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LOUISIANA BAPTIST FOUNDATION

Financial Reporting Best Practices

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3 Main Points

1. The Internal Control Framework
2. Month-End Close Procedures
3. Reports and Monitoring

The Internal Control Framework

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Why does it matter?

- **Accurate and reliable data** – Ensure financial information is complete, accurate, and reliable
- **Consistency and comparability** – Apply accounting policies consistently
- **Transparency and clarity** – Present key information clearly
- **Timeliness** – Deliver information promptly so stakeholders can make informed decisions
- **Decision-useful insights** – Highlight trends, risks, and organization implications

Internal Control Framework

Control Environment

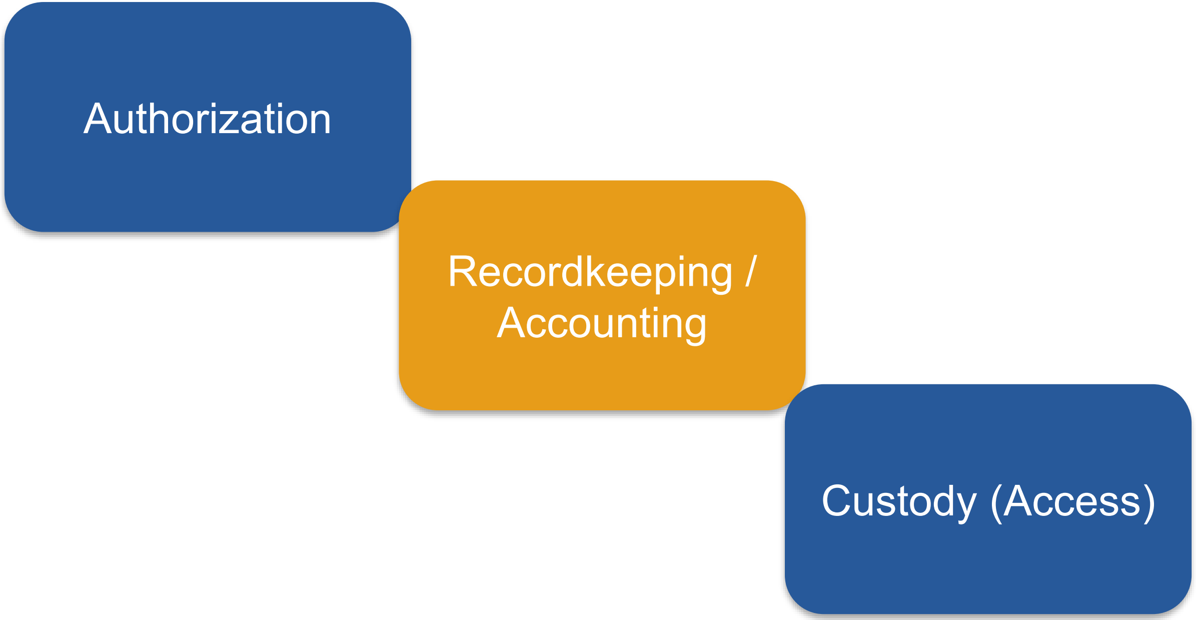
- Tone at the top!
  - Establish integrity, ethical values, accountability, and organizational structure
- How does the governing board demonstrate independence from management in exercising oversight?
- How does the board help management establish structure, reporting lines, and appropriate authorities/responsibilities?
- How does the organization attract, develop, and retain competent individuals?
- How does the organization hold individuals accountable?
- How does the board oversee the internal control environment?

Risk Assessment

- Identify what could go wrong – evaluate threats that could stop the organization from meetings its mission
- Identify risks → estimate their significance → assess the likelihood of their occurrence → implement control activities

Control Activities

Policies and procedures designed to prevent, detect, and mitigate risks.



Information and Communication

- Getting the **right** information to the **right** people at the **right** time
- How does management communicate financial reporting roles and responsibilities to the board, employees, and external parties?
- What reports are being prepared?

Monitoring

- Ongoing and periodic evaluations
    - Ensure controls are operating as intended
    - Identify deficiencies and drive corrective action

- Bottom line: Effective internal control requires <u>all five components working together</u> — not in isolation.

