

CLAIBORNE CHURCH OF GOD, INC.
(dba Family Church)

Financial Statements
For the Years Ended June 30, 2017 and 2016



CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
JUNE 30, 2017 AND 2016

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CAMERON, HINES & COMPANY

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Claiborne Church of God, Inc.
West Monroe, Louisiana

We have audited the accompanying financial statements of Claiborne Church of God, Inc. (The Church), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Claiborne Church of God, Inc. as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits and other payments to the agency head on page 16, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of Claiborne Church of God, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Claiborne Church of God, Inc.'s internal control over financial reporting and compliance.

Cameron, Hise & Company (APAC)

West Monroe, Louisiana
December 29, 2017

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,000,435	\$ 1,954,787
Accounts Receivable	39,122	43,511
Accounts Receivable - Grant Funds	31,487	33,407
Land, Buildings and Equipment, Net	7,588,549	7,166,350
<u>TOTAL ASSETS</u>	\$ 9,659,593	\$ 9,198,055
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable	\$ -	\$ (402)
Payroll Taxes Payable	-	18,332
Deferred Income	53,455	49,514
Total Liabilities	53,455	67,444
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	7,588,549	7,166,350
Restricted for:		
Church Programs	167,111	336,244
Unrestricted	689,188	560,240
Board Designated	1,161,290	1,067,777
Total Net Assets	9,606,138	9,130,611
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 9,659,593	\$ 9,198,055

The accompanying notes are an integral part of these financial statements.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2017	2016
<u>Changes in Unrestricted Net Assets</u>		
<u>Revenues and Gains:</u>		
Family Church Revenue	\$ 2,569,917	\$ 2,732,866
Claiborne Christian School	1,593,533	1,505,717
Claiborne Christian School Sports	141,561	131,135
CCS Preschool	1,077,139	1,069,213
CCS K4	636,755	615,630
Cafeteria	350,823	367,283
Net Assets Released From Restrictions - Satisfaction of Program Restrictions	565,186	620,903
Total Unrestricted Revenues and Gains and Other Support	6,934,914	7,042,747
<u>Expenses</u>		
Family Church Salaries	1,058,884	1,008,821
Family Church General & Administrative	654,066	610,454
Family Church Ministries	175,415	142,510
Claiborne Christian School Salaries	1,193,510	1,094,078
CCS General & Administrative	173,593	152,300
CCS Preschool Salaries	671,462	667,326
CCS Preschool General & Administrative	93,402	98,455
CCS K4	470,013	447,410
CCS Sports	208,693	199,351
Cafeteria	350,189	354,302
Maintenance	558,175	559,455
Depreciation Expense	365,336	352,555
Designated Programs	317,516	876,704
Total Expenses	6,290,254	6,563,721
<u>Increase in Unrestricted Net Assets</u>	644,660	479,026
<u>Changes in Temporarily Restricted Net Assets</u>		
Contributions and Revenues	396,053	828,996
Net Assets Released From Restrictions	(565,186)	(620,903)
Increase in Temporarily Restricted Net Assets	(169,133)	208,093
<u>Increase in Net Assets</u>	475,527	687,119
<u>Net Assets at Beginning of Year</u>	9,130,611	8,443,492
<u>NET ASSETS AT END OF YEAR</u>	\$ 9,606,138	\$ 9,130,611

The accompanying notes are an integral part of these financial statements.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities</u>		
Increase in Net Assets	\$ 475,527	\$ 687,119
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	365,336	352,555
(Increase) Decrease in Accounts Receivable	4,389	(13,706)
(Increase) Decrease in Grant Funds Receivable	1,920	(2,105)
Increase (Decrease) in Accounts Payable	402	(2,301)
Increase (Decrease) in Payroll Taxes Payable	(18,332)	3,343
Increase (Decrease) in Deferred Revenue	3,941	(18,233)
Total Adjustments	<u>357,656</u>	<u>319,553</u>
Net Cash Provided by Operating Activities	833,183	1,006,672
<u>Cash Flows From Investing Activities</u>		
Purchases of Equipment	(787,535)	(369,795)
<u>Cash Flows From Financing Activities</u>		
Payments on Notes Payable	-	(346,970)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	45,648	289,907
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>1,954,787</u>	<u>1,664,880</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 2,000,435</u>	<u>\$ 1,954,787</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Interest Paid	<u>\$ -</u>	<u>\$ 6,743</u>

The accompanying notes are an integral part of these financial statements.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

A. Nature of Activities

Claiborne Church of God, Inc. (DBA Family Church) was formed in February 1969 and operated as an unincorporated enterprise from its inception until January 10, 1995, at which time the enterprise was incorporated under the name Claiborne Church of God, Inc. (the Church). The Church operates Claiborne Christian School, a private school that enrolls children of pre-school age through the 12th grade.

