

AUDITOR'S STATEMENT TO 58<sup>th</sup> DIOCESAN ASSEMBLY  
THE DIOCESE OF PHILADELPHIA AND EASTERN PENNSYLVANIA  
ORTHODOX CHURCH IN AMERICA

JANUARY 27, 20221

Matushka Sharon Hubiak  
Lead  
Diocesan  
Auditor

Gregory Polk  
Diocesan  
Auditor

Protodeacon Sergei Kapral  
Diocesan  
Auditor

Gloria Bench  
Diocesan  
Auditor

We have examined a substantial sampling of financial records regarding income and expenses relative to The Diocese of Philadelphia and Eastern Pennsylvania. Due to circumstances around COVID the Auditors were required to conduct the audit virtually between January 3, 2022, through January 24, 2022. The Auditors assessed documentation and have found the records to be in good order. We would like to thank Mark Linnehan, Carmen Hodson with providing information and answering questions allowing us to complete the audit virtually.

As a result of this review, we believe that the prepared reports presented for the financial period of January 1, 2021, through December 31, 2021, have been fairly stated. We also offer the following observations and recommendations:

1. The Auditors found that background checks are being coded to two different accounts: "Services" and "Background Checks" 62135. Services seems to be all background checks except for a \$100 rebate from Lowe's. We recommend that all background check expense should be coded to 62135.
2. On the P&L the "Services" is being offset by "Uncategorized Income" as if there was some relationship between the two accounts; there is not. "Uncategorized Income" is money market interest and should be reflected as "Interest Income".
3. The checking account all tied to the invoices sampled except for one. The only missing one was regarding the payment to the seminarian John Black. Supporting documentation for future gifts, donations and payments when there is no invoice available is to attach a copy of meeting minutes where the discussion occurred or email giving authorization and/or a note documenting the discussion by the Treasurer stating the details.
4. We also reviewed the medical expenses for the Archbishop. Fr. Deacon Sergei spoke with Mark Linnehan regarding a couple of invoices and why there were no payments to

Capital Blue for the second half of the year. The answers were satisfactory. The Archbishop had coverage for the full year.

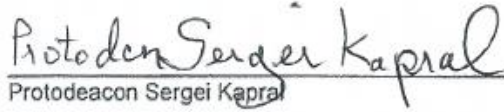
5. For some churches it was difficult to match the invoice to the payments because payments were made every two months and the invoices were for every month. Many payments were recorded before the invoices. Again, we recommend that all invoices for the churches be entered into the ledger before the payments are recorded or the prepayments should be recorded to a liability account, something along the lines of Advance Payments or Unearned Revenue and reclassified at time the invoice is finally entered into QB.
6. A recommendation was previously submitted by the audit committee recommending that a formal policy/delegation of authority be developed which delineates the role (Treasurer, Chancellor, Diocesan Council, Directors and Archbishop...) limits and conditions of authority for the approval of expenditures and investments.
7. A recommendation was previously submitted by the audit committee advising the Diocese to define and ratify an agreed upon investment policy. Since no policy has been instituted thus far, the committee is bringing this recommendation to light again. This policy would define how excess funds should be invested by enumerating predefined investment opportunities AND appropriate limits to be invested in each. The committee believes that at this point the Diocese has already invested too much of its excess funds in the Diocese of the South. While there is a fair return being offered by the DOS, the funds are at risk for factors beyond market fluctuations. Additionally, a prudent investment policy would outline how excess funds can best be used within OUR OWN DIOCESE. A structure for providing loans, grants, emergency funds among other opportunities within the Diocese of Eastern Pennsylvania should be established. This policy would allow excess funds and/or proceeds from the unfortunate closure of some church communities to provide for the seed money, enhancement, beautification and sustenance of new and existing thriving church communities. It would be advantageous to get a better understanding on how the DOS administers the disposition of funds in their program to aid in the development of a program for our Diocese.
8. It was noted in the November Diocesan Council Draft meeting minutes that a clergy gift of \$1,000 was approved. It is noted under Charities. After speaking with Mark Linnehan, it appears that the monies are not a gift and should be noted as a Charitable Grant. As charitable grants are not seen as payment for services or compensation, organizations should not need to issue 1099s for funds disbursed. Recommend the draft meeting minutes be modified to correctly state intent of the monies given.

Accounting procedures should be following Generally Accepted Accounting Procedures (GAAP) to ensure all transactions are recorded and classified correctly. All balance sheet accounts should be reconciled monthly to ensure all entries are recorded and classified correctly and the balance is accurate. Any accounting procedural changes should be addressed directly by the Treasurer with the auditors who should provide the appropriate guidance as needed.

Respectfully Completed  
January 25, 2022

  
Matushka Sharon Hubiak

  
Gregory Polk

  
Protodeacon Sergei Kapral

  
Gloria Bench