INTERNAL CONTROL

South Caribbean Conference of Seventh-day Adventists

INSTRUCTION GUIDE FOR

COMPLETING & INTERPRETINGTHE MONTHLY FINANCIAL STATEMENT

South Caribbean Conference of Seventh-day Adventists **Title:** "Financial Statement – For the Month Ended [Month & Year]"

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Prepared by: Church Treasurer

Purpose: Report income, expenses, balances for: Conference Funds (remitted to Conference) Church Funds (remain for local use)

Comparative Layout:

Shows Current Month, Previous Month, Year-to-Date, Helps monitor trends, over/underutilization, corrective actions 2 GENERAL INFORMATION
3 LAYOUT

4

SECTIONS TO COMPLETE CONFERENCE FUNDS

- Tithes → Enter total collected
- Ingathering, Special Offering, Nehemiah Project
- Subtotal → Add all above items
- 40% of Total Church Offering (Systematic Giving Plan)

TOTAL CONFERENCE FUNDS = SUBTOTAL + 40%

SECTIONS TO COMPLETE CHURCH FUNDS INCOME

- Budget Covenant, Welfare, Building, Poor & Needy, Education, Refunds
- TOTAL Church Income = Add all above
- Less: 40% of Local Offering (remitted)

TOTAL CHURCH OPERATING INCOME = BALANCE FOR LOCAL USE

SECTIONS TO COMPLETE EXPENDITURE

- Departments: AY, Pathfinders,
 Sabbath School, Women's Ministries,
 etc.
- Deaconry: Janitor, utilities, communion supplies
- General Expenses: Bank charges, stipends, hospitality, maintenance, insurance
- Other Areas: As needed



SECTIONS TO COMPLETE RECONCILIATION

Income – Expenditure = Increase/Decrease



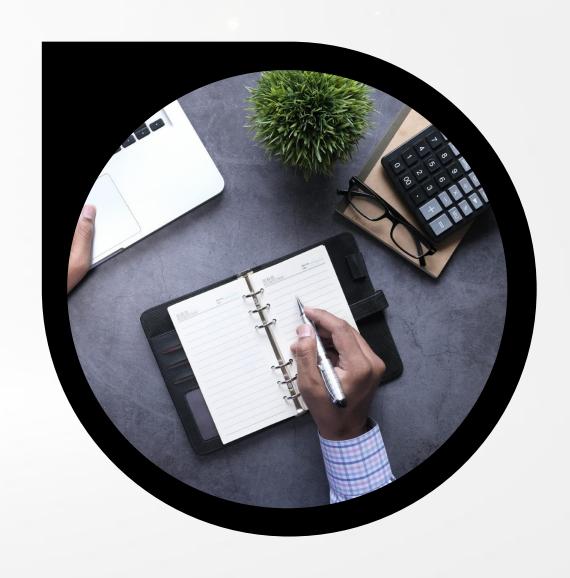


Negative = deficit



- Balance from Previous Month
- Balance as at Month End
- = Previous + Net Change







SECTIONS TO COMPLETE

DISTRIBUTION OF FUNDS

Shows how final balance is spread across bank accounts (UTC, CURF, FCB, RBL, RBC, Scotia, Petty Cash)

Total must = final reconciliation balance

WHAT IS

FUND ACCOUNTING?

A system non-profits use to separate finances into funds (categories with specific purposes). Similar to how businesses report by regions or product lines.

Examples of funds:

- Building Fund for construction projects
- Needy Poor Fund for aid to individuals
- Welfare Fund for community support
- Special Project Fund for specific initiatives
- Budget covenant Operating fund



One lump sum for cash and investments (mixing building, operations, endowment)

1

Expenses for daily operations and building projects combined.

2

A big gift for a building project could appear as if there's more money for evangelism.

3

WHY FUND ACCOUNTING MATTERS?

Without Fund Accounting, all activities get mixed together, causing confusion:

Fund Accounting prevents this commingling and ensures accountability.

TWO KEY PRINCIPLES

1. Funds are Subsets of the Whole

Each fund is part of the overall organization.

Example: Total revenue = revenues from all funds combined.

2. Clear Presentation

Reports must show:

- Which assets, liabilities, revenues, and expenses belong to each fund.
- That money earmarked for one purpose isn't used elsewhere.

ANALOGY: REPORTS MUST SEPARATE THE APPLES FROM THE ORANGES.

FUND ACCOUNTING ENSURES:

- **Transparency**
- **Accountability**
- Clarity on what resources are available and for what purpose



Income:

Tithes = \$25,000 Ingathering = \$2,000 Special Offering = \$1,500 Nehemiah = \$3,000

Local:

Budget Covenant = \$1,500 Welfare = \$800 Needy Poor = \$600

Building = \$2,000

Education = \$1,200

Refund = \$400



Expenses:

Utilities (\$1,600) Pathfinders (\$800) Sabbath School (\$300) Women's Min (\$200) Building M'tce (\$500) Stationery (\$200) Bank (\$100)

Balances: Prev. = \$11,325



Fund Opening balances:

Needy Poor \$250 Budget Covenant \$6300 Welfare \$1200 Church Bldg \$3500 Church School/Education \$75



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KEY TIPS FOR BEGINNERS

1

Keep supporting documents (envelopes, receipts, bills)

Ensure totals balance (Income – Expenses + Previous = Closing)

Remember:

Conference Funds = remitted
 Church Funds = local use
 Review monthly to align with mission & budget

MONITORING INCONSISTENCIES

Example: Negative balances in Budget Covenant but positive in Building Fund

- Is spending misallocated?
- Is Treasurer charging all expenses to Budget Covenant?
- Are members supplementing with personal funds?

Use Fund Accounting Breakdown Table to properly track balances

MONITORING INCONSISTENCIES

Example: Negative balances in Budget Covenant but positive in Building Fund

- 40% portion must be deducted once only:
- Either from Income in Budget Covenant line, OR
 Shown as an Expense under Distribution of Funds
- 1t cannot appear in both

MONITORING TRENDS

- Previous Month totals: Compare to track changes
- Year-to-Date totals: Compare to voted Budget
- Watch for excess spending or adjust for new directives
- Perform monthly reconciliations (verified by someone other than preparer)

POLICY REMINDER

IAD WORKING POLICY 2023 O 06 20, P.575:

If monthly/yearly reports show deficits:

- The Board must take immediate steps to correct
- Make provision to recover deficits in the next year's budget

