

## MANAGEMENT LETTER

January 30, 2023

Executive Council  
First Baptist Church of Geneva  
dba Chapelstreet Church  
Geneva, Illinois

In planning and performing our audit of the financial statements of First Baptist Church of Geneva (dba Chapelstreet Church) for the year ended August 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Professional standards define a material weakness and a significant deficiency as follows:

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- Other Current Year Matters
- Status of Prior Year Comments – Other Matters
- Audit Committee Matters

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This communication is intended solely for the information and use of management, the executive council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. The organization's written responses to the deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on them.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Fred Morris, as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve First Baptist Church of Geneva (dba Chapelstreet Church).

Sincerely yours,

A handwritten signature in black ink that reads "Capin Crouse LLP". The signature is written in a cursive, flowing style.

CAPIN CROUSE LLP

## **OTHER CURRENT YEAR MATTERS**

### **Implementation of Policy**

During our review of information technology matters, we noted the Church has not implemented a business continuity and disaster recovery plan.

**We recommend** that the church design and implement the above policy.

### ***Management Response***

*Chapelstreet's Executive Team is evaluating the establishment of recommended policy and will determine if implementation is warranted.*

### **Disbursements Process**

During our review of the disbursements process, we noted the financial controller has the ability to initiate checks and also has access to the check stock and the general ledger. This allows opportunity for error or fraud to go undetected and is an indication of lack of segregation of duties.

**We recommend** that a separate employee be responsible for initiating disbursements and for that employee to maintain custody of the check stock.

### ***Management Response***

*Chapelstreet will implement recommended action as follows. Effective immediately the staff role of Financial Assistant will have responsibility for initiating disbursements and will maintain secure custody of check stock. The Comptroller role will have verification and approval authority for disbursements as well as general ledger reconciliation. Neither Financial Assistant nor Comptroller will have check signature authority. The Treasure role will also regularly review bank reconciliation records to monitor for any errors or fraud concerns.*

## **STATUS OF PRIOR YEAR COMMENTS – OTHER MATTERS**

### **Internal Controls over Contributions**

During our review of the internal controls over contributions we noted an instance where a count tape that was supposed to have dual signatures was only signed by one employee. Additionally, it was noted that the church requires ushers to put collections in tamper proof bags that are signed by two ushers prior to being dropped in the safe. However, it was noted that during the count process these bags were disposed of after being opened, so no evidence was available to demonstrate that the control was in place and operating effectively.

**We recommended** that the Church is reviewing and ensuring that where required, dual signatures are present in accordance with stated policy. Additionally, we recommend the tamper proof bags used by ushers are retained as part of the support files for deposit batches.

### ***Current Year Status***

*The above recommendation was implemented to our satisfaction.*

**STATUS OF PRIOR YEAR COMMENTS – OTHER MATTERS, continued**

**Implementation of Policies**

During our review of tax and information technology matters, we noted several policies that are not currently implemented at the Church.

1. Business Continuity and Disaster Recovery Plan
2. Intellectual Property Policy

**We recommended** that the church design and implement the policies above.

***Prior Year Management Response***

*The church will proactively work with internal staff and outside counsel to draft, approve and implement the recommended policies in a timely manner.*

***Current Year Status***

*We noted the intellectual property policy was implemented to our satisfaction. The business continuity and disaster recovery policy was not implemented. That policy is included above as a current year other matter.*

## **AUDIT COMMITTEE MATTERS**

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

### **Auditors' Responsibility under U.S. Generally Accepted Auditing Standards**

As independent auditors of the financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting.

Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

### **Independence**

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between CapinCrouse LLP and the council that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

### **Qualitative Aspects of Accounting Practices**

*Accounting policies*—Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the financial statements.

*Changes in accounting policies*— The Church adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as described in Note 2 to the consolidated financial statements.

## **AUDIT COMMITTEE MATTERS, continued**

### **Qualitative Aspects of Accounting Practices, continued**

*Recently issued pronouncements*—The following pronouncements have been issued by the Financial Accounting Standards Board (FASB). The following are the most significant to not-for-profit organizations. As certain pronouncements could have a significant impact on future financial statements, we encourage management to begin considering the impact.

#### Effective for Fiscal Year (FY) 2023:

- ASU 2016-02, Leases:
  - The ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.
  - The accounting by organizations that own the assets leased by the lessee (lessor accounting) will remain largely unchanged.
  - Early implementation is permitted and a modified retrospective approach is required.

#### Effective for FY 2024:

- ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
  - The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts.
  - Subsequent to issuance, this ASU was amended through ASU 2019-10 in order to extend effective dates
  - Effective for all other entities, including not-for-profit entities, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years
  - Early application continues to be allowed and a modified retrospective approach is required.

*Significant and unusual transactions*—Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the organization during the year.

*Uncorrected misstatement*—See attached uncorrected misstatement identified during the audit.

*Material corrected misstatements*—There were no material corrected misstatements identified during the audit.

*Other corrected misstatement*—See attached other corrected misstatement identified during the audit.

## **AUDIT COMMITTEE MATTERS, continued**

### **Qualitative Aspects of Accounting Practices, continued**

*Accounting estimates*—Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:

- Management’s identification of significant accounting estimates
- Management’s process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

*Accounting estimates*—The most significant estimates include:

- Depreciation of property and equipment
- Allocation of expenses on a functional basis

We reviewed the process and basis for management’s judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the financial statements taken as a whole.