Month-End Close Procedures

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Month-End Close Procedures

1. Cash & Banking

☐ Reconcile all bank accounts to the general ledger and review by second individual
☐ Reconcile credit cards and payment platforms
☐ Record outstanding checks, deposits, and electronic transactions
☐ Investigate and resolve unusual or unreconciled items
☐ Verify restricted cash balances, if applicable

2. Revenue & Contributions

☐ Record all contributions and donations received during the month
☐ Review contribution revenue for proper donor restrictions
☐ Reconcile donor system to the general ledger and review by second individual
☐ Record pledges receivable and related activity
☐ Review grants and contracts for revenue recognition requirements
☐ Update deferred revenue, if applicable
☐ Confirm in-kind contributions and donated services are recorded appropriately

3. Accounts Receivable

☐ Reconcile accounts receivable subledger to the general ledger
☐ Review aging for past-due balances
☐ Follow up on significant or delinquent receivables
☐ Assess allowance for credit losses, as applicable
☐ Record required write-offs or adjustments

4. Accounts Payable & Expenses

☐ Process all invoices received before the close deadline
☐ Review unpaid invoices for completeness
☐ Accrue expenses incurred but not yet invoiced
☐ Reconcile AP subledger to the general ledger and review by second individual
☐ Review employee reimbursements and corporate card activity
☐ Confirm expenses are coded to the correct program, department, and funding source
☐ Review prepaid expenses and record monthly amortization

5. Payroll & Benefits

☐ Reconcile payroll register to the general ledger
☐ Record payroll accruals for unpaid wages
☐ Record payroll taxes and benefits
☐ Reconcile benefit-related liabilities
☐ Verify allocation of payroll across programs and funding sources

6. Grants & Restricted Funds

☐ Reconcile each significant grant to supporting schedules
☐ Update grant revenue and expense-to-budget schedules
☐ Verify expenses charged to restricted grants are allowable
☐ Review restricted fund balances and releases
☐ Record releases from donor restrictions when requirements are satisfied
☐ Review grant receivables and deferred revenue
☐ Identify upcoming grant reporting or compliance deadlines

Month-End Close Procedures, continued

7. Fixed Assets & Other Balance Sheet Accounts

☐ Record capital asset additions and disposals
☐ Record monthly depreciation
☐ Reconcile fixed asset subledger to the general ledger and review by second individual
☐ Review prepaid expenses and other assets
☐ Reconcile loans, leases, and other long-term liabilities
☐ Review deferred revenue and other significant liability accounts
☐ Investigate unusual balance sheet fluctuations

8. Journal Entries & General Ledger

☐ Post recurring monthly journal entries
☐ Review manual journal entries for support and approval by second individual
☐ Complete account reconciliations and review by second individual
☐ Investigate unusual or unexpected balances
☐ Review month-over-month variances
☐ Confirm all required accruals and adjustments have been posted

9. Financial Statement Review

☐ Review Statement of Financial Position
☐ Review Statement of Activities
☐ Review Statement of Cash Flows, if prepared monthly
☐ Compare actual results to budget
☐ Review program, fundraising, and administrative expenses
☐ Analyze significant revenue and expense variances
☐ Review net assets by donor restriction
☐ Identify items requiring management explanation

10. Management & Board Reporting

☐ Prepare monthly financial package
☐ Prepare budget-to-actual reports
☐ Prepare cash and liquidity summary
☐ Highlight significant variances and emerging risks
☐ Provide grant and program financial reporting as needed
☐ Obtain controller/CFO review and approval
☐ Distribute finalized reports to appropriate leadership or board committees

11. Final Close & Documentation

☐ Confirm all close tasks are complete
☐ Lock the accounting period
☐ Save reconciliations and supporting documentation
☐ Review outstanding reconciling items and assign owners
☐ Document significant accounting judgments and adjustments
☐ Update the close tracker with completion dates and reviewer sign-offs
☐ Archive the final reporting package

