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# Use of Compilation Engagements in Church Bylaws

## Definitions

**ASNPO** – *Accounting Standards for Not-For-Profit Organizations*

**BOD** – Board of Directors

**C&MA** – The Christian and Missionary Alliance in Canada

**CPA** – Chartered Professional Accountant

**CPD** – Canadian Pacific District

**DEXCOM** – District Executive Committee

**LCC** – *Local Church Constitution*

**MCB** – *Model Church Bylaws*

## Background

At General Assembly 2022, a motion was adopted to change the wording in the financial records section of Article 12.2 of the Local Church Constitution to:

*All financial records shall be prepared and maintained according to Accounting Standards for Not-For-Profit Organizations, and shall be subject to an independent audit, review, or compilation by a Chartered Professional Accountant annually as prescribed by the bylaws. Only churches with an annual revenue not exceeding \$250,000, if permitted by federal, provincial, or territorial regulations, may by special resolution of the membership, choose a compilation annually on an accounting basis that is acceptable to their district that may be other than Accounting Standards for Not-For-Profit Organizations. To remain in effect until such time as annual revenue exceeds \$250,000 or is revoked by a special resolution of the membership.*

Practically speaking, this means that for a CPD church, subject to the provisions in Article 12.2 and subject to its own church bylaws, the membership may choose to have the church's annual year-end financial statements compiled by an independent CPA, rather than audited or reviewed.

What remains unchanged for all CPD churches is the requirement that each church's annual financial statements must be prepared in accordance with ASNPO regardless of whether they are compiled, reviewed, or audited by an independent CPA. Per Clause 9.3 of the *Bylaws of the Christian and Missionary Alliance – Canadian Pacific District*:

*The accounts of churches, camps, and similar undertakings of the Society shall be prepared and maintained according to Accounting Standards for Not-for-Profit Organizations, and shall be subject to a compilation, review, or audit annually as prescribed by the bylaws.*



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## Determining Annual Revenue

A church's annual revenue is to be determined in accordance with ASNPO utilizing whichever method of recognizing contributions the church uses per its accounting policies, either the restricted fund method or the deferral method of accounting for contributions. How a church determines its annual revenue remains unchanged.

### Churches with Annual Revenue Exceeding \$250,000

If your church's annual revenue exceeds \$250,000, you are not able to have the church's annual financial statements compiled. Instead, they must be reviewed or audited.

### Churches with Annual Revenue Not Exceeding \$250,000

#### Compilation Engagements

It is important to note that in the case of reviewed or audited financial statements, the CPA reporting on the financial statements evaluates and assesses the financial information provided by the church and provides an assurance report about the resulting financial statements and notes to the financial statements.

In the case of compiled financial statements, the CPA reporting on the compiled financial statements is not required to perform any procedures to verify the accuracy or completeness of the financial information provided by the church or to evaluate the financial statements. On account of this, the CPA cannot provide any form of assurance about the financial statements.

We recognize that using compiled statements may be a less expensive option than, at a minimum, reviewed financial statements and that churches with smaller revenues may not easily afford reviews every year. The LCC does allow churches with annual revenue not exceeding \$250,000 to use compilation engagements provided that the compiled financial statements are prepared in complete accordance with ASNPO (per the CPD bylaws).

#### Required Compliance for Church Bylaws

DEXCOM requires that church bylaws comply with the LCC and with CPD bylaws. As well, all churches are required to include the mandatory clauses contained in the *CPD Model Church Bylaws* in their church bylaws.



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## Requirements and Considerations for Using Compilation Engagements

If your church has annual revenue that does not exceed \$250,000 and is required to make a bylaw amendment or is contemplating a bylaw amendment to allow for the compilation of the annual financial statements instead of a review or audit, the following are important requirements and considerations to be aware of:

- Should your church membership choose a compilation engagement, you will need to ensure that the compiled financial statements are prepared in accordance with the *Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements*, as published in the *CPA Canada Handbook – Assurance* and that the compiled financial statements and notes to the financial statements are in complete compliance with ASNPO.
- We caution you not to assume that the cost to have the financial statements compiled annually as compared to reviewed annually will be significantly less expensive, as the compiled financial statements will still need to be prepared in complete accordance with ASNPO.
- Should annual revenue exceed \$250,000, at a minimum a review will be required for that year even if the church members have previously resolved by special resolution for a compilation of the financial statements.
- If the church's annual revenue exceeds \$250,000 in the future or if the members revoke the special resolution, there are likely to be added costs in the first year of the change from a compilation to a review over and above the cost of a usual review. This is because there are specific additional procedures that a CPA must undertake when the engagement is changed from a compilation to a review.
- If, in a year subsequent to the one(s) exceeding the \$250,000 annual revenue threshold the church's annual revenue drops back below \$250,000 and the members want to revert to compiled annual financial statements, the church could do so as long as the members pass a new special resolution regarding the same.
- Please be aware that not all CPAs licensed to perform compilation engagements are also licensed to perform review engagements and/or audit engagements. Given that the compiled financial statements still need to be prepared in complete accordance with ASNPO, you will want to ensure that any CPA the church engages to assist your church with compiling the financial statements has the requisite knowledge of ASNPO financial reporting requirements.



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- If your church expects that in the nearer future that its annual revenue will exceed \$250,000 and therefore that at a minimum a review will be required (and assuming you will not want to have to change CPAs at that time), you may want to confirm with the CPA you are planning to engage to compile the annual financial statements that they are also licensed by the Chartered Professional Accountants – British Columbia to perform review engagements.
  - We encourage you to review the CPA Canada publication [\*Understanding Reports on Financial Statements\*](#) which explains the important differences between audited, reviewed, and compiled financial statements.

We also encourage you to share this information with your CPA and consult with them about whether a compilation, review, or audit would be most appropriate for your church, both now and in the future.

If you have questions about this information, please contact the District Office at 604-372-1922 or [cpdoffice@pacificdistrict.ca](mailto:cpdoffice@pacificdistrict.ca).

