

**AUDIT REPORT FOR FIRST UNITED METHODIS CHURCH OF TAVARES
NOW TAVARES COMMUNITY CHURCH (AS OF 6/1/2023)
COVERING PERIOD 1/1/2023 -8/31/2023.**

AUDIT PERFORMED USING APPENDIX A AS SPECIFIED BY FINANCE COMMITTEE
(PER LOCAL CHURCH AUDIT GUIDE PG 5 FOR CHURCHES WITH BETWEEN \$500,000
AND \$1000,000 IN CASH RECEIPTS

**NOTE: THIS REPORT IS A FINAL REPORT FOR FUMC AS THE MEMBERSHIP
DISAFFILIATED WITH FIRST UNITED METHODIST CONFERENCE AS OF
5/31/2023. THIS IS AN INTERIM REPORT FOR TAVARES COMMUNITY CHURCH
FOR THE FIRST THREE MONTHS OF EXISTANCE UNTIL 8/31/2023. SOME OF
THE PROCEDURES WILL BE ADJUSTED ACCORDINGLY.**

It was noted during 2022-2023, due to changes in the United Methodist Church policy regarding same sex marriages, a majority of members voted to Disaffiliate during 2023. This process was undertaken by the Leaders and a new church, Tavares Community Church, has emerged. Much work by Church Lay leaders and Staff took place to streamline the transition in as smoothly a manner as possible. As a part of my report, I reviewed the Disaffiliation paperwork as a second set of eyes only. The area of my focus was that all assets of the Church were transferred in a reasonable manner and were maintained at full value for use by the new entity.

Every year, I present the Church with a binder including the full set of testing and support papers along with the Final Report with my findings. With this report, I have included *some* of the paperwork I felt important to support the Disaffiliation activity.

You will see testing and reporting on both entities in all areas (excluding CEC and UMW). I have done my best to verify accurate transfer and safeguarding of assets has been completed.

TESTING RESULTS:

1. Test Balances from Prior Year to Test Period:
 - a. The *Adjusted Balance Sheet* and *Treasurers Report* of 12/31/2022 provided to the Church Leadership Team on 1/12/2023 agrees with the Church Windows amounts for December 31, 2022, as they are provided directly from Church Windows. The current *Treasurers Report* dated 9/27/2023 agrees with the report from last year's audit.
 - b. The *Treasurers Report* (Income and Expenses) and *Adjusted Balance Sheet* amounts for August 31, 2023, as provided to the Church Leadership Team on for both FUMC and TCC

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9/23/2023 agrees to the report dated 9/27/2023 given for the audit. THE TRANSFER OF ASSETS FROM FUMC TO TCC AS OF 8/31/2023 APPEARS TO BE CORRECT AS REPORTED TO THE CHURCH LEADERSHIP TEAM IN IT'S REPORT DATED 11/29/2023 (corrected an error in a transfer of cash to TCC as income, also corrected Fixed Asset totals).

2. One negative balance was noted on the TCC Balance Sheet as of 8/31/2022.
2023: Payroll Liability 941 Taxes Payable 2.00.100 \$203.12.
NOTE: this negative balance is due to timing only, corrected in September. Immaterial amount.
3. There is no Accumulated deficit of Equity (total *Fund Balances*) as noted on the *Balance Sheet for TCC*. Individual deficit in Payroll Liabilities is noted above in #2a.
4. Cash Balances: **FUMC 5/31/2023**
 - a. All four general ledger balances agree directly to the Bank Reconciliations. (The General Fund and the Good Sam Accounts were closed with transfers of the full balances on 8/16/23 to corresponding accounts for Tavares Community Church. The UM Connection FCU savings was transferred in full to TCC on September 5, 2023.)
 - b. Due to this interim reporting, no written confirmations have been sent to corresponding banks at this time. I viewed original bank statements with no apparent changes.
 - c. Deposits outstanding: **General Fund:** There was one outstanding deposit (a void entry on a check) that was cleared in June. **Good Sam:** No outstanding deposits as of 5/31/23.
 - d. Outstanding Checks: **General Fund:** There were sixteen outstanding checks on the 5/31/2023 reconciliation. All but one of those cleared in June 2023. The last OS check was written in April and finally cleared in July. Three of the May OS checks were written in April, and all were voided on 6/29. **Good Sam: No outstanding checks.**
 - e. Mathematical accuracy of the reconciliations was tested. No exceptions noted.
 - f. There were no outstanding checks/items more than 6 months old at time of reconciliations.
 - g. No other reconciling items were noted.
 - h. This is a comparison of year-end balances to the report filed with the Conference Office. This is no longer applicable.

