Report of Independent Accountant on Applying Agreed-Upon Procedures

September 1, 2026

Rob Bellevue, Treasurer
St. Luke's Episcopal Church
525 E 7th St. Long Beach, CA 90813

We have performed the procedures enumerated in the sections that follow, which were agreed to by St. Luke's Episcopal Church of Long Beach, CA ("the Church"). The agreed-upon procedures were performed with respect to selected financial records and internal controls of the Church, related to the period from January 1, 2025 through December 31, 2025, using guidance provided in The Episcopal Church's *Manual of Business Methods in Church Affairs* as the basis for the procedures, where applicable. The factual results of the procedures performed are presented in the sections that follow.

St. Luke's Episcopal Church's Vestry and management are responsible for the accuracy and completeness of the Church's financial records and for the design, implementation, and maintenance of its internal controls, including adherence to applicable financial policies and procedures. The sufficiency of the procedures performed for purposes of assisting with financial governance is solely the responsibility of the Church. Accordingly, we make no representation regarding the sufficiency of the procedures performed for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement does not constitute an audit, review, or compilation, and accordingly, we do not express an opinion, conclusion, or any other form of assurance on the Church's financial statements, financial records, or internal controls. This report is intended solely for the information and use of the Church and its leadership, and should not be used by anyone other than these specified parties.

It has been our pleasure to provide this service to you. Please let us know if you have any questions regarding our report.

Sincerely,

Stacey Heffner, CPA

President - Malama Accounting Services, PC

Procedures	Findings
Procedure 1: Review CPA report or audit committee letter, following up on any outstanding issues (if applicable). Scope: Prior year Criteria: Chapter II, Section D - Internal Control Questionnaire	Reviewed the prior year's Accountant's Letter noting: ● The basis of land and buildings cannot be adequately determined due to the non-existence of records. ● Subsequent additions are recorded at the cost of purchase as an expense and are not being capitalized. The Church has not planned for the remediation of these findings, and they remain as of 2025.
Procedure 2: Obtain a copy of the Church's Accounting Policies and Procedures Scope: 2025 Criteria: Chapter II – Internal Controls	The church uses the *Manual of Business Methods in Church Affairs* as their policy guidance rather than maintaining an up-to-date policies and procedures manual that documents the organization's accounting and internal control procedures.
Procedure 3: Obtain and review Vestry minutes for budgetary approval, evidence of governance and discussion of major transactions, approval of financial statements, approval of employee compensation and other significant matters. Scope: 2025 vestry minutes and supporting documentation Criteria: Chapter I, section C - Budget Implementation and Review; Chapter 4 section A - Payroll; Chapter II, Internal Controls	No exceptions noted
Procedure 4: Understand the processes to prepare accounting records for vestry review and approval. Compare actual financial results to the approved budget and inquire of management regarding individual expense account variances exceeding both 10% and $10,000. Scope: 2025 accounting records and financial statements Criteria: Chapter I – Financial Management, Section C: "Budget Implementation and Review"; Chapter II – Internal Controls, Internal Control Questionnaire; Chapter III – Bookkeeping, Financial Statements	No exceptions noted

Procedure 5: Inquire of management regarding any known or suspected fraud or other significant financial matters. Review related-party transactions and inspect the general ledger for unusual transactions or entries, including significant transactions recorded near year-end. Scope: Calendar year 2025 Criteria: Chapter VI – Audit Guidelines for Congregations	No exceptions noted
Procedure 6: Vouch ten randomly selected journal entries to support documentation and evidence of approval. Scope: Manual journal entries during 2025 Chapter II – Internal Controls	Journal entries are posted to the general ledger without evidence of a secondary review by a knowledgeable individual independent of the person preparing and posting the entry. Although the substance of the underlying the journal entries, including transfers involving restricted funds, may be authorized by the Vestry, there is no subsequent review to verify that the journal entry accurately reflects the authorized transaction and is properly recorded and supported.
Procedure 7: Understand the church's approach to insurance coverage and compare to requirements Scope : Insurance active during 2025 Criteria: Chapter VII: Risk Management and Insurance	Please reference findings at Procedure 9
Procedure 8: Confirm how cash and other valuables are stored at the church, including who has access to the safe. Scope : Physical premises of the Church offices Criteria: Chapter II – Internal Controls	Access to the safe in which collections are held prior to deposit is available to an individual who also performs accounting and recordkeeping functions. This access reduces the segregation of duties between custody of cash and the recording of financial transactions.
Procedure 9: Understand the use of church property by outside entities, reviewing insurance certificates and rental agreements for the apartments. Review cash receipts to confirm that the population is complete. Scope : Apartments owned and rented by the Church Criteria: Introduction - Chapter VII: Risk Management and Insurance (Paragraph on transference of risk)	The Church maintains property insurance on its residential rental properties and does not currently require residential tenants to maintain their own renters insurance. While the Manual of Business Methods in Church Affairs does not specifically require renters insurance for residential tenants, it identifies the use of insurance requirements and hold-harmless agreements when entering into agreements with others as methods of transferring risk. Commercial lessees, who are contractually required to maintain their own insurance, have not provided the church with evidence that they are complying with these contractual obligations