Month-End Close Procedures, continued

Timing	Key Activities
Day 1 – 2	Cash, credit cards, AP, payroll, contributions
Day 3 – 4	Accruals, grants, restricted funds, balance sheet reconciliations
Day 5	Journal entries, variance analysis, financial statement review
Day 6 – 7	Management review, corrections, final reporting
Day 8+	Board/leadership reporting and follow-up items

Close objective: Produce financial statements that are **accurate, complete, timely, and supported by documented reconciliations and review.**

Reports and Monitoring

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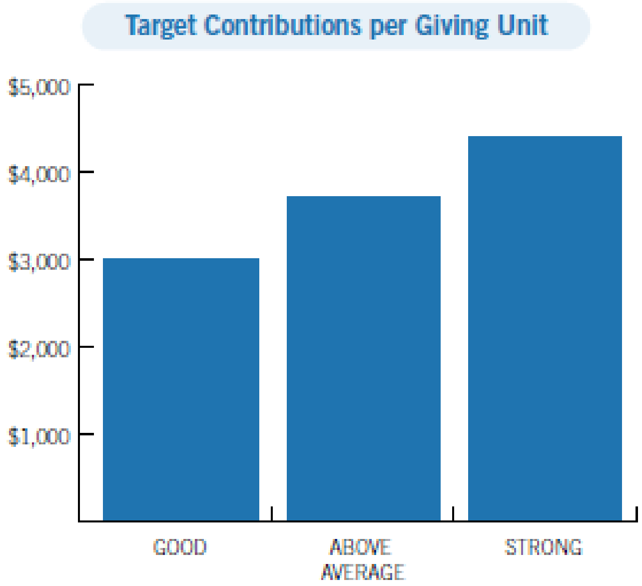
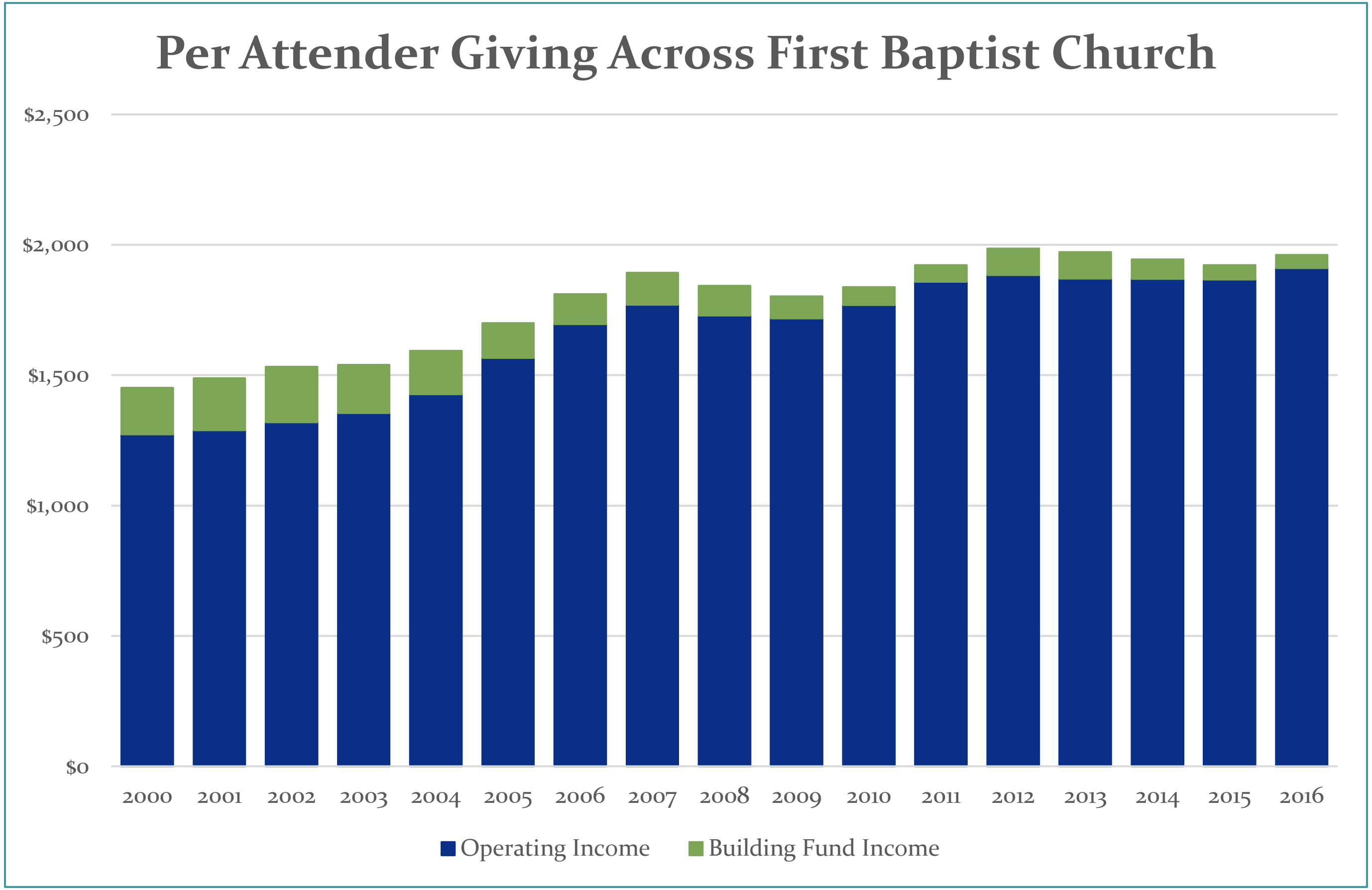
Sample Statement of Activities