Cash Balances: **TCC 8/31/2023**

- i. All six general ledger balances agree directly to the Bank Reconciliations. Scholarship and Legacy Permanent Endowment Funds are Money Market accounts with the new Church.
- j. Due to this interim reporting, no written confirmations have been sent to corresponding banks at this time. I viewed original bank statements with no apparent changes.
- k. Deposits outstanding: No outstanding on any account. Checks: **General Fund:** There were eight outstanding checks on the 8/31/2023 reconciliation. All cleared in September 2023.
- l. Mathematical accuracy of the reconciliations was tested. No exceptions noted.

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- m. There were no outstanding checks/items more than 6 months old at time of reconciliations.
- n. No other reconciling items were noted.
- o. This is a comparison of year-end balances to the report filed with the Conference Office. This is no longer applicable.

5. Investments: FUMC had two Investment Accounts that transferred to TCC in June as regular savings accounts. First United Methodist Foundation held the accounts and issues statements quarterly.

- a. Both Investment account statements agree to General Ledger as of June 30, 2023. Each account is individually held in a separate General Ledger account.
- b. Agreed the amounts for each statement provided by the Bookkeeper to the statement provided by the Investment Custodian.
- c. Due to this interim reporting, no written confirmations have been sent to the corresponding banks. I viewed original bank statements with no apparent changes.
- d. Traced activity on both accounts, the only activity was interest and dividend postings and administration fees and the issuance of the balances in the form of checks issued to FUMC on May 4, 2023, to the Endowment Account and on June 8, 2023, for the full balances remaining in both accounts. These were transferred to TCC on deposits made on 5/19/23 and 6/26/23 to the Endowment Account and 6/26/23 for the full transfer to the Scholarship Account. **NOTE:** A scholarship amount of \$1,000 was transferred in 2021 from the Scholarship Investment Account but not used fully in that year, leaving an increase in the available cash of \$500 which remained in the General Fund checking at year end 2022. No Scholarships were given in 2022, leaving the \$500 in the General Fund. The Scholarship Fund liability is listed in TCC on the August 31, 2023, Balance Sheet. **RECOMMENDATION:** Funds should not be removed from a Designated Account and put in the General Fund Account unless they have a request for a specific amount *to be disbursed* at that time. Recommend transferring the actual cash back into the Scholarship Account for proper balancing.
- e. This step requires satisfaction by the Church that sufficient internal controls are being followed by the Custodian for the investment funds. The Finance Committee and the Pastor had sufficient comfort that the Florida United Methodist Foundation used strong internal controls in handling its funds.

TCC has no investment accounts.

6. Church Property:

Noted a decrease in *Total Fixed Assets* from 12/31/2022 to 8/31/2023.

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The demolition of a building during 2021 was written off in 2023. A total of \$55,627.28 was posted in 2023 against 1.91.500 Other Buildings.

The roof for the Sanctuary was replaced in May 2023 for a total of \$108,000. The entries were completed to record the increase at the time of the audit.

2023 ACTION: The Financial Committee agreed to bring the Balance Sheet up to date by adjusting Fixed Assets per GAAS guidelines. Thorough research was conducted into Church records, and in conclusion the balances on General Ledger are reasonable based on letters and documents in 2020 which document costs to the Church for the Assets in total. **Thus, using known dates of purchase and amounts for individual properties, depreciation was calculated on each and an entry for Accumulated Depreciation through December 21, 2022, was made.** Entries were processed in 2023 to record Fixed Assets per GAAS.

- a. Deeds and/or Title to all holdings were reviewed. Fourteen properties are held, thirteen have Warranty Deeds and one has an Indenture as proof of ownership.
 - b. All deeds are maintained in locked files in a fireproof filing cabinet in the Maintenance room in the church. Access to the files is limited to a few employees.
 - c. Insurance coverage is maintained for the properties. Coverage of Total Conference Property Limit for 2022 was \$35,000,000. The new property coverage for Tavares Community Church as of June 1, 2023, is \$9,052,750. Total Fixed assets for the church was \$2,385,057.34 on June 30, 2023.
 - d. The appraisal value of the church property (buildings and contents) was \$7,954,158 in 2022. The review of coverage appears more than adequate for requirements.
 - e. Per the Book of Discipline of the UMC, titles held are “in Trust” for the benefit of the UMC and subject to the provision of its Discipline. A review of the Disaffiliation *Release of Trust* document filed with the Lake County Court shows **all Deeds released from The Florida Annual Conference of the United Methodist Church and The Board of Trustees of the Florida Annual Conference of the Methodist Church. This release was effective on June 1, 2023. Thus, all properties are now listed as owned by the new Church with no restrictions.**
7. Church Credit Cards: NOTE: Credit Cards were held by United Methodist Connectional FCU prior to Disaffiliation and became Faith Connection FCU. During the transition to TCC, they allowed the Church to continue to use FUMC credit cards until 9/13/23 then they issued new Credit Cards to TCC.
- a. It was noted four individuals in the church were approved for utilizing credit cards. Tested the following cards: Lowes, Sam’s Club, VISA-Kilgore, VISA-McMichael, VISA-Post and VISA-Valenta. Card statements for a total of 10

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months showed all balances were paid in full within 30 days except one which had a refund that eliminated the remaining balance. The Lowes and Sams credit cards are no longer being used by the Church. The cards were cut up and the Lowes account was closed. CEC continues to use the Sams account.