*Financial statements disclosures and related matters*—We considered issues involved and related judgments made, in formulating sensitive financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

*Representations requested from management*—A copy of the letter containing representations requested from management is attached.

### **Significant Difficulties Encountered During the Audit**

We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

### **Disagreements with Management**

Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the financial statements or the independent auditors’ report.

We are pleased to report that no such disagreements arose during the course of our audit.

### **Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

**AUDIT COMMITTEE MATTERS, continued**

**Significant Issues Discussed with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Client: **FBCG - First Baptist Church of Geneva**  
 Engagement: **FBCG 22 - First Baptist Church of Geneva**  
 Period Ending: **8/31/2022**  
 Trial Balance: **04D-01 - Trial Balance**  
 Workpaper: **06F-01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
CAJE to record donor restricted 8000 activity to the income statement				
99.89999.00	TR Net Asset Adjustment - auditor		1,069,780.00	
99.99999.00	TR Expenses - auditor		337,855.00	
99.10000.00	TR Contributions - auditor			1,407,635.00
<b>Total</b>			<b><u>1,407,635.00</u></b>	<b><u>1,407,635.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>				
AJE to correct remaining trivial difference in opening net assets.				
11.10200.00	Beg Bal - General Fund		10,264.00	
16.88045.61	Team - Income			10,264.00
<b>Total</b>			<b><u>10,264.00</u></b>	<b><u>10,264.00</u></b>

**NPO-CX-12.2: AUDIT DIFFERENCE EVALUATION FORM**

Entity:

Statement of Financial Position Date:

Completed by:

Date:

**Instructions:** This form may be used to accumulate audit differences (AD) greater than the amount considered clearly trivial (documented at **Step 5** of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1112 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Workpaper Reference	Financial Statement Effect—Amount of Over (Under) Statement of:					
				Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets
Capital lease not capitalized during previous fiscal year.	F	Capital lease criteria was not evaluated when the lease was entered into during the previous fiscal year.	01H-03a	\$24,817	\$25,790	\$928	\$0	\$45	-\$45
<b>Total</b>				\$24,817	\$25,790	\$928	\$0	\$45	-\$45
Less Audit Adjustments Subsequently Booked				\$0	\$0	\$0	\$0	\$0	\$0
Unadjusted AD—Current Year (Iron Curtain Method)				\$24,817	\$25,790	\$928	\$0	\$45	-\$45
Effect of Unadjusted AD—Prior Years								\$0	\$0
Combined Current and Prior Year AD (Rollover Method)				\$24,817	\$25,790	\$928	\$0	\$45	-\$45
Financial Statement Caption Totals				\$26,079,371	\$2,323,247	\$23,756,124	\$9,116,076	\$8,325,371	\$790,705
Current Year AD as % of FS Captions (Iron Curtain Method)				0.10%	1.11%	0.00%	0.00%	0.00%	-0.01%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.10%	1.11%	0.00%	0.00%	0.00%	-0.01%

**Qualitative Factors:** Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

CC evaluated the effect that the adjustment had on other financial statement components and the frequency of this type of transaction noting that the misstatement does not appear to be pervasive or frequent. Additionally CC reviewed the matter with Fred Morris in the year it initially occurred and in the current year notifying him of the nature and amount of the misstatement and given the lack of materiality they decided to pass on the adjustment. The misstatement is a small portion of the financial statement element that it affects. Due to these factors, the misstatement appears to be immaterial, individually or in aggregate CC will pass at the workpaper level.

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate,  do  do not cause the financial statements taken as a whole to be materially misstated.

01/30/2023

Capin Crouse LLP:

This representation letter is provided in connection with your audit of the financial statements of First Baptist Church of Geneva, dba Chapelstreet Church, which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 9, 2022 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP. We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effect of the uncorrected misstatement is immaterial to the financial statements as a whole. The uncorrected misstatement is attached to the representation letter. In addition, you have proposed an adjusting journal entry that has been posted to the Organization's accounts. The adjusting journal entry is attached to the representation letter. We are in agreement with the adjustment.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

12) In regard to the financial statement preparation services performed by you, we have:

- Assumed all management responsibilities.
- Designated Fred Morris who has suitable skill, knowledge, or experience to oversee the services.
- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

### Information Provided

13) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

16) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

19) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

20) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.

21) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

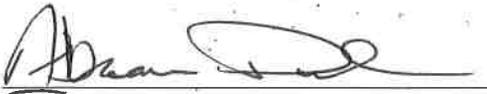
22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

23) First Baptist Church of Geneva, dba Chapelstreet Church is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

24) We have developed processes and controls to identify and evaluate whether conditions or events exist that raise substantial doubt about the organization's ability to continue as a going concern. We have performed



the assessment and there are no material uncertainties that may cast significant doubt about the organization's ability to continue as a going concern through one year after the financial statement issuance date.

Signature:   
Title: Treasurer

Signature:   
Title: FINANCIAL CONTROLLER

630.232.7068 | chapelstreet.church

**South St Campus**

2300 South Street  
Geneva, IL 60134

**Keslinger Campus**

3435 Keslinger Road  
Geneva, IL 60134

**Mill Creek Campus**

1S455 S. Mill Creek Drive  
Geneva, IL 60134

**North Aurora Campus**

307 Banbury Rd  
North Aurora, IL 60542