

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

Financial Statements
For the Years Ended June 30, 2012 and 2011



CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
JUNE 30, 2012 AND 2011

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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, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Church's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of Claiborne Church of God'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Board of Directors
Claiborne Church of God, Inc.
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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
November 1, 2012

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

	June 30,	
	2012	2011
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 973,038	\$ 843,630
Accounts Receivable	32,158	24,822
Accounts Receivable - Grant Funds	93,359	81,375
Land, Buildings and Equipment, Net	7,791,302	8,074,024
<u>TOTAL ASSETS</u>	\$ 8,889,857	\$ 9,023,851
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 29,707	\$ 33,074
Payroll Taxes Payable	9,532	-
Deferred Income	117,478	78,775
Notes Payable - Line of Credit	-	195,000
Notes Payable - O'Neal Family Center	1,631,667	1,923,577
Total Liabilities	1,788,384	2,230,426
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	6,159,635	5,955,447
Restricted for:		
Church Programs	65,275	67,783
Unrestricted	421,453	411,035
Board Designated	455,110	359,160
Total Net Assets	7,101,473	6,793,425
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 8,889,857	\$ 9,023,851

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,	
	2012	2011
<u>Changes in Unrestricted Net Assets</u>		
<u>Revenues and Gains:</u>		
Family Church Revenue	\$ 2,191,363	\$ 2,210,159
Claiborne Christian School	1,041,766	958,614
Claiborne Christian School Sports	85,928	125,230
CCS Preschool	830,240	853,559
CCS K4	860,239	634,575
Cafeteria	335,409	278,771
Interest Income	719	3,215
<u>Net Assets Released From Restrictions -</u>		
Satisfaction of Program Restrictions	533,701	2,501,048
Total Unrestricted Revenues and Gains and Other Support	5,879,365	7,565,171
<u>Expenses</u>		
Family Church Salaries	870,706	849,626
Family Church General & Administrative	647,743	652,879
Family Church Ministries	134,661	186,292
Claiborne Christian School Salaries	851,494	886,164
CCS General & Administrative	162,604	146,224
CCS Preschool Salaries	527,388	558,228
CCS Preschool General & Administrative	126,061	126,204
CCS K4	636,996	484,600
CCS Sports	191,859	117,427
Cafeteria	316,024	278,315
Maintenance	282,611	287,688
Depreciation Expense	323,618	332,193
Designated Programs	497,044	1,677,507
Total Expenses	5,568,809	6,583,347
<u>Other Income (Expenses)</u>		
Loss on Disposal of Assets	-	(3,829)
Increase in Unrestricted Net Assets	310,556	977,995
<u>Changes in Temporarily Restricted Net Assets</u>		
Contributions and Revenues	531,193	1,830,431
Net Assets Released From Restrictions	(533,701)	(2,501,047)
Decrease in Temporarily Restricted Net Assets	(2,508)	(670,616)
Increase in Net Assets	308,048	307,379
Net Assets at Beginning of Year	6,793,425	6,486,046
NET ASSETS AT END OF YEAR	\$ 7,101,473	\$ 6,793,425

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, 2012	June 30, 2011
<u>Cash Flows From Operating Activities</u>		
Increase in Net Assets	\$ 308,048	\$ 307,379
Loss on Disposal of Assets	-	3,829
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	323,618	332,193
Increase in Accounts Receivable	(7,336)	(2,999)
Increase in Grant Funds Receivable	(11,984)	(63,704)
Decrease in Accounts Payable	(3,367)	(637,383)
Increase in Payroll Taxes Payable	9,532	-
Increase in Deferred Revenue	38,703	52,670
Total Adjustments	349,166	(319,223)
Net Cash Provided (Used) by Operating Activities	657,214	(8,015)
<u>Cash Flows From Investing Activities</u>		
Purchases of Equipment	(40,896)	(1,474,453)
<u>Cash Flows From Financing Activities</u>		
Proceeds from Debt	-	365,000
Payments on Notes Payable	(486,910)	(445,000)
Net Cash Used by Financing Activities	(486,910)	(80,000)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	129,408	(1,562,468)
<u>Cash and Cash Equivalents at Beginning of Year</u>	843,630	2,406,098
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 973,038	\$ 843,630
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Interest Paid	\$ 109,272	\$ 126,183

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, 2012 AND 2011

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, 2012 AND 2011

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, 2012 and 2011, 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, 2012 AND 2011