Procedure 10: Inquire regarding information technology practices including but not limited to password use, two-factor authentication where appropriate, remote access methods, IT controls provided by vendor software, access to accounting records and software roles, Back-up and contingency planning and administration of email Scope : IT systems and software in use during 2025 Criteria: Chapter II: Internal Controls • II-7 - technology back-ups	Back-ups of the desktop accounting records were done periodically rather than daily. Daily back-up has now been achieved as of the move to QuickBooks Online software in 2026.
Procedure 11: Review physical security features related to accounting and financial records. Scope : Physical premises of the Church offices Criteria: Chapter IX – Records Management	No exceptions noted
Procedure 12: Obtain and review all cash account bank statements and reconciliations for the month ending December 31st, 2025, and one additional randomly selected month and: ● Determine if reconciliations were prepared timely (within 10 days of receipt of bank statement) ● Determine that un-cleared items were investigated ● Confirm reconciliation was reviewed by someone other than preparer Scope : All cash accounts active during 2025 Chapter II – Internal Controls: "Bank Account Reconciliation"	The December 2025 reconciliation was completed on January 17, 2026, which is greater than the 10 days allowed for timely reconciliation. The individual responsible for completing the monthly bank reconciliations also participates in the disbursement of cash and recording of receipts. During the April reconciliation, three checks classified as "past 90 days old" were voided untimely (October 2026). This was because the vendors were solo musicians and required more time to contact. The checks were not escheated.
Procedure 13: For Investments, obtain a year end statement as well as one additional randomly selected month. ● Determine whether activity is classified correctly to the general ledger ● Tie statement balances to the financial statements Scope : Investment accounts active during 2025 Chapter III – Bookkeeping, Section D, Financial Report Examples	All changes in value are being booked to Unrealized Gain(-)/Loss(+), even if the transaction is realized. During 2025, this included $91,000 of interest, dividends and realized gains, most of which was related to cash being realized upon the broker's closing of a particular fund. Investments are presented on the balance sheet separately from accumulated unrealized gains and losses. This presentation is intended to distinguish the original amount invested from subsequent changes in market value and to make the investment activity more understandable to non-accounting users of the financial statements.

Procedure 14: Review discretionary fund activity and inquire regarding any transactions that appear inconsistent with the pious and charitable purposes of the fund. Scope : All discretionary funds active during 2025 Criteria: Chapter V — Clergy Discretionary Funds	No exceptions noted
Procedure 15: Obtain an understanding of counting procedures and compare them to church guidelines. Scope : Counting procedures as performed during 2025 Criteria: Chapter II – Internal Controls; Internal Control Questionnaire under “Cash Receipts.”	No exceptions noted
Procedure 16: Review the documentation and support for 5 randomly selected counts ensuring that: ● Deposits were made timely ● Supporting documentation, including any restrictions, were posted correctly to the accounting system ● Signatures and other representations of internal controls are evidenced ● Discrepancies, if any, were investigated and resolved Scope : Deposits made during 2025 Criteria: Chapter II – Internal Controls; Internal Control Questionnaire under “Cash Receipts.”	No exceptions noted
Procedure 17: Obtain an understanding of expense processing procedures and compare them to church guidelines. Scope : Cash disbursement procedures as performed during 2025 Criteria: Chapter II – Financial Management/Internal Controls, p. II-14, “Cash Disbursements.	The brass rubbing fundraiser is managed by volunteers and includes the collection and disbursement of cash. The related bank account is also managed by the volunteers responsible for the fundraiser, resulting in limited segregation of duties over the receipt, custody, disbursement, and accounting for funds. This concentration of responsibilities increases the risk that errors or unauthorized transactions may not be detected timely. No instances of fraud or misuse of funds were identified during our procedures or reported to us by management.

