

**ALL GOD'S CHILDREN  
METROPOLITAN COMMUNITY CHUCH**

**AGREED UPON PROCEDURES**

**JUNE, 2010**

**PREPARED BY:**

**MICHAEL S. WILSON**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

**INDEPENDENT AUDITOR'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

The Board of Directors  
All God's Children Metropolitan Community Church  
Minneapolis, Minnesota

We have performed the procedures enumerated below, which were agreed to by the All Gods Children Metropolitan Community Church (AGCMCC), solely to assist you with respect to assuring adequate accounting procedures and other practices are being followed to account for the period ending June, 2010. This engagement to apply agreed upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the AGCMCC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures were designed to assess the internal control environment related to corporate governance, cash receipts, cash disbursements, and payroll. Our procedures included examining, on a test basis, evidence supporting the amounts and disclosures associated with the financial records.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Michael S. Wilson, CPA*

Minneapolis, MN

June 30, 2010

## **Mission Statement**

All God's Children Metropolitan Community Church (AGCMCC) was formed in 1974.

Our present mission statement is: AGCMCC is called by Christ to be:

- A radically inclusive community of faith
- Healed by God's unrelenting grace
- Sent in love to share our gifts with the world

We live this call by offering:

- A safe and healing space
- Engaging our community in dynamic and God'-centered worship
- Offering opportunities for spiritual growth, personal development and activism

The church activities in 2009 supported the mission of the church through programs such as Ministry services, Education, Moose Lake outreach, Membership Development, and Host Home Gatherings.

## **Program Highlights**

### **Ministry Services**

Included in this are regular worship services that draw 200-300 people a week, Local Outreach Team partnering with local organizations to raise funds and provide volunteers, GLBT Pride outreach both in the Twin Cities and Pine City, partnership with Pride Institute with Spirituality Course taught by pastors, partnership with Minnesota HIV Services Planning Council where Pastor Paul serves as co-chair, partnership with Outfront Minnesota where both pastors serve on the People of Faith Alliance network and work on marriage equality and GLBTQ equality issues.

### **Creating Course Curriculum**

This year we have reinvented what was formerly known as the All God's Children Institute, renaming it Sacred U "The YOU-niversity for Spiritual Growth." Growing our spirituality and going deeper with our faith is a stated goal of All God's Children. Sacred U will be the way we offer numerous courses, workshops and institutes on a variety of topics including: servant leadership, progressive Christianity, Biblical studies, book studies and the integration of healthy spirituality and sexuality. CLM (Creating a Life that Matters) is also part of Sacred U and is our official MCC 18 week spiritual development curriculum offered each fall.

### **Moose Lake**

Moose Lake is a monthly worship service at the Sex Offender Treatment facility. The service provides a safe place for gay, bi and transgender residents to explore their faith

and to create community among themselves in an environment that is not always supportive.

### **Membership development**

Our process for membership development has been redesigned to include a two part class that begins with basic information seeking and concludes with discernment and a covenant for the individual to name All God's Children as their official faith home. In addition newer members are contacted throughout their first year to help them become involved and make sure they are feeling at home. Our new group of deacons has identified membership development as one of their focus areas. They are interested in contacting people we haven't seen in church and making sure new members and existing members are consistently cared for.

### **Lenten Home Gatherings**

As part of our strategic planning process we invited members to gather in member homes during Lent to discuss WHO makes up "All God's Children;" WHAT we are being called by God to do or be, and WHO is our neighbor. Their responses will become part of the refreshing of our vision, mission, values and strategic plan going forward.

### **Iowa Marriage Trip**

AGC sponsored a bus that took ten couples to Davenport, IA to be legally married. This trip was extensively covered by KARE, Channel 11. It also provided the first opportunity for both pastors to preside at legally-sanctioned same-sex weddings.

