

HOW TO CARRY OUT A 'THIRD-PARTY FINANCIAL REVIEW'

There are many non-profit ministry organizations which have never carried out an external audit due to expense.

We all want to see monies applied to ministry, not eaten up with additional costs!

The GMP Evaluation Team members understand this.

Allowing for a 'Third-party Financial Review' as an alternative to an official, external audit helps maintain accountability without generating additional expenses. It attests to having obtained an independent, over-all view of a ministry's financial practices.

This option can be carried out without creating significant additional expense. Here are the steps:

1. Pull together a small group of individual (unrelated to those connected with the ministry) who will be able to examine and attest to your organization's financial practices.

This will be your 'review team.' Inviting folks who've had entrepreneurial experience can be helpful.

2. As your board considers who might be asked to carry out this third-party financial review, anticipate your review team will need access to:

- (1) the treasurer's records (of deposits, payments, and balances);
- (2) receipts (or copies of these) for outgoing funds; and
- (3) bank statements (again, showing deposits, withdrawals, and account balances).

3. The group should see the financial reports which your organization generates, and see the bank ledger which shows that the 'bottom line totals' match up with your reports.

4. As the review team meets with your board, review financial practices such as:

- (1) How many accounts does the ministry maintain? (Access to all should be made available);
- (2) How does the ministry handle cash and generate reconciliations?
- (3) What are the actual operating expenses of the ministry?
- (4) Who handles the federal and state paperwork?

Reviewing these affirms and strengthens confidence in organizations that "run well."

On the next page is an 'example copy' of a third-party financial review letter.

5. Your board can share this with the third-party review team you gather to help them in their task, as well as to help them in forming a statement affirming that the review has been completed when this has been accomplished.

6. When your third-party financial review letter is signed by participants, scan it or take a picture of it, and upload the scan or photo as an attachment for your online application.

We thank you for taking the time to complete this third-party financial review.

For agencies which do not carry out external audits, this is an important step in the application process. The GMC is committed to establishing and maintaining trust with churches and individuals seeking reputable & financially responsible ministry partners.

If you have any questions, please feel free to contact us at this email address: missionpartnerships@globalmethodist.org

Members of the GMP Evaluation Team are happy to assist. We look forward to learning more about your ministry organization.

EXAMPLE OF A THIRD-PARTY FINANCIAL REVIEW LETTER

To the Global Mission Partners Ministry Network committee:

On [date] we formed an ad hoc committee to examine the financial reporting and procedures of the [Ministry Org.] in connection with their application to become a ministry partner. None of our members are connected with [Ministry Org.]. The committee was comprised of:

- [NAME], (Role/Responsibility), (Ex: Accountant; former accountant with ____ group; current church finance committee chair of ____; experienced church accountant; business owner/entrepreneur)
- [NAME], (Role/Responsibility)
- [NAME], (Role/Responsibility)

The committee read the [Ministry Org.] financial statements and interviewed the bookkeeper for [Ministry Org.]. (NAME) is an experienced (20+ years) QuickBooks user and currently does the books for several for-profit companies. She holds a business degree from

[Ministry Org.] has one bank account. There are currently no paid employees. Monthly financial statements are produced and reconciled to cash. They use accrual basis accounting (though expenses are minimal). Most of the revenue goes directly to support the mission.

Financial statements are reviewed by [NAME], [Ministry Org.]'s treasurer. [NAME] is executive pastor at [__church] in [location].

The financial statements are posted in a Dropbox which is accessibly by the entire Board. Both [Bookkeeper's NAME] and [Treasurer's NAME] review financial performance in regularly scheduled Board meetings (online or in-person).

We inquired of the following areas:

- How does [Ministry Org.] handle cash and generate reconciliations?
- What are the actual operating expenses of the ministry?
- Who handles the federal and state paperwork?

What is the process for a donation to be made and how does it get to the financial recipient (i.e. the Methodist Church in [Country] or the [NAME] mission in [Country])?

After completing above, we did not notice anything unusual about the ministry's financial records, reporting, and procedures.

Sincerely,

(Name)

(Name)

(Name)

[DATE]