The specific and primary purposes of the Church are:

1. The preaching of the gospel of Jesus Christ through the establishment of a local church in the West Monroe, Louisiana vicinity.
2. To preach and teach the gospel and further the cause of the Kingdom of God in the United States of America and in foreign lands.
3. To promote fellowship and means of cooperation between Christians and churches of like precious faith.
4. To promote freedom of worship and liberty of expression within the limits of its own statement of faith and doctrine, among its own ministers and members.
5. To establish and maintain churches, Bible and training schools, inaugurate and maintain charitable institutions, such as homes for the aged, rest homes for ministers and missionaries, orphanages, homes for the indigent and those bound by substance abuse, cemeteries and kindred institutions.
6. To maintain such relations with local, state, federal and foreign governments as may be necessary for the successful accomplishments of the purposes of the organization and for the welfare of the Church, ministers and members thereof.
7. To engage such employees as may be necessary to perform the duties involved in carrying on the Church's business.
8. To make bylaws for the government of the Church, and to alter, revise and amend the same at will.
9. To provide for its membership, rules of Christian conduct and discipline in accordance with the Word of God, in order to maintain purity and insure the continued progress of this assembly, (see Titus chapter 2).

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

A. Nature of Activities (continued)

10. To receive contributions, to make donations and to dispense charitable contributions through, and otherwise aid and support, those organizations qualified for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or subsequently amended.
11. To fulfill the Great Commission of the Church by supporting missions, both foreign and domestic, and supporting those performing the work of carrying the gospel as missionaries, both corporate and individual.

B. Basis of Accounting

The financial statements of the Claiborne Church of God, Inc., have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation

FASB Accounting Standards Codification (ASC) section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. ASC section 958-605 *Not-for-Profit Entities, Revenue Recognition* requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Church and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Church. Generally, the donors of these assets permit the Church to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2017 and 2016, there were no permanently restricted net assets.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

D. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. All items acquired before December 15, 1994 are recorded for financial reporting purposes based on the “value in use” estimate reflected in a report issued by an independent appraisal firm dated December 15, 1994. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method:

	<u>Years</u>
Buildings	40
Building Improvements	10-25
Furniture, Fixtures and Equipment	5-15

E. Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church’s ministry. No amounts have been reflected in the financial statements for those services.

F. Circulating Library

The Church has not capitalized its library books or broadcasting tapes since they are considered to represent either an inexhaustible collection, whose values are not readily determinable, or a circulating library with an estimated useful life of less than one year.

G. Noncash Donations

The Church records noncash donations at the fair market value at the date of donation.

H. Compensated Absences

Vacation time is based upon length of service to the Church and the type of employment at the Church.

12 consecutive month full-time employees:

<u>Years of Service</u>	<u>Weekly Accrual Rate</u>	<u>Maximum Accrual</u>
0-4 years	0.77 hour	60 hours
5-9 years	1.10 hour	80 hours
10-14 years	1.55 hour	100 hours
15-19 years	2.31 hours	140 hours
20 + hours	3.08 hours	180 hours

Ten-month employees receive vacation during Spring Break, Christmas Break, and Summer Break. Schedule will be released on a yearly basis by the School Board.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

An employee may carry forward three days of vacation from one year to the next. An accrual of vacation and sick leave compensation was considered immaterial and, therefore, unnecessary.

I. Tax Status

The Church qualifies as a tax-exempt organization under Section 501(c)(3) if the Internal Revenue Code and comparable Louisiana law, and contributions to it are tax deductible within the limitations prescribed by the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

J. Cash & Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less.

K. Accounts Receivable

The direct write off method for recognizing bad debts is used. Under this method, the bad debt is charged to expense when the account is deemed to be uncollectible in the opinion of management. Uncollectible amounts for receivables are generally not significant and therefore management feels an allowance for bad debt is not necessary.