## **Corporate Governance**

All God's Children Metropolitan Community Church (AGCMCC) has a congregationally based corporate governance structure. The Church is part of the Metropolitan Community Church (MCC) denomination and tithes their collections to MCC. However, the governing relationship between the MCC and AGCMCC is weak with the MCC's role limited to an advisory resource for key decisions. The common hierarchal chain of command between an individual church and its denomination does not exist.

According to the AGCMCC's By-laws the Board of Directors is the administrative body of church. The Board of Directors is authorized to provide administrative and policy leadership subject to the direction of the Congregational Meeting and to delegate responsibility of day-to-day operations to the staff and teams. There are ten members of the board serving two year staggered terms, so four new members are elected each year. Both pastors are board members with full voting rights. The remaining 8 members are elected from the congregation at large.

The board of directors performs their primary fiduciary responsibilities. An annual budget is reviewed by the finance committee and approved by the Board of Directors. The budget is created by the board with input from Ministry Team leaders and approved by the Board of Directors. The board becomes the finance team for this endeavor.

The Board of Directors holds monthly meetings to review monthly financial reports, determine ministry priorities, and identify facility issues. During these meetings, approval of financial decisions are recorded in the minutes, and approved at the following meeting before they are posted on the AGCMCC website.

## **Findings**

Effective corporate governance has been compromised by practices. We noted the following opportunities to improve the governance structure.

- The role of pastors as employees and full board members should be addressed by board policies that recognize the potential inherent conflict of interest that can arise and identify a remedy for sensitive issues.
- Each board member should be asked to review and sign a conflict of interest statement annually. The policy should require board members with conflicts of interest (either financial or personal) to abstain from voting on decisions that can compromise their independence.
- A competitive bid policy for large purchases should be implemented that requires the collection of three bids on major purchases above an agreed upon threshold, say \$5,000. In addition, the group responsible for collecting bids should describe how they selected the three bids.

## **Client Response**

We agree that there is a potential for conflict of interest by having the fulltime pastors serve in the fiduciary capacity of Board member. While we have attempted to ensure that pastors abstain from votes that affect their own interests including compensation, we will be more deliberate about that process in the future and will document it in the minutes. In addition, as a result of a recommendation by members of the MCC Board of Elders, we have removed one of the pastoral positions from the Board. In addition, while the Elders recommended that the Board member-pastor act as moderator or chair, that responsibility has been delegated to another lay board member further to ensure that there is no real or apparent conflict of interest in the conduct of meetings or the framing of agendas.

We agree that conflict of interest policy statements and commitments should be signed by each board member annually. Such statements have been signed by each of the current board members and this action will be repeated annually going forward.

Competitive bidding is extremely important to ensure that we are exercising our fiduciary responsibility over the church finances. In fact, for all significant property projects and contracts, of any significance (certainly all those in excess of \$5,000) have been competitively bid over the past five years. However, there is no formal policy requiring that process from the Property Team or any other team or employee making significant

purchases. Such a policy will be developed as part of the current effort to revise and reshape all of the church's documented policies and procedures.

## **Management**

AGCMCC is managed by a co-pastor approach has led to split set of responsibilities without clear lines of responsibility for each Pastor. Many of the management responsibilities are performed by Team Leaders. According the AGCMCC bylaws, teams are formed by the Pastor(s) and approved by a majority vote of the Board of Directors as needed for both administrative and ministry needs. Team leaders are appointed by the Pastor(s) and approved by a majority vote of the Board of Directors. Team leaders are required to sign a leadership covenant on an annual basis. As of the end of 2009, there are 18 distinct teams operating with volunteers leading the teams. Team Leaders may be volunteers or paid staff.

## **Findings**

- There is not a clear line of responsibility for each Pastor as a result there is a risk of inconsistency in practicing and enforcing policies.
- The Church has an evolving organization structure that includes key positions held by staff and volunteers. In this environment, management override of key controls can easily take place. An organization chart is an important element of internal controls.
- A performance review by the Board of Directors of Team Leaders to provide oversight of these roles is an important control. In addition, an annual vote for reappointment would be an important control for Team Leaders.
- There is evidence during the year that paid staff were working and reporting to a key volunteer as in the case of the custodian.

