

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

Financial Statements  
For the Years Ended June 30, 2013 and 2012



CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
JUNE 30, 2013 AND 2012

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# CAMERON, HINES & COMPANY

(A Professional Accounting Corporation)

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Claiborne Church of God, Inc. (The Church) as of June 30, 2013 and 2012, 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.

### **Auditor's 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.

Board of Directors  
Claiborne Church of God, Inc.  
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**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, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cameron, Hines & Company (APAC)*

West Monroe, Louisiana  
December 11, 2013

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

	June 30,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,326,494	\$ 973,038
Accounts Receivable	21,544	32,158
Accounts Receivable - Grant Funds	95,088	93,359
Land, Buildings and Equipment, Net	7,721,395	7,791,302
<u>TOTAL ASSETS</u>	\$ 9,164,521	\$ 8,889,857
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 18,467	\$ 29,707
Payroll Taxes Payable	828	9,532
Deferred Income	47,699	117,478
Notes Payable - O'Neal Family Center	1,254,611	1,631,667
Total Liabilities	1,321,605	1,788,384
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	6,466,784	6,159,635
Restricted for:		
Church Programs	96,206	65,275
Unrestricted	477,956	421,453
Board Designated	801,970	455,110
Total Net Assets	7,842,916	7,101,473
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 9,164,521	\$ 8,889,857

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,	
	2013	2012
<u>Changes in Unrestricted Net Assets</u>		
<u>Revenues and Gains:</u>		
Family Church Revenue	\$ 2,603,890	\$ 2,191,363
Claiborne Christian School	1,248,965	1,041,766
Claiborne Christian School Sports	126,192	85,928
CCS Preschool	863,468	830,240
CCS K4	868,707	860,239
Cafeteria	369,679	335,409
Interest Income	149	719
Net Assets Released From Restrictions - Satisfaction of Program Restrictions	694,139	533,701
<b>Total Unrestricted Revenues and Gains and Other Support</b>	<b>6,775,189</b>	<b>5,879,365</b>
<u>Expenses</u>		
Family Church Salaries	943,140	870,706
Family Church General & Administrative	668,686	647,743
Family Church Ministries	143,058	134,661
Claiborne Christian School Salaries	940,478	851,494
CCS General & Administrative	226,333	162,604
CCS Preschool Salaries	559,782	527,388
CCS Preschool General & Administrative	133,393	126,061
CCS K4	662,421	636,996
CCS Sports	198,564	191,859
Cafeteria	346,756	316,024
Maintenance	433,382	282,611
Depreciation Expense	327,985	323,618
Designated Programs	480,699	497,044
<b>Total Expenses</b>	<b>6,064,677</b>	<b>5,568,809</b>
<u>Increase in Unrestricted Net Assets</u>	710,512	310,556
<u>Changes in Temporarily Restricted Net Assets</u>		
Contributions and Revenues	725,070	531,193
Net Assets Released From Restrictions	(694,139)	(533,701)
<u>Increase (Decrease) in Temporarily Restricted Net Assets</u>	<u>30,931</u>	<u>(2,508)</u>
<u>Increase in Net Assets</u>	741,443	308,048
<u>Net Assets at Beginning of Year</u>	<u>7,101,473</u>	<u>6,793,425</u>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b>\$ 7,842,916</b>	<b>\$ 7,101,473</b>

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

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

	Years Ended	
	June 30, 2013	June 30, 2012
<u>Cash Flows From Operating Activities</u>		
Increase in Net Assets	\$ 741,443	\$ 308,048
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	327,985	323,618
(Increase) Decrease in Accounts Receivable	10,614	(7,336)
Increase in Grant Funds Receivable	(1,729)	(11,984)
Decrease in Accounts Payable	(11,240)	(3,367)
Increase (Decrease) in Payroll Taxes Payable	(8,704)	9,532
Increase (Decrease) in Deferred Revenue	(69,779)	38,703
Total Adjustments	247,147	349,166
Net Cash Provided by Operating Activities	988,590	657,214
<u>Cash Flows From Investing Activities</u>		
Purchases of Equipment	(258,078)	(40,896)
<u>Cash Flows From Financing Activities</u>		
Payments on Notes Payable	(377,056)	(486,910)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	353,456	129,408
<u>Cash and Cash Equivalents at Beginning of Year</u>	973,038	843,630
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 1,326,494	\$ 973,038
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Interest Paid	\$ 90,401	\$ 109,272

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, 2013 AND 2012

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 12<sup>th</sup> 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, 2013 AND 2012

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, 2013 and 2012, 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, 2013 AND 2012

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.

For twelve month employees:

6-12 months of service	3 days
1-3 years of service	1 week
4-7 years of service	7 days
8-11 years of service	2 weeks
12+ years of service	3 weeks

Ten-month employees receive vacation during Spring Break, Christmas Break, and Summer Break.

CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Claiborne Church of God, Inc., is a nonprofit corporation exempted from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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>2013</u>	<u>2012</u>
Furniture and Fixtures	\$ 243,220	\$ 243,220
Equipment	475,452	410,793
Improvements	521,659	474,353
Buildings	10,505,435	10,387,568
Vehicles	72,449	20,203
Construction in Progress	-	24,000
Land	<u>253,363</u>	<u>253,363</u>
Total	12,071,578	11,813,500
Less: Accumulated Depreciation	<u>( 4,350,183)</u>	<u>( 4,022,198)</u>
<u>TOTAL</u>	<u>\$ 7,721,395</u>	<u>\$ 7,791,302</u>

CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Note 3 - Notes Payable

The Church owes a note payable to Chase Bank, payable in monthly installments of \$33,432, including principal and interest of 6%, until February 22, 2017.

	Principal Due in <u>12 Months</u>	Principal Due After <u>12 Months</u>	<u>Total</u>
Chase	\$ 331,240	\$ 923,371	\$ 1,254,611

Aggregate principal payments are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2014	331,240
2015	351,670
2016	373,361
2017	<u>198,340</u>
Total	<u>\$ 1,254,611</u>

Note 4 - Financial Instruments

The Church maintains its cash accounts at a federally insured financial institution. The cash accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000 on interest-bearing accounts and unlimited on noninterest-bearing accounts.

Note 5 - Concentrations of Contributions

For the year ended June 30, 2013, five families accounted for approximately 30.92% of total contributions. These five families accounted for approximately 30% of total contributions for the year ended June 30, 2012.

Note 6 - 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 year ended June 30, 2013, the School received \$721,125 in funding for its K4 program.

CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Note 7 - 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 2013 the School had 22 kids who received vouchers totaling \$118,649.

Note 8 - 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 year ended June 30, 2013, the School received \$278,272 in funding for its lunch program.

Note 9 - Subsequent Events

Subsequent events have been evaluated through December 11, 2013, 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.

# CAMERON, HINES & COMPANY

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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, 2013 and 2012, 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 11, 2013.

### **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 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.

Management of the Church is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Claiborne Church of God, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control over financial reporting.

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.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 13-1 and 13-2, to be material weaknesses.

Our consideration of 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 over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 is required to be reported under the *Government Auditing Standards*.

### **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.

Claiborne Church of God, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Church's responses and, accordingly, we express no opinion on them.

*Cameron, Hines & Company (APAC)*

West Monroe, Louisiana  
December 11, 2013

CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

**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. No significant deficiencies were 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. Two 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**

13-1 Segregate Cash Disbursements Responsibilities

Condition:

In reviewing the procedures and controls related to cash disbursements functions, we noted that the business administrator has more responsibility than is optimal. For instance, he approves disbursements, signs checks, receives and reviews unopened bank statements and cancelled checks, and reviews bank reconciliations. Also, we were informed an authorized check signer has the check signing stamp of another authorized check signer.

Criteria:

Segregating cash responsibilities is necessary to ensure controls over cash to help prevent errors or irregularities.

Effect:

This condition could provide an opportunity for misappropriation of funds and concealment of such activity.

CLAIBORNE CHURCH OF GOD, INC.  
(DBA FAMILY CHURCH)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013 (Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

13-1 Segregate Cash Disbursements Responsibilities (continued)

Recommendation:

In order to mitigate this condition, we recommend that someone other than the business administrator receive and review unopened bank statements and cancelled checks. This control takes no more than an hour each month and provides a supervisory control that can help prevent or detect improper or unauthorized disbursements. Note that this comment is not meant to imply that we identified unauthorized disbursements, but that additional controls could reduce the risk.

Response:

At this time, 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.

13-2 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.

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, 2013

**Internal Control and Compliance Material to the Financial Statements**

12-1 Segregate Cash Disbursements Responsibilities

Condition:

In reviewing the procedures and controls related to cash disbursements functions, we noted that the business administrator has more responsibility than is optimal. For instance, he approves disbursements, signs checks, receives and reviews unopened bank statements and cancelled checks, and reviews bank reconciliations. Also, we were informed an authorized check signer has the check signing stamp of another authorized check signer.

Recommendation:

In order to mitigate this condition, we recommend that someone other than the business administrator receive and review unopened bank statements and cancelled checks. This control takes no more than an hour each month and provides a supervisory control that can help prevent or detect improper or unauthorized disbursements. Note that this comment is not meant to imply that we identified unauthorized disbursements, but that additional controls could reduce the risk.

Current Status:

The executive pastor has access to online banking and credit card accounts and can review bank and credit card activity at any time.

12-2 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.