L. Deferred Income

Tuition for the upcoming school year that is paid in advance is deferred and recognized in the year it is earned.

Note 2 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Furniture and Fixtures	\$ 243,220	\$ 243,220
Equipment	722,049	594,465
Improvements	764,485	540,982
Buildings	11,036,788	10,505,435
Vehicles	145,622	102,777
Construction in Progress	-	237,092
Land	<u>428,074</u>	<u>328,733</u>
Total	13,340,238	12,552,704
<u>Less: Accumulated Depreciation</u>	<u>(5,751,689)</u>	<u>(5,386,354)</u>
<u>TOTAL</u>	<u>\$ 7,588,549</u>	<u>\$ 7,166,350</u>

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 3 - Financial Instruments

The Church maintains its cash account at one federally insured financial institution. The cash account is insured by the Federal Deposit Insurance Corporation for up to \$250,000.

Note 4 - Concentrations of Contributions

For the year ended June 30, 2017, five families accounted for approximately 24.51% of total contributions. These five families accounted for approximately 27.06% of total contributions for the year ended June 30, 2016.

Note 5 - Louisiana Nonpublic Schools Early Childhood Development Program

The School participates in the Louisiana Nonpublic Schools Early Childhood Development Program. The Program is intended to provide at-risk four-year-old children access to high quality, developmentally appropriate prekindergarten classes, and before- and after-school enrichment activities, in either a nonpublic school or "Class A" daycare setting. For the years ended June 30, 2017 and 2016, the School received \$366,858 and \$381,972 respectively in funding for its K4 program.

Note 6 - Louisiana Department of Education Scholarships for Educational Excellence

The School participates in the Louisiana Department of Education Scholarships for Educational Excellence Program. During the fiscal year 2017 the School had 49 kids who received vouchers totaling \$ 276,618. During the fiscal year 2016 the School had 52 kids who received vouchers totaling \$293,803.

Note 7 - National School Lunch Program

The School participates in the National School Lunch Program. The Program is intended to reimburse participating public and nonprofit private schools, of high school grade and under and residential child care institutions, for breakfasts and lunches, meeting the nutritional requirements prescribed by the Secretary of Agriculture, served to eligible children. For the years ended June 30, 2017 and 2016, the School received \$215,240 and \$224,365, respectively in funding for its lunch program.

Note 9 - Subsequent Events

Subsequent events have been evaluated through December 29, 2017, the date that the financial statements were available to be issued. All subsequent events determined to be relevant and material to the financial statements have been appropriately recorded or disclosed.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors of
Claiborne Church of God, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Claiborne Church of God, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Claiborne Church of God, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Claiborne Church of God, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Claiborne Church of God, Inc.'s internal control.

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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Church'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 consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, 17-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne Church of God, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Claiborne Church of God, Inc.'s Response to Findings

The Church's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Church's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Claiborne Church of God, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Claiborne Church of God, Inc.'s internal control and compliance. Accordingly, the communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
December 29, 2017

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unmodified opinion on the financial statements of the Claiborne Church of God, Inc. (The Church).
2. One significant deficiency was disclosed during the audit of the financial statements to be reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards* .
3. No instances of noncompliance material to the financial statements of Claiborne Church of God, Inc., which are reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

FINDINGS - FINANCIAL STATEMENT AUDIT

17-1 Separation of Duties

Condition:

The Church has a small number of people performing a variety of duties, some of which may be incompatible. For instance, the person who handles cash receipts should not record the payments to the accounts receivable detail ledger. Also, the person who writes checks should not reconcile the bank statement each month.

Criteria:

Separation of duties is necessary to ensure the separation of the recording of assets and the custody of those assets.

Effect:

Separating these duties will improve internal controls over cash and other assets and reduce the possibility of errors and irregularities.

Recommendation:

This may be done without hiring more personnel. This situation dictates that the Board remains involved in the financial affairs of the Church to provide oversight and independent review functions. We recommend monthly bank statements and credit card statements should be reviewed for accuracy and approved by an employee independent of the responsibility of reconciling the statements and paying the credit card invoices.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017 (Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Response:

The Church feels that it is not cost beneficial to hire another employee or give this responsibility to an existing employee because of the work involved.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Internal Control and Compliance Material to the Financial Statements

16-1 **Separation of Duties**

Condition:

The Church has a small number of people performing a variety of duties, some of which may be incompatible. For instance, the person who handles cash receipts should not record the payments to the accounts receivable detail ledger. Also, the person who writes checks should not reconcile the bank statement each month.