## **Client Response**

While each pastor has a documented set of ministry team responsibilities, the processes to be followed by teams have not been generally documented—and certainly not in a consistent way. This, too, will be handled with the current policy and procedures revision process. In addition, with the reversion to a single pastor, who serves in a leadership position on the board, there will be less ambiguity between the roles of the two pastors.

The Board has been advocating for an organization chart to be implemented for some time. That will be accomplished as part of the policy and procedure update process.

The Board agrees that periodic review of team leaders is important and has typically relegated that function to the pastor who is responsible for the ministry area. We will undertake this review on an annual basis going forward, and will also annually reaffirm these leaders (or replace them as appropriate).

The reporting relationship of the custodial staff to a volunteer church administrator has not been problematic, and was done as a convenience to the pastors to relieve them of this ministerial function. We do not see that there is a compelling reason to change this relationship.

## **Financial Reporting**

AGCMCC is not required to have an independent review of its financial statements nor is it required to prepare a 990 tax return. Consequently, all financial reporting is internally driven based on the desires of the board of directors. Over time, board members have requested additional reports. As a result the board of director monthly reporting package may be more extensive than what is typical of organizations of similar size. The monthly reporting package includes a set of financial statements with detail on accounts, key performance indicators, a balance sheet, a statement of profit and loss with a summary of budget to actual, and a list of restricted funds. As the number of funding sources, reporting requirements, and programs multiply, the preparation of the statements that are consistent with generally accepted accounting principles in the United States will become more challenging.

### **Findings**

- The Church should consider creating a finance committee to meet separately and review the financial statements. The Finance Committee can summarize and make a report to the overall board of directors to make the review of finances more efficient.
- The Church relies on a volunteer to prepare financial statements. The effort is time consuming and significant. In addition, there is a limited independent review so if errors are made they are not easily detected.
- AGCMCC has accounting practices that are not consistent with generally accepted accounting practices with financial statement reporting.
- It was noted that due to the timing of month-end donations, a proper cut-off of contributions is not always reported in the income statement. An adjustment to retained earnings is used in lieu of reporting contributions. This practice understates contributions.
- While performing a randomly selected one month test, the bank reconciliation report did not reconcile the bank balance to the ledger balance. In this instance the ledger balance was understated. A bank reconciliation that reconciles the bank balance to the ledger balance is an important control over cash.
- The Church may benefit from an annual or bi-annual review of the financial statements by an independent source. In addition to having independent observation, the Church staff could also become more familiar with the proper presentation of restricted contributions which many accounting software programs are not able to provide.

### **Client Response**

We agree that the creation of a finance committee is a good idea, and have been discussing that as part of our own governance dialogue. A finance committee will be appointed in the next Board committee selection cycle.

We agree that there is risk in taxing a single volunteer with the laborious and time-consuming task of all financial accounting, bill payment, and treasurer reporting. We will seek to recruit an assistant Treasurer who can assist in the duties and also act as a check and balance so there is no single point of accountability/failure.

The finding with respect to our non-compliance with generally accepted accounting principles is referring specifically to elements of FASB 116 and FASB 117 that require not-for-profit corporations to recognize contribution pledges as accounts receivable and therefore, revenue at the time the pledge is made. Doing so would be extremely time-consuming to track with very little value added to the clarity of the financial statements. There will be no leadership action to change this practice.

With respect to the practice of month end cutoff of automated contributions and the potential reconciling difference it causes, the issue in question was the error of reporting this reconciling difference to retained earnings instead of the current income line. This practice has been corrected starting January 2010. The reconciling difference is caused by the bank statement month end cut off date differing from when the counting team records the donations. Without daily entry of automated contributions, the reconciling difference will continue indefinitely. We do not have the personnel to achieve any change in this area at this time.