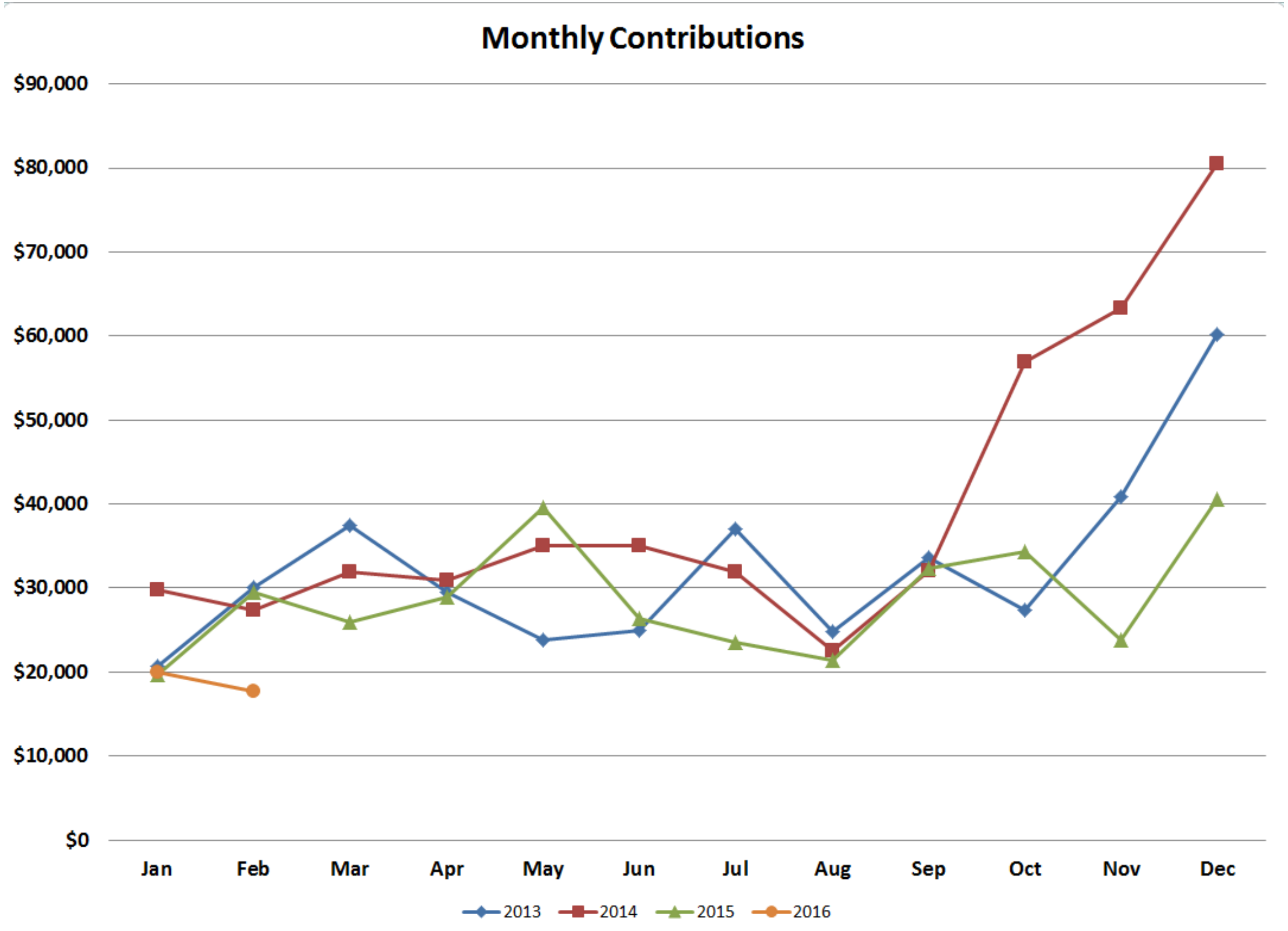
First Baptist Church				
Year Ended 12/31/26				
	This Month	YTD Actual	YTD Budget	Difference
Support and Revenue:				
Contributions	$10,297	$77,423	$80,000	($2,577)
Interest Income	$4,000	$32,000	$32,000	$0
Other Income	$28	$1,774	$1,000	$774
Total Support and Revenue	$14,325	$111,197	$113,000	($1,803)
Expenses:				
Staff Payroll Expenses	$6,237	$52,111	$56,000	$3,889
Missions	$1,029	$7,742	$8,000	$258
Facility Costs	$1,744	$12,872	$12,500	($372)
Christian Formation	$1,011	$2,755	$2,500	($255)
Worship	$327	$2,400	$3,000	$600
Marketing/Outreach	$500	$1,577	$2,000	$423
Equipment	$0	$22,045	$22,000	($45)
Other	$17	$985	$2,000	$1,015
Total Expenses	$10,865	$102,487	$108,000	$5,513
Change in Net Assets	$3,460	$8,710	$5,000	$3,710