Recommendation:

This may be done without hiring more personnel. This situation dictates that the Board remains involved in the financial affairs of the Church to provide oversight and independent review functions. We recommend monthly bank statements and credit card statements should be reviewed for accuracy and approved by an employee independent of the responsibility of reconciling the statements and paying the credit card invoices.

Current Status:

The Church feels that it is not cost beneficial to hire another employee or give this responsibility to an existing employee because of the work involved.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head

Beck Payne
Lead Pastor

Salary and Expense Account	\$	-
Housing		-
Benefits - Insurance		-
Car Allowance		-
Travel		-
Conference Travel		-
Other		-
	\$	-
	\$	-

NOTE: Claiborne Church of God, Inc. (DBA Family Church) is a nongovernmental entity that receives public funds. However, no public funds are used to pay for the compensation, reimbursements, benefits, or other payments to the agency head.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Claiborne Church of God and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Claiborne Church of God (Church) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Church's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Church's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Church does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Church's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: Thirteen exceptions noted where the policies of the Church did not meet the requirements set by the procedures listed above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Church's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Findings: No exceptions noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Findings: We obtained the listing and management's representation.

4. Using the listing provided by management, select all of the Church's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Findings: One exception noted where there was no documentation that bank reconciliations were prepared for all months of the fiscal year.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Findings: We obtained the listing and management's representation.

6. Using the listing provided by management, select all of the Church's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls

performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Church has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using Church's collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: No exceptions noted.

- 7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Church has a process specifically defined (identified as such by the Church) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings: No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

- 8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Findings: We obtained the general ledger and management's representation.

- 9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Church had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting

documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: Two exceptions noted where a payment for a purchase was processed without an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Church's purchasing/disbursement system.

Findings: No exceptions noted.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Findings: No exceptions noted.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Findings: No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings: No signature stamp or signature machine is used by the Church. This step is not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Findings: We obtained the listing and management's representation.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Church has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Findings: No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Church's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the Church's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and

report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Findings: We obtained the general ledger and the Church's travel and related expense reimbursements. We obtained management's representation.

18. Obtain the Church's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Findings: No exceptions noted.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Church does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

c) Compare the Church's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g.

hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: One exception was noted where a travel expense that was not reimbursed in accordance with Church written policy.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Findings: We obtained the general ledger and noted that no contracts were in effect during the fiscal period. We obtained management's representation.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Church complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the Church solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings: This step is not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: No exceptions noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the Church had less than 25 employees during the fiscal period), and:
- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the Church maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings: One exception noted where all employees did not document their daily attendance and leave. One exception noted where there was no written documentation to approve for the attendance and leave of the selected employee. One exception noted where the Church did not maintain written leave records for all employees that earn leave.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Findings: We noted that the Church did not have any employees who received termination payments during the fiscal year.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the

employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the Church maintained documentation to demonstrate that required ethics training was completed.

Findings: The Church is a not for profit organization. This step is not applicable.

27. Inquire of management whether any alleged ethics violations were reported to the Church during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the Church’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings: The Church is a not for profit organization. This step is not applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the Church, and report whether State Bond Commission approval was obtained.

Findings: The Church is a not for profit organization. This step is not applicable.

29. If the Church had outstanding debt during the fiscal period, obtain supporting documentation from the Church and report whether the Church made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Findings: The Church is a not for profit organization. This step is not applicable.

30. If the Church had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Findings: The Church is a not for profit organization. This step is not applicable.

Other

31. Inquire of management whether the Church had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Church

reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Church is domiciled.

Findings: We noted that there were no misappropriations of public funds or assets reported to the Church.

32. Observe and report whether the Church has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: One exception noted where the Church did not have the notice posted on its premises or website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings: We did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

Management's Response

We concur with the results of the procedures and are working diligently to improve controls.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Cameron Hines & Company (APAC)

West Monroe, Louisiana
December 29, 2017