With respect to differences found during review of a sampled monthly bank reconciliation, the issue was that the ending balance on the bank reconciliation did not match the amounts on the published balance sheet for that month. Further review indicated that the financial statements were issued prior to the bank reconciliation being completed. When the balance sheet report was run again (after the reconciliation was completed), the difference between the two documents was \$158.00 which is immaterial. The practice of having the bank reconciliation done after financial statements are issued each month is common due to volunteer scheduling conflicts. We are aware it is not ideal. The importance of separation of duties in the bank reconciliation area is more important than any temporary inaccuracy it may cause.

We will consider having an annual review of our financial statements by an independent source, as the financial condition of the church allows.

## **Internal Controls**

AGCMCC has established internal controls associated with cash receipts, disbursements, and payroll. A summary of these controls are listed below.

### **Cash Receipts**

The primary source (90%) of cash receipts are plate collections from two services that are held each Sunday. Rental income and automated deposits make up the remaining amount. The offerings are collected by two persons, the lead usher and a board member for each service. The funds are emptied into a sealed bank collection bag, and the board member places the money into the safe. Plate collections are held in the safe until the following Tuesday when the count team arrives in the morning to count the money. The counting team includes 2 volunteers with keys to the building and 2 volunteers with combination to the safe. The counting team counts the funds and identifies restricted funds on a deposit report. The source documents consisting of giving envelopes and checks are segregated into the different fund categories by one member of the counting team and another member uses the sorted source documents to record the individual gifts into Servant Keeper, software used to track donations and generate year-end tax statements. At the end of this process, the results are compiled onto the weekly deposit report with a printout of the servant keeper entry which is filed in a locked cabinet for retention. The applicable cash and checks for the week are entered on the bank deposit slip and placed in a locked bank bag for transport to the bank. A member of the counting team, David Hettinga, transports the locked bag to the bank and makes the deposit. A copy of the weekly deposit report is provided to the Treasurer who uses it to record the deposit into QuickBooks.

The Church uses Vanco Services to manage their automated giving which averages \$2,200 per week in 2009. The Treasurer (James) is responsible for setting up the automated giving account on Vanco after receiving notification from a congregant that they are interested in automated giving. Each week a report is run from the Vanco system that identifies the collections. The amount is recorded on the weekly deposit report. Timing differences can exist between the Vanco process date and the bank deposit date. (These differences are the source of the retained earnings entry noted above).

The remaining cash receipts come from the rent collected for the use of the facility. The annual total of approximately \$15,000 appears to match the rental agreements.

## **Findings**

- The ideal scenario is to count cash on the day it is collected.
- While there are two people involved in observing the sealing of the bag, only one board member takes the deposit to the safe with the assumption they cannot open the sealed bag. This occurs before any money is counted.
- The deposit report should be matched to the deposit slip received by the bank.
- The Servant Keeper records should be reconciled to the financial statements periodically. While the Servant Keeper may not match the financial statements due to differences in the reports like in-kind contributions, an effort should be made to ensure these reports are consistent
- Some key players in the cash receipts processing have been in their roles for an extended period. An important control for the Church is to require these people to take a break from their responsibilities to determine if there are significant changes in cash receipts.
- A back up should be established to have access to the Vanco website.
- A process should be established to ensure the money counted matches the deposit report.

## **Client Response**

We are simply unable to put a process in place that counts cash on the day it is collected, as we rely entirely upon trusted volunteers to do this work and they are not available on the date of collection. We are confident, however, that our placement of the receipts in the safe, careful control of the safe combination and other checks and balances in place gives a reasonable assurance that we will not suffer a loss of cash in the intervening day or two.

We agree that two people should deliver the sealed bags to the safe and will implement that practice immediately.

We will begin immediately matching the deposit report with the deposit slips received by the bank. This will be accomplished by the counting team prior to each deposit. A cursory review of the Servant Keeper data will be completed on an annual basis. The time necessary to conduct a full reconciliation of this data is simply not commensurate with any added value to the financial reporting process for our organization.

The cash counting team has several members who have been in the process for some time, as noted in the audit report. Others, however, are newer at this task. As we are able to find more willing volunteers to take on this task, we will rotate membership on this committee.