Procedure 18: From a population of cash disbursements, select 30 disbursements emphasizing higher-dollar and higher-risk transactions. • Vouch expenses to their supporting documentation, evaluating classification, accuracy, timely payment and approval. • For vendors selected that are commercial transactions, note whether a W-9 form is on file. If the form (and nature of the service) indicates that the vendor should receive a form 1099-NEC or other applicable tax document. • For significant transactions, consider whether sales tax aligns with non-profit status. Scope : Disbursements made during 2025 Criteria: Chapter II – Financial Management/Internal Controls, p. II-14, “Cash Disbursements.	• Two disbursements were missing support, one to a music soloist and another as reimbursement for the brass rubbing ministry • Four vendors representing 8 disbursements didn't have a vendor W9 on file. Three were issued a 1099-NEC and one was not. • In the credit card support for one reimbursement request, the receipt only evidenced that a reimbursement was made via a cash app, but the reason for the reimbursement and the receipt was not included in the support. • In the credit card support for one reimbursement request, payments to multiple commercial vendors were not supported by receipts • Two receipts for a meal reimbursement didn’t include the attendees or business purpose of the meeting
Procedure 19: Obtain and review the Statement of Activities and Statement of Financial Position for the years ended 2025 and 2024: • Review for clarity and presentation. • Observe line item balances are normative (e.g.: A/R is a debit balance) and inquire of any irregularities. • Tie the statements to the underlying Trial Balance and GL detail. Scope : Year end financial statements for 2024 and 2025 Criteria: Chapter III – Bookkeeping; Chapter III, Section A – General Information; Section E – Chart of Accounts; Chapter VI – Audit Guidelines for Congregations	The A/R balance on the Statement of Financial Position was presented as a negative balance. Accounts receivable is typically a debit-balance account, and a credit balance may represent amounts that should be classified as liabilities.
Procedure 20: Compare the plate, pledge and other contributions to the general support of the church from the financial statements to the parochial report inquiring about any differences. Scope : Financial statements for year ending 2025 and 2025 Parochial report Criteria: Chapter VIII – Parochial Reports	No exceptions noted

Procedure 21: Review the use of restricted funds: ● Determine which funds are permanently and temporarily restricted ● If permanently restricted, inquire as to evidence of the donor's stated restrictions or intended purpose. ● Determine if the vestry has visibility into changes to the balances of the funds ● Research any significant changes to funds, defined as 10% and $10k change from prior year Scope : Restricted Fund activity during 2025 Criteria: Chapter VI – Audit Guidelines for Congregations, under “Trust and Endowment Funds.”	The permanently restricted endowments of the Church are not supported by documentation that could be located during our testing.
Procedure 22: Obtain a copy of all quarterly 941 forms as well as the W2 report from the payroll provider, confirming that all amounts tie to the financial statements. Scope : All 941 forms for 2025 Criteria: Chapter II – Internal Controls, Payroll.	No exceptions noted
Procedure 23: Review documentation supporting vestry review of clergy compensation	No exceptions noted
Procedure 24: Select 10% (rounding up if needed) of employees randomly and obtain their personnel file. ● Note that the following is on file: pay rate, employment application, form W-4 ● For hourly employees, randomly select 2 pay periods and trace through transactions to their approved timecard ensuring that hours were entered correctly ● Determine whether form I-9 and copies of SSN and driver’s license are maintained privately with limited access ● Ensure that the payroll system reflects the correct information ● Consider unique rules related to I9 retention periods Scope : Any employee active during 2025 Criteria: Chapter II – Internal Controls, under “Payroll” , Chapter IX – Records Management	One employee out of 2 reviewed was missing an I9 document and employment application/letter of employment