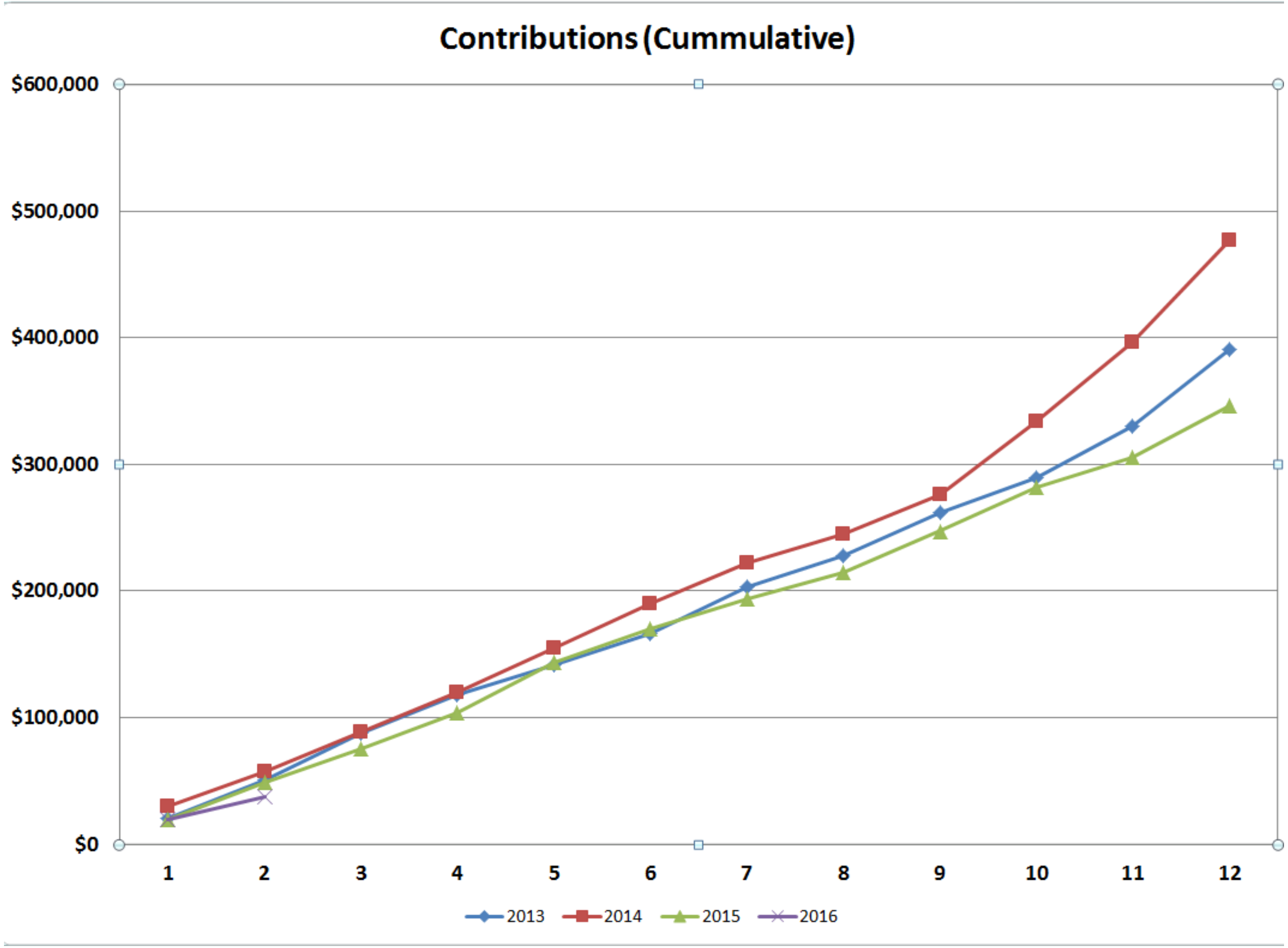
Monitoring – Giving

- Giving per donor
  - This can be segregated multiple ways, such as:
    - Large donations vs. small donations
    - Members vs. attendees
    - Demographically (ZIP code, etc.)
- Number of giving units
- Giving trends
  - Month to month
  - Year to year
  - Per attendee




Per Attender Giving Across First Baptist Church
$2,500
$2,000
$1,500
$1,000
$500
$0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Operating Income
Building Fund Income


Monthly Contributions
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2013
2014
2015
2016



Contributions (Cummulative)
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
1
2
3
4
5
6
7
8
9
10
11
12
2013
2014
2015
2016

Monitoring – Expenses

- Practical ways to monitor expense trend:
  - Are expenses related to strategy? If not, they may be within budget and still not furthering the ministry.
  - Involve the staff — let them know you’re watching, but also include them in identifying cost-cutting measures.

Ratios – Expense Ratios

- Salaries and benefits as a percentage of income and/or expense
  - Good comparison with other ministries to determine appropriateness of compensation
  - Recommended benchmark is 40% – 55% of expenses (includes outsourced employees)
- Missions as a percentage of total expense (or income)
- Facilities as a percentage of total expense (or income)
- Expenses per average attendee – what is the total cost per person in your church?

Every Church Should Be Aware Of:

- Monthly giving trends:
  - Impacts budgeting
  - Impacts when expenses are planned
  - Consider electronic giving
  - Shows reliance on reserves or a line of credit
- Consider tracking contributions per attendee or per giving unit

Every Church Should Be Aware Of:

- Debt covenant requirements
  - Financial statement deadlines
  - No other debt (leases, etc.)
  - Debt coverage ratios
  - Other ratios

Every Church Should Be Aware Of:

- Cash availability
  - Cash less payables and net assets with donor restrictions
  - It not about how much cash, but whose cash is it!
- Cash reserve ratio
  - Cash/(expenses/12) – # of months of expenses covered by cash
  - Reserves are critical, especially where services could be disrupted by weather or natural disasters

