KHACHKAR STUDIOS

EMPOWERING GOOD NEWS

I-SROI MEMO: ARMENIAN CHURCH ANNUAL FINANCIAL REPORTING & AUDIT

31 August 2026

Ten (10) Major Annual Financial Reporting Changes:

1. **Who performs an annual audit:**
   Current: Reviewer unspecified; church audit committees commonly relied upon for internal review.
   Major change: Engage an independent external firm – it must be a CPA firm, and it cannot be the church audit committee. A high bar, but it is possible to secure the engagement pro bono in recognition of the Church's beneficial community services.
2. **Benchmark parishes:**
   Current: No world-class benchmark parish or parishes identified or analyzed.
   Major change: Locate and use two to three world-class benchmarks on cost and value.
3. **Cost of the audit:**
   Current: Cost not addressed.
   Major change: The goal is pro bono. But the target fee range is $3,000 to $5,000.
4. **Statements covered:**
   Current: Review of annual financial statements (cash basis) and monthly bank reconciliations prepared by the Church. Missing documents are considered acceptable.
   Major change: Audit both the income statement and the balance sheet. The balance sheet must balance with the change in net worth reconciling to the net income reported for that year.
5. **Testing of outflows:**
   Current: Select and review a few of the largest well-known transactions for the year.
   Major change: All outflows (whether by check, electronic payment, or cash) above $1,000 are checked – supporting documentation, authorization, and payment records – with no monthly cap on the number tested.
6. **Related-party payments:**
   Current: Not addressed.
   Major change: All payments to related parties are identified and disclosed in the report.
7. **Donor-restricted assets:**
   Current: Little to no financial assets detailed between restricted and non-restricted balances, with no testing of the restrictions.
   Major change: Check donor-restricted asset documents to confirm that restrictions were complied with, and report all instances of non-compliance with donor restrictions
8. **Fixed assets:**
   Current: Fixed assets not reported.
   Major change: Report all significant fixed assets, including their carrying value, and separately disclose a recent estimate of current market value where reasonably available.
9. **Building preservation reserve:**
   Current: No reserve for the preservation of the church building, so predictable capital costs become emergency fundraising appeals.
   Major change: Establish and fund a Building Preservation Reserve for predictable major replacements (roof, HVAC, paving, masonry, windows, electrical and plumbing, safety systems). For annual funding formula refer to the Khachkar Studios library of I-SROI memos. The audit confirms the reserve balance and the annual contribution are on the balance sheet and disclosed.
10. **Audit timetable:**
    Current: No completion deadline.
    Major change: Best practice is for the audit to be completed and issued within 60 days after fiscal year-end with ample notes.