We will train and provide access to a backup for the Vanco site.

The counting team will develop an additional process to reconcile the money counter to the deposit report, although through double counting and other checks and balances this is already done to an extent.

## **Cash Disbursements**

Cash disbursements are normally done through checks that are prepared using the QuickBooks accounting software. All checks are prepared by the Treasurer, and require dual signatures. Checks are normally one of four types: 1.) Invoices from the mail; 2.) Reimbursements of expenses; 3.) Credit card purchases; and 4.) Mortgage payments.

Invoices received through the mail could be collected by anyone in the church office since there is no mail box. When an invoice is collected, the unopened invoice is routed to one of 18 Ministry Team Leaders based on the type of invoice, or to the Treasurer. Ministry team leaders approve the invoice for payment by writing ok to pay on the invoice and signing the invoice. Invoices are routed to a volunteer who enters the bill into the accounts payable module in QuickBooks. Sometimes bills are entered before they are approved. If an invoice bypasses the volunteer, the Treasurer may enter the bill into QuickBooks. The invoices are collected into a "To Pay" folder. The Treasurer compares the To Pay folder invoices to the accounts payable module, and prepares the checks on Saturday and signs them. The check and supporting invoice

is brought to Sunday service for a review and second signature from another board member. The checks are mailed by volunteer administrative staff on Monday or Tuesday.

Reimbursements are submitted to the Treasurer with a check request form. The check request form is prepared with supporting documentation such as an invoice and is normally approved by a pastor or a Ministry Team Leader. Checks are prepared after approval and supporting documentation are verified.

Credit card purchases are made primarily by the co-pastors. On occasion staff or a key volunteer uses the credit card to make purchases. Each credit card purchase is required have supporting documentation. The Treasurer reviews the credit card statement for reasonableness before making the credit card payment. All charges are transferred to the accounting system by the Treasurer based on an understanding of the type of expenditure.

Mortgage payments are drawn out the account by the bank that holds the mortgage on a selected day of the month.

No blank checks or checks payable to cash are prepared. The Treasurer keeps checks at home.

A random sample of invoices were selected for testing representing expenditures for Tithes, DUO Fund disbursements, church credit card payments, merchant service fees, and building projects. The compliance tests confirmed that each of the disbursements were processed properly and no exceptions were noted.

## **Findings**

- AGCMCC should use a mail box to collect all mail and designate one person to collect the mail.
- Employees and key volunteers should be covered by employee dishonesty insurance.
- Some regularly paid invoices are paid without signed supporting invoices. This compromises the management assertion that all payments are approved. A predetermined list of invoices that do not need approval is acceptable or a check request form prepared by a Pastor helps to ensure checks are approved before they are prepared.
- There is no independent control of a vendor list so a new vendor can be set up without Church approval.
- The Treasurer has control over all phases of a transaction receiving the invoice, recording the invoice, preparing the check, and signing the check. No one person should have control over all phases of the transaction.
- Blank check stock should be kept in a locked and secure location preferably at the Church.
- Credit card uses by persons other than the pastor should be supported by an email or other documentation to show the approval was given before the card was used.
- The key players in the check disbursement process should also be required to take vacations.

## **Client Response**

We are examining the possibility of having a single secure mailbox, with a single point of responsibility for collecting and distributing the mail internally. We are, however, dependent upon volunteers for these tasks and obtaining consistency in the role will be difficult.

We will explore the cost and feasibility of employee dishonesty insurance coverage for employees and key volunteers.

The Treasurer will prepare a list of routine invoices that do not need signed supporting invoices, and will also consider implementation of a check request form.

We will ask the volunteer church administrator to prepare a list of approved vendors for routine purchases.