Helpful Leadership Reports

- Department Budget-to-Actual
  - Who’s accountable and who’s responsible for monitoring? *(if more than one, then no one is...)*
- Overall Budget-to-Actual
- Cash Projection
- Cash Management Report

Helpful Congregation Reports

- Depends on church structure
  - Annual or quarterly meetings
    - Audit* report with Statement of Financial Position and Statement of Financial Activities
    - Budget with explanations
    - Building or pledge campaign update
    - Auditor’s report – Audit or Review
    - Attendance

Sample Chart of Accounts and Budget to Actual Report

	Jan - Apr '21	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
General Fund Offerings	0.00			
Program Revenue	0.00			
Total Income	0.00			
Expense				
Pastor's Package				
Pastor's Salary	0.00			
Pastor's FICA	0.00			
Pastor's Housing Allowance	0.00			
Health/Life Insurance	0.00			
Pension	0.00			
Pastor's Package - Other	0.00			
Total Pastor's Package	0.00			
Staff Expenses				
Office Secretary	0.00			
Worship Leader	0.00			
Minister of Youth	0.00			
Minister of Christian Education	0.00			
Custodian/Landscaping	0.00			
Nursery Attendant	0.00			
Staff FICA	0.00			
Staff Expenses - Other	0.00			
Total Staff Expenses	0.00			

Sample Chart of Accounts and Budget to Actual Report

	Jan - Apr '21	Budget	$ Over Budget	% of Budget
Facility Costs				
Rent				
Office	0.00			
Worship Space	0.00			
Rent - Other	0.00			
Total Rent	0.00			
Mortgage Payment	0.00			
Liability Insurance	0.00			
Repairs and Maintenance	0.00			
Utilities				
Electricity	0.00			
Gas	0.00			
Water	0.00			
Utilities - Other	0.00			
Total Utilities	0.00			
Facility Costs - Other	0.00			
Total Facility Costs	0.00			

Sample Chart of Accounts and Budget to Actual Report

	Jan - Apr '21	Budget	$ Over Budget	% of Budget
Ministry Expenses				
Annual Meeting	0.00			
Conference Annual Meeting	0.00			
Pastor's Reimbursed Expenses	0.00			
Ministry Expenses – Other	0.00			
Total Ministry Expenses	0.00			
Christian Education				
Nursery Supplies	0.00			
Childrens Church	0.00			
Sunday School Curriculum	0.00			
Vacation Bible School	0.00			
Adult Sunday School	0.00			
Christian Education - Other	0.00			
Total Christian Education	0.00			
Evangelism/Outreach/Marketing	0.00			
Fellowship Events				
Fellowship Supplies	0.00			
Flowers	0.00			
Special Events	0.00			
Fellowship Events - Other	0.00			
Total Fellowship Events	0.00			
Office Expenses				
Copier Lease & Maintenance	0.00			
Telephone	0.00			
Postage	0.00			
Office Supplies	0.00			
Office Expenses - Other	0.00			
Total Office Expenses	0.00			
Worship Team Expenses				
Copyright License (CCLI)	0.00			
Honorariums	0.00			
Worship Equipment	0.00			
Worship Team Expenses - Other	0.00			
Total Worship Team Expenses	0.00			
Total Expense	0.00			
Net Ordinary Income	0.00			

Sample Chart of Accounts and Budget to Actual Report

	Jan - Apr '21	Budget	$ Over Budget	% of Budget
Other Income/Expense				
Other Income				
Non-Budget Designated Income				
Building Fund	0.00			
Designated Missions	0.00			
Non-Budget Designated Income - Other	0.00			
Total Non-Budget Designated Income	0.00			
Total Other Income	0.00			
Other Expense				
Non-Budget Designated Expense				
Designated Missions	0.00			
Building Fund	0.00			
Non-Budget Designated Expense - Other	0.00			
Total Non-Budget Designated Expense	0.00			
Total Other Expense	0.00			
Net Other Income	0.00			
Net Income	0.00			

Additional Resources

- The Church Network – thechurchnetwork.com
- Evangelical Council for Financial Accountability – ecfa.org
- Christianity Today – christianitytoday.com
- CRI CapinCrouse – criadv.com

Questions or comments?

Thank you!

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