
Decision Profile

Acceptable Accounting Basis for Church Compilation Engagements

Decision Required:

To determine the acceptable accounting basis for church compilation engagements.

Why it's Coming to DEXCOM:

Per the *Local Church Constitution*, 12.2, the acceptable accounting basis for churches with an annual revenue not exceeding \$250,000 that utilize a compilation engagement must be determined by the district (DEXCOM).

Background:

In June 2020, the Board of Directors (BOD) of The Christian and Missionary Alliance in Canada voted to amend Article 12.2 of the *Local Church Constitution* (LCC) to allow for churches, in certain specific circumstances, to have their annual financial statements compiled by an independent Chartered Professional Accountant rather than being reviewed or audited, so long as those compiled statements were still prepared in accordance with *Accounting Standards for Not-for-Profit Organizations* (ASNPO). The amended Article 12.2 read as follows:

The official records of all officers of this church and all its departments are the property of the church. All financial records shall be prepared and maintained according to Accounting Standards for Not-For-Profit Organizations, and shall be subject to an audit, review, or other independent evaluation annually as prescribed by the bylaws, with the following exception: churches with an annual revenue not exceeding \$250,000 may by special resolution of the membership choose instead to utilize a compilation engagement to be completed by an independent Chartered Professional Accountant if permitted by federal, provincial or territorial regulations. To remain in effect until such time as annual revenue exceeds \$250,000 or revoked by a special resolution of the membership.

At its November 2021 meeting, the BOD voted to further amend Article 12.2 to remove the requirement that the annual compiled financial statements need to be prepared in accordance with ASNPO, and instead made it each respective district's decision as to the basis of accounting that is acceptable for a church's annual compiled financial statements.

At the November 2021 meeting, the BOD voted to further amend the LCC, Article 12.2 to read as follows:

*The official records of all officers of this church and all its departments are the property of the church. All financial records shall be prepared and maintained according to Accounting Standards for Not-For-Profit Organizations, and shall be subject to an audit, review, or other independent evaluation annually as prescribed by the bylaws, with the following exception: 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 instead to utilize a compilation engagement to be completed by an independent Chartered Professional Accountant on an accounting basis that is acceptable to their district. To remain in effect until such time as annual revenue exceeds \$250,000 or revoked by a special resolution of the membership.*²⁷

²⁷ In effect by resolution of the Board of Directors from May 1, 2020 to General Assembly 2022 where it may then be confirmed, rejected, or amended by the Members.

General Assembly is July 5-8, 2022, and the November 2021 amendment will be on the agenda as a special resolution, where it may be confirmed, repealed, or amended. District churches that have already amended their bylaws in accordance with the June 2020 LCC amendment to allow for a compilation engagement, or that desire to amend their bylaws in accordance with the November 2021 LCC amendment, need direction from the District regarding the acceptable accounting basis.

As ASNPO has been the consistent standard for all churches for many years, it is recommended that the acceptable accounting basis for churches utilizing a compilation engagement remain ASNPO for the time being. Given the potential for further amendments to the LCC, this consistency will reduce confusion for churches in preparing or amending their bylaws until after General Assembly has convened.

Recommendation/Motion:

THAT DEXCOM approve the *Accounting Standards for Not-for-Profit Organizations* as the acceptable accounting basis for the CPD for churches who choose to utilize a compilation engagement in accordance with the provisions of the *Local Church Constitution*, Article 12.2.