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, 2012 AND 2011

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>2012</u>	<u>2011</u>
Furniture and Fixtures	\$ 243,220	\$ 243,220
Equipment	410,793	403,197
Improvements	474,353	465,054
Buildings	10,387,568	10,387,568
Vehicles	20,203	20,203
Construction in Progress	24,000	-
Land	<u>253,363</u>	<u>253,363</u>
Total	11,813,500	11,722,605
Less: Accumulated Depreciation	<u>(4,022,198)</u>	<u>(3,698,581)</u>
<u>TOTAL</u>	<u>\$ 7,791,302</u>	<u>\$ 8,074,024</u>

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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.

	<u>Principal Due in 12 Months</u>	<u>Principal Due After 12 Months</u>	<u>Total</u>
Chase	\$ 311,997	\$ 1,319,670	\$ 1,631,667

Aggregate principal payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 311,997
2014	331,240
2015	351,670
2016	373,361
2017	<u>263,399</u>
Total	<u>\$ 1,631,667</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. At June 30, 2012, the Church's cash accounts were fully covered by the Federal Deposit Insurance Corporation.

Note 5 - Concentrations of Contributions

For the year ended June 30, 2012, five families accounted for approximately 30% of total contributions. These five families accounted for approximately 34% of total contributions for the year ended June 30, 2011.

Note 6- Line of Credit

During the year ended June 30, 2011 the Church had a \$500,000 line of credit with JPMorgan Chase Bank with interest charged on the outstanding balance at a rate equivalent to the LIBOR rate plus 2.02%. The line of credit was secured by the Church property. During March 2012 the Church closed the line of credit.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Note 7 - 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, 2012, the School received \$709,450 in funding for its K4 program.

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, 2012, the School received \$252,571 in funding for its lunch program.

Note 9 - Subsequent Events

Subsequent events have been evaluated through November 1, 2012, which is the day the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

SUPPLEMENTAL INFORMATION

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grants/Pass Through Grantor/Program Title	CFDA Number	Agency or Pass - Through Number	Expenditures
Department of Health and Human Services Temporary Assistance for Needy Families	93.558	Governor's Office of Community Programs *	\$ 739,435
Department of Agriculture School Lunch Program	10.555	Louisiana Department of Education	169,862
Department of Agriculture School Breakfast Program	10.553	Louisiana Department of Education	33,935
Department of Agriculture Summer Food Service Program for Children	10.559	Louisiana Department of Education	48,774
			<u>\$ 992,006</u>

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Claiborne Church of God, Inc. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Church's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*Denotes Major Federal Assistance Program.

CAMERON, HINES & COMPANY

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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 the financial statements of Claiborne Church of God, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 1, 2012. We conducted our audits in accordance with 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.

Internal Control Over Financial Reporting

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-1 and 12-2, to be material weaknesses.

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*.

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.

This report is intended solely for the information and use of management of Claiborne Church of God, Inc., federal awarding agencies, and pass-through entities and is not intended to be or should not be used by anyone other than these specified parties.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
November 1, 2012

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors of
Claiborne Church of God, Inc.

Compliance

We have audited the compliance of the Claiborne Church of God, Inc (The Church) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Church's major federal programs for the years ended June 30, 2012 and 2011. The Church's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Church's management. Our responsibility is to express an opinion on the Church's compliance based on our audits.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Church's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the Church's compliance with those requirements.

In our opinion, the Church complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2012 and 2011.

Internal Control Over Compliance

Management of Claiborne Church of God, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we considered the Church's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of Claiborne Church of God, Inc., Federal Audit Clearinghouse, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
November 1, 2012

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified 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 Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards* and Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
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.
4. No significant deficiencies were disclosed during the audit of the major federal award programs in the Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Claiborne Church of God, Inc., expressed an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Church.
7. The program tested as a major program included the Department of Health and Human Services, CFDA No. 93.558.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The Church does not qualify to be a low-risk auditee.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012 (Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

FINDINGS - FINANCIAL STATEMENT AUDIT

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.

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.

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.

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.

CLAIBORNE CHURCH OF GOD, INC.
(DBA FAMILY CHURCH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012 (Continued)

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

12-2 Separation of Duties (continued)

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, 2012

Internal Control and Compliance Material to Federal Awards

There were no findings relating to this category.

Internal Control and Compliance Material to the Financial Statements

11-1 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.

11-2 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.