

SAMPLE  
ENGAGEMENT LETTER

**THIS IS FOR GUIDANCE ONLY**

Date

Sample Church  
Main Street  
Anytown, VA 23456

Dear Church Treasurer:

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Sample Church (“Church”) located in \_\_\_\_\_.

We will apply the agreed-upon procedures which the Episcopal Diocese of Virginia (“Diocese”) has specified, listed in the attached Exhibit A, to the Church financial report (“report”) of the Church as of December 31, 2012. This engagement is solely to assist the Diocese in monitoring the financial condition of the Church in accordance with the Canonical requirements of the Episcopal Church. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Diocese. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in Exhibit A do not constitute an audit as defined under Generally Accepted Accounting Principles, we will not express an opinion on the Church financial report or any elements, accounts, or items thereof. In addition, we have no obligation to perform any procedures beyond those listed in Exhibit A.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of the Diocese and the Church, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures under Generally Accepted Accounting Principles, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the Church Financial Report in accordance with the 2012 Church Financial Reporting Requirements; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee the services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

We plan to begin our procedures on approximately \_\_\_\_\_ and, unless unforeseeable problems are encountered, the engagement should be completed by \_\_\_\_\_. At the conclusion of our engagement, we will require a representation letter from the vestry (or vestry committee) that, among other things, will confirm the Church management’s responsibility for the presentation of the AUP Church Financial Report.

We estimate that our fees for these services will be \$\_\_\_\_\_. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Half of our fee will be billed upon commencement of our work and the balance upon delivery of our report.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please have the Senior Warden sign below and return this letter to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Sincerely,

\_\_\_\_\_  
Sample CPA Firm

This letter correctly sets forth the understanding of the Church.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Senior Warden

**SAMPLE  
AGREED-UPON PROCEDURES TO BE PERFORMED**

We will perform the following procedures, as applicable:

1. Cash – We will trace amounts reported on lines 1(A) through 1(E) to bank reconciliations. We will scan bank reconciliations for reasonableness and trace any unusual or questionable items to supporting documentation.
2. Marketable securities – We will trace the amounts reported in lines 2(A) through 2(D) to broker statements.
3. Receivables –
  - a. Pledges receivable - We will trace the amounts reported on lines 3(A) to a list by donor and review the list for reasonableness. We will inquire as to the propriety of items that appear unusual or questionable.
  - b. Other receivables – We will trace amounts reported on line 3(B) to supporting documentation and review for reasonableness. We will inquire as to the propriety of items that appear unusual or questionable.
4. Mortgages receivable – We will trace amounts reported on line 4 to the applicable amortization schedules or other supporting documentation.
5. Property and equipment – We will trace the amounts reported on lines 5(A) through 5(D) to detailed lists or other supporting documentation. We will review the documentation for reasonableness and inquire as to the propriety of items that appear unusual or questionable. We will trace the amount reported on line 5 (E) to the detailed depreciation schedule. We will review the depreciation schedule for reasonableness and inquire as to the propriety of items that appear unusual or questionable.
6. Other assets – We will trace the amounts reported on lines 6(A) and 6(B), to supporting documentation to determine whether they have been reported in accordance with the instructions. We will trace the amount reported on line 6(C) to supporting documentation to determine whether it qualifies as an asset under generally accepted accounting principles.
7. Accounts payable and accrued expenses – We will trace the amounts reported on lines 7(A), 7(B), and 7(C) to statements of account received from the Diocese. We will trace the amounts reported on line 7(D) to the detailed list of accounts payable by vendor. We will inquire as to the propriety of items that appear unusual or questionable. We will examine the supporting documentation for all non-recurring cash disbursements over \$1,000 made from January 1, 2012 through January 31, 2012 to ensure all such items pertaining to calendar 2012 have been included in the accounts payable list.
8. Accrued payroll – We will trace the amount reported on line 8 to the supporting calculations to determine whether it was calculated properly as if under GAAP.
9. Payroll taxes payable/accrued – We will trace the amount reported on line 9 to applicable payroll tax returns for the portion attributable to payroll periods ended on or before December 31, 2012. For the portion attributable to accrued payroll we will trace to the supporting calculation for reasonableness.
10. Deferred contributions/revenue – We will trace the amount reported on line 10 to supporting documentation and review the documentation for reasonableness.

11. Notes payable – We will trace the amount reported on lines 11(A) through 11(D) and 12(A) through 12(D) to amortization schedules or other supporting documentation.
12. Other liabilities – We will trace the amount reported on line 14 to supporting documentation to determine whether it qualifies as a liability as if under GAAP.
13. We will trace the amount reported on line 15 to line G of the parochial report.
14. Church internal controls – We will confirm that the signatories for financial institutions are correct as documented by the church, that insurance coverage for real and personal property is adequate and in force and we will report any weaknesses in maintaining these procedures.