

Crossroads Tax and Business Services

Church Tax and Accounting System Compliance Analysis

We will review 21 areas in six categories:

Payroll and payroll taxes (page 3)

- 1 Pastor's compensation package**
- 2 Pastor's tax returns**
- 3 Employee payroll records**
- 4 Payroll tax returns**

Non-payroll taxes and related (page 4)

- 5 Non-payroll tax returns**
- 6 Filings and correspondence with tax authorities**
- 7 Filings and correspondence with non-tax regulatory authorities**

Corporation and exempt status documents (page 5)

- 8 Corporation documents**
- 9 Exempt status documents**

Accounting system and financial records (pages 6 and 7)

- 10 Financial statements and budgets**
- 11 Accounting system information**
- 12 Bank account statements and reconciliations**
- 13 Credit card statements and reconciliations**
- 14 Lists of assets and asset records**
- 15 Financial assets/brokerage accounts and reconciliations**

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Accounting system and financial records (pages 6 and 7) - continued

16 Program information and records

17 Donor information and records

Policies and procedures (page 7)

18 Personnel policies and procedures

19 Church operations policies and procedures

20 Finance and accounting policies and procedures

Files (page 8)

**21 Corporation, tax, financial, employee, vendor, donor,
insurance and pension plan files**

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Payroll and payroll taxes

- Pastor's compensation package -
all related documents, including those that provide information about: Salary, housing, fringe benefits, expense reimbursement plan and policy, credit cards, vehicles, retirement plan, and any other documents related to the Pastor's compensation package
- Pastor's tax returns (IRS 1040, U.S. Individual Income Tax Return) - 3 years
- Employee payroll records, including employees' timesheets or timecards
- Payroll tax returns
 - IRS 940 (Employer's Annual Federal Unemployment (FUTA) Tax Return) - prior year's return
 - IRS 941 (Employer's Quarterly Federal Tax Return) - all 4 quarters from the prior year plus current year's returns
 - EDD DE6 (Quarterly Wage and Withholding Report) - all 4 quarters from the prior year plus current year's returns
 - EDD DE7 (Annual Reconciliation Statement) - prior year's statement
 - IRS W-2 (Wage and Tax Statement) - prior year's statements
 - IRS 1099-MISC (Miscellaneous Income) - prior year's statements

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Non-payroll taxes and related

- Non-payroll tax returns
 - IRS 990 (Return of Organization Exempt from Income Tax)
 - prior year's return
 - IRS 990-T (Exempt Organization Business Income Tax Return) - prior year's return
 - FTB 199 (California Exempt Organization Annual Information Return) - prior year's return
 - FTB 109 (California Exempt Organization Business Income Tax Return) - prior year's return
- 1099-MISC (IRS - Miscellaneous Income)
- Any other filings and correspondence with tax authorities - IRS, California and other states' payroll tax authorities, other states' workers' comp payroll tax authorities, California and other states' sales tax authorities, California and other states' property tax authorities, any other tax authorities - 2 years
- Filings and correspondence with non-tax regulatory authorities and departments - Secretary of State, Department of Labor, any other non-tax regulatory authorities - 2 years

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Corporation and exempt status documents

- Articles of Incorporation
- Corporate By-Laws
- Secretary of State recording document
- Board of Directors meeting minutes
- Organization chart
- Documents related to the corporation's exempt status
 - IRS 1023 (Application for Recognition of Exemption)
 - IRS determination letter
 - all other documents and correspondence with the IRS regarding the church's exempt status
 - FTB 3500 (Exemption Application) or FTB 3500A (Submission of Exemption Request)
 - FTB determination letter
 - all other documents and correspondence with the FTB regarding the church's exempt status

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Accounting system and financial records

- Financial statements - 2 years
- Budgets -2 years
- Budget to actual analysis -
prior year's plus any for the current year
- Chart of accounts list
- List of vendors
- Disbursement registers
- List of bank accounts – checking, savings, CD and any other bank accounts
- Bank account statements and reconciliations for each of these accounts - all 12 months from the prior year plus all months for the current year
- List of credit cards
- Credit card statements and reconciliations for each of these credit cards - all 12 months from the prior year plus all months for the current year
- List of church financial asset/brokerage accounts
- Financial asset/brokerage account statements and reconciliations - all 12 months from the prior year plus all months for the current year
- Lists of assets: financial assets, real assets (land and buildings), personal assets (all other assets)
- Records of assets contributed to the church, including ownership documents and county filings
- Information on restricted assets
- Lease and rental agreements for property:
 - Owned by the church
 - Leased or rented by the church

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Accounting system and financial records - continued

- List of programs
- Program records
- List of donors
- Pledge records
- Giving records
- Deposit registers

Policies and procedures

- Personnel Policies and Procedures Manual
- Employee Handbook
- Church Operations Manual
- Finance and Accounting Policies and Procedures Manual

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Files

- Corporation
- Tax
- Financial
- Employee
 - IRS W-4 (Employee's Withholding Allowance Certificate)
 - DHS I-9 (Employment Eligibility Verification)
- Vendor
- Member
- Insurance
 - Workers' comp insurance certificate
 - General liability policy
 - Fire policy
 - Auto policy
- Pension plan