- b. See #11 c.
8. Tithes and Offerings:
 - a. Reviewed deposit support for five collection dates through May 31, 2023, noting no exceptions to amounts and dates deposited to the General Fund within two business days. Noted three deposits were made to FUMC in June from VANCO. This was due to time to redirect the contributions to TCC.
 - b. Eight credit entries from the revenue accounts were traced to deposits on bank statements. Noted amounts, support, and mathematical accuracy. Traced several VANCO deposits, noting a reduction in totals due to fees and taxes withheld. No exceptions.
 - c. The Bookkeeper, who maintains the General Ledger, can record and alter individual giving records as it is part of the Church Windows system. She also assists in counting Sunday offerings. This is an exception to internal control. It is my understanding that this exception has been approved by the Finance Committee.
 - d. It was noted the Financial Secretary and the Financial Treasurer (Bookkeeper) assist in counting the Sunday offerings as well as occasionally take deposits to the bank. This is an exception to Internal Control per the audit Guide Recommended Procedures (Page 15 item 8d). This exception has been noted and approved previously by the Finance Committee.
 - e. Found five Journal Entries in the General Ledger other than cash receipts or disbursements noting supporting documentation. Two were to transfer cash from FUMC to open new accounts in TCC. Noted approval by Leadership. A third entry was to record a transfer from First United Methodist Foundation to close the account made on 7/24/23, the money was used to pay disaffiliation fees. This was approved by the Leadership Team. The last two entries were to void checks issued for cleaning that never happened. Traced to entries and approval. No exception noted.
9. Other Income: The audit of Children's Education Center will not be completed.
10. Donations: Four significant donors were selected. All were sent confirmation letters. All responded and confirmed the amounts were correct.
11. Church Expenses/Expenditures: Expenditures were tested against supporting documents for the test periods.
 - a. Salary and wage testing found support in Personnel Files for increases and salaries or hourly rates. Test of payroll for February 8th and May 17th, 2023, for twelve (12) employees found no exceptions to amounts for salary, payroll withholdings and net pay. Calculations for all found no exceptions.

- b. Testing for accuracy on payroll tax and benefit calculations noted no exceptions and all calculations were correct.
 - c. Credit Card expenditures were tested noting supporting documentation, expense accounts used and appropriate approvals. Of the nine tested, all had , receipts attached, accounts designated and appropriate approvals for Church charges.
 - d. Nineteen expenses(13 from FUMC and six from TCC) were tested from bank statements for appropriate approval, account expensed, date, invoice, calculation of amount due and date. One payment had NO Invoice (support added), and one had no account listed on request. Four EFT expenses (3 from FUMC and one from TCC) were tested from the Check Register with no exceptions noted. Authorization request substituted for check issuance.
 - e. Noted all expenditures were recorded in appropriate General Ledger accounts and consistent with the established practices of the Church.
12. Insurance Policies: A new Insurance policy for TCC was reviewed, noting adequate coverage for church assets and other coverage in place as appropriate to cover all types of losses. Property and General Liability Insurance is provided through GUIDEONE Insurance, in Des Moines, IA. The policy period is 6/01/2023 to 6/1/2024. Total coverage is \$9,052,750. noting coverage of all parcels and perils, each of the other coverages are now with different insurance companies: accidental and medical for CEC employees through Philadelphia Insurance, liability for the Pastor through CM&F Group and Workers Compensation through The Hartford.
13. Bonding: Professional Liability Insurance is provided through the GUIDEONE Insurance to cover any losses or injury resulting from wrongful acts committed by directors, officers, employees, board members and pastors while acting within the scope of their duties. The coverage appears adequate for leadership comfort. (It is no longer related to any Conference requirements.)

ADDITIONAL INFORMATION

CHANGES IN PERSONNEL IN 2022: It is noted the Church Administrator retired early in 2022 leaving as of the end of the calendar year 2021. The duties previously performed by the Administrator were divided and added to two current employees' job duties. There were new titles assigned to these positions: Church Administrator/Financial Treasurer and Church Administrator/Financial Secretary that provided for the changed responsibilities for the two employees. It is noted no new Job Descriptions have been written for these positions providing for a clear understanding of what is expected of each and that duties previously performed are still being carried out for the church. **RECOMMENDATION:** New Job Descriptions be prepared as quickly as possible to maintain good internal control, provide a complete

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understanding of duties for the employees and most importantly to provide comfort for Pastor Briggs and the leaders responsible for the smooth operation of Church business.

I want to thank Cheryl Kilgore and Nancy McMichael for their time and assistance during this audit. It is always a pleasure to work with them. I want also to thank Pastor Briggs and the church leaders for allowing me to perform this work.