With respect to the finding that no one person should have control over all phases of a transaction, there are processes in place already that mitigate this perceived risk substantially. These include, having department heads approve disbursements prior to payment, having a volunteer administrative assistant enter most bills into the accounts payable module, having a second signature required on all checks prior to disbursement, having the former treasurer reconcile the bank accounts, and having the checks mailed and back up filed by a volunteer other than the treasurer. We agree that ideally all these duties would have clearer separation. However, due to the size of our organization and reliance on volunteers, we feel that the risk involved is relatively low, given the steps we already have taken.

Blank check stock is kept in a locked cabinet at the treasurer's residence.

We will require at a minimum an e mail documenting credit card usage by anyone other than the pastors.

We will develop a backup for the check writing and disbursement process, who will periodically assume those duties on a temporary basis when the Treasurer is on vacation.

## **Bank reconciliations**

Bank statements are currently reconciled on a timely basis by a volunteer with access to quick books. However due to the volunteer's schedule, the bank reconciliation is not always completed prior to the issuance of monthly financial statements.

## **Findings**

- The bank reconciliation tested did not reconcile the bank balance to the register balance.  
The bank reconciliation does not appear to be reviewed in a meaningful way.
- A handful of outstanding checks were considered old and should be voided after some point.

## **Client Response**

As noted above, the difference found was ultimately an immaterial amount and the separation of the duties is more significant to management at this time.

We will void the handful of outstanding checks with old numbers as recommended.

## **Payroll**

The AGCMCC processes payroll bi-weekly. There are four paid employees that include two Pastors, a music minister, and a custodian. The Pastors receive a housing allowance in addition to their salary. The payroll is processed automatically for three of the four employees assuming that they work 80 hours per pay period for the pastors and 50 hours per pay period for the music minister, since salaried employees are not required to prepare timesheets. A time clock time card is used to record the time of the custodian. The time card is approved by a volunteer. ACCMCC uses an outside service provider to process their payroll. The payroll is processed by the Treasurer who is the only person who knows how to process the payroll.

Independent contract work is supported by the use of invoices that itemize dates and activities in a reasonable format to provide an audit trail. AGCMCC files 1099s with the IRS for contracted workers.

ACCMCC maintains personnel files with relevant employment records. Files include employment offer letters with salary updates and any reprimands.

## **Findings**

- Each employee should have a job description. Each position should have a requirement on how many hours they work and if the employee is benefit eligible. These job descriptions should include whether the employee is exempt or non-exempt to identify if they are eligible for overtime.
- The church should consider converting the hourly workers to a salary to avoid the exposure that can occur if the Church is found to not paying for hours worked. This could help manage the cyclical nature of the work.
- Employees should be required to prepare timesheets which are approved by responsible persons to document their work.
- For Pastors, a periodic review of their goals, accomplishments can help to verify they are performing to expectations.
- There is no evidence that timesheets support the allocation of salary to funding sources. It appears salaries are allocated to programs based on budgeted amounts or available funds. While this is not a compliance requirement based on funding sources it may be useful information for the board of directors to know.
- The Treasurer is the only person with knowledge of how to process the payroll. A separate person should review the payroll after processing to verify accuracy.

- A human resource policy manual provides guidelines for employee management interactions.

## **Client Response**

We agree that each employee should have a job description in a uniform format, and we are asking the Personnel liaison of the Board to undertake a review of the job descriptions that currently exist for all positions, and suggest revisions and a consistent format.

We do not agree that converting the sole hourly employee (the custodian) to a salary will be effective—given the variability of hours worked by that individual and the desire to ensure that hours claimed are recorded through the time clock since they are worked at off hours. We believe the risk of underpaying for hours is extremely small, and accept that risk.

We agree that any employee paid on an hourly basis should complete timesheets and have them approved. This is currently the practice for the church's only hourly paid staff member.

We agree that Pastors should have goals and a periodic review of those goals. The Personnel liaison is currently leading such a review of both pastors.

We agree that allocation of salary to projects can be a useful management tool, and will consider putting such a practice in place for those employees who support more than one program (currently, only the music minister).

We will develop a backup for payroll preparation.

Human resource policies will be developed and updated as part of our current policy and procedure review being undertaken by the Board.