

REVIEW/AUDIT REPORT

We examined the Balance Sheet of Riverwood Covenant Church as of August 31, 2025 and the related Income Statement for the year then ended. We examined, on a test basis, evidence of the amounts in the financial statements and the integrity of the cash receipts and disbursement procedures. No discrepancies or unusual items or procedures were found during the course of the examination. The financial systems and procedures in place were found to be adequate with the exception of the following recommendations:

1. Balance Sheet completeness – The National Covenant Properties Loan (\$323,180.27), Mortgage Payment Reserve (\$51,601.51) and Savings Account (\$498.36) were not recorded/included on the Balance Sheet as of 8/31/25. (NOTE: Those have been added to the Balance Sheet starting with the 9/1/25 transition to Counting House.)

We also noted that the Building/Property assets are not recorded on the Balance Sheet. We recommend that a simple valuation be completed and that a listing of key/material assets be developed as a record for both recording them on the Balance Sheet and for insurance claim purposes.

2. Expenses

- a. Venmo – Based on our experience, Riverwood uses Venmo more actively than other churches. Riverwood has good procedures in place to ensure Venmo transactions are recorded and reconciled monthly – and any expense transactions are drawn from the main checking account (improving visibility). However, the account is Rachel’s personal account.
 - i. Create a business Venmo account (check TechSoup for discount/non-profit benefits) instead of Rachel’s personal account to decrease risks
 - ii. Mission payments to Missionaries through Venmo (\$1,800+/month) could be sent directly through the Covenant Serve Globally website
- b. Credit Cards – Rachel noted challenges with both the structure and administrative effort with getting expense details on staff credit cards.
 - i. Use a card processing company such as “RAMP” or “Bill Spend and Expense” to provide greater checks and balances for staff members as well as more real-time financial reports (vs. month-end only)

3. Payroll

- a. There are 3 payroll methods/periods each month (weekly, bi-monthly and monthly). We recommend moving all staff to the same payroll period (bi-monthly or monthly) to reduce office work and costs associated with extra pay runs.
- b. Move Pastor Keith to proper clergy tax and SECA processes. This finding has been raised to Pastor Keith to ensure he is aware and can work with his personal financial and tax advisors to ensure proper treatment.
 - i. Riverwood’s Leadership Team should approve a housing allowance resolution annually (or whenever a request is made to change it). Housing allowance resolutions are not retroactive.
- c. Consider a church-specific payroll provider (such as Brotherhood Works) to help with compliance with Pastoral staff (noted above).

4. Policies and Procedures

- a. Riverwood should develop a policy and form for expense reimbursements/requests.
- b. Riverwood should develop a policy for Designated Fund administration (i.e. ensure well-defined purposes and owners for each fund, active ministries or projects using those funds, disbursement approvals, etc.).
- c. Rachel indicated an overall desire that the “Money Market Savings” represent/reconcile to the “Reserve Fund”. If that is the intent, develop a defined process for a monthly transfer to/from the General Checking account to keep them equal/reconciled.

As part of our review of all General Ledger transactions for ‘24-25, we were asked to specifically review the \$26,000 transfer from the General Fund to the Reserve Fund. We understood that transfer was approved by the Leadership Team. Because those funds came from the general operating surplus (i.e. General Fund), the Leadership Team can authorize/designate those funds. The fund transfer does not need to be included in the income statement, but we recommend good communication and transparency to the congregation so members are aware of the status and balances of both General and Designated/Restricted Funds.

Review & Audit Team Members:

Sandy Norris, Director of Finance, Northwest Conference
Michael & Jaci Mrosko, Counting House LLC

What was done:

- Extensive discussions with Rachel Kleinschmidt (Director of Operations)
- Bank Reconciliation tests – April and August, 2025
 - \$492.35 pre-April checks not cleared is reasonable in \$800,000 of transactions
- Random transaction tests all confirmed
 - Revenue deposit of \$5953.94 on 7/14 DDA, 3/25 for \$1065 designated fund receipt via ACH
 - Payroll reports from August 2025 compared to expenditures on general ledger and reviewed W-2 for Pastor Keith (NOTE: Rachel files corrections for Pastor Keith’s W-2 each year.)
 - Expenses 4/17 thru Venmo for \$916.67; check 3/27 for \$5,796.45 (reserve fund #5560)
- Validated NCP loan balance for 2024-2025 fiscal year (\$323,180.27) since it had previously not been included in financial reports
- Reviewed 2025 General Ledger for any anomalies or large, unusual transactions