - Traced to the amount reported on line 10 to supporting documentation.	No exceptions noted (or list findings)
Notes Payable - Traced the amounts reported on lines 11 (A) through 11 (D) and 12(A) through 12(D) to amortization schedules or other supporting documentation.	No exceptions noted (or list findings)
Other Liabilities - Traced the amount reported on line 14 to supporting documentation and determined that it qualifies as a liability under GAAP.	No exceptions noted (or list findings)
Traced the amount reported on line 18 to line B of the Parochial Report.	No exceptions noted (or list findings)
Parish Internal Control Questionnaire - Read the internal control questionnaire completed by the parish and reported any weaknesses in internal control procedures.	SEE ATTACHED REPORT or No exceptions noted (or list findings.)

AGREED-UPON PROCEDURES APPLIED AND FINDINGS FOR THE YEAR ENDING DECEMBER 31, 20XX

Procedures	**Findings**
Parochial Reporting -- Number and amount pledged conform with internal recordkeeping systems	No exceptions noted (or list findings)
Parochial Reporting -- Plate, pledge and regular support income conforms to parish income statements	No exceptions noted (or list findings)
Parochial Reporting -- Revenue restricted by contributors for specific purposes reflect cash received and restricted, designated, or directed for any specific purpose recorded by the parish over the year	No exceptions noted (or list findings)
Parochial Reporting -- All other revenue includes all other income for any purpose throughout the year, such as income drawn from investments, grants, fundraising revenue, gross rental income, and interest earned on banking accounts.	No exceptions noted (or list findings)
Parochial Reporting - Church non-capital expenses include all expenses incurred to operate and support worship, ministries, and programs. Such expenses include Common Mission Support, outreach expenses, employee compensation, parish administration, building operation, etc.	No exceptions noted (or list findings)
Parochial Reporting - Church capital expenses are reported based on parish records of expenditures for capital expenses. Parish has a policy defining minor repairs (non-capital expenses) from capital improvements	No exceptions noted (or list findings)
Parochial Reporting - Entries for cash in bank accounts and investments at market values reflect year-end statements for assets controlled by the parish (excluding balances of trusts not controlled by the parish)	No exceptions noted (or list findings)
Parochial Reports - Endowment and investment financial assets reflects year-end statements for all such accounts held by the parish • The percentage draw is the amount of money drawn for use divided by the market value of all accounts at the end of the prior year • The dollar amount drawn for use reflects cash transfers from investment/endowment accounts controlled by parishes. • Cash transfers from Investments/Endowments for use by the parish should also be reported "All Other Income" on Line 5 • Income from trusts not controlled by the parish should be excluded from line 9, but reported as "All Other Income" on Line 5	No exceptions noted (or list findings)