

From: Financial Review Task Force

To: The Council of Yellowstone Presbytery

Date: January 19, 2012

The Financial Review Task Force was formed by the Budget & Finance Committee of Yellowstone Presbytery in order to perform the Presbytery's financial review for fiscal year 2010. The General Assembly of the PCUSA recognizes this procedure as a viable alternative to utilizing independent CPA firms and provides resources to guide the efforts of the volunteer committee.

The Task Force was comprised of Dan Holland and Ron Humphrey and they performed their procedures on October 26, 2011. This informal review does not purport to provide the Presbytery with total assurance that the books and records are free from misstatement and that no falsifications have occurred. Rather a number of different procedures are performed that are designed to test some of the internal controls as well as to verify some of the balances reported on the yearend financial statements. At best these procedures provide only limited assurance as to the status of the books and records. Ideally it also provides a framework for making recommendations to improve the financial processes within the church.

Among the procedures performed for 2010 were the following: All bank accounts, and investment accounts were compared to yearend statements and reconciliations; a sample of weekly bank deposits were analyzed and compared to the amounts recorded in the general ledger as well as to supporting documentation; a sample of disbursements were analyzed and compared to cancelled checks, invoices and appropriate authorizations; payroll was analyzed to determine if it was properly reported both to the various governmental agencies as well as in the general ledger. Based on the procedures performed the Task Force would like to make the following observations and recommendations.

#### Observations:

The books and records of Yellowstone Presbytery are relatively complex. As of December 31, 2010 there were four separate general funds, twenty-six designated funds, and five restricted funds in the fund balance section of the balance sheet. Each of these funds must be maintained in order to preserve the original intent that established the fund. There is also one checking account and seven different investment accounts that are maintained and reconciled on a monthly basis. In addition there are roughly fourteen separate areas of authority within the statement of income and expense, which mirror, for the most part, the various committees of the Presbytery and the budgeted constraints thereon. Finally, the Presbytery acts as custodian for the funds belonging to St. Timothy's chapel. All of this activity is accounted for by the Presbytery's Treasurer, Sheryl Hallin, on a part-time basis.

Observations (continued):

All income received by the Presbytery is deposited and coded by the Presbytery's Administrative Assistant, Susan Seibert. Susan also records the pledges made by the various constituent churches for General Mission as well as the assessments for per capita. The Presbytery is also fortunate to have occasional oversight of the accounting process performed by former Moderator of Budget & Finance, Debbie Blackburn.

As a result of the procedures we performed, the task force observed that all bank and investment accounts were properly stated. We also found that the samples we tested in the areas of expenditures, income and payroll were, except for relatively minor exceptions, free of errors and were properly documented and authorized.

Recommendations:

The Task Force recommends that a more thorough analysis of the various general, designated, and restricted funds of the Presbytery be performed in the future. It had been the intent of the Task Force to perform this procedure for 2010, however time constraints prevented it from happening. We feel it is important to preserve the integrity and intent of the individual funds as well as to determine if a particular fund has outlived its usefulness.

In addition the Task Force recommends that the Executive Presbyters submit requests for out of pocket reimbursements on a more frequent basis (monthly or quarterly rather than annually.) This will enable management to more effectively monitor budgeted expense accounts throughout the year. The Task Force also recommends that these reimbursements be paid via direct deposit to help minimize the length of time that checks are outstanding.

Conclusion:

As we mentioned previously, the books and records of the Presbytery are quite complex. We are fortunate that Sheryl Hallin has been able to do a more than adequate job of maintaining the accounting for the organization on a very part-time basis. We are also indebted to Susan Seibert for maintaining the income side of the accounting ledger in a timely and accurate manner.

Yours in Christ,

Financial Review Task Force