PRESBYTERY OF SOUTH LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

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INDEPENDENT AUDITORS' REPORT

Council of the Presbytery of South Louisiana
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Presbytery of South Louisiana and its Subsidiaries as of December 31, 2012 and 2011, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 17 through 19 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated 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 9, 2013, on our consideration of the Presbytery'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* in considering the Presbytery's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2013

P&N

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 1,634,888	$ 490,243
Restricted cash	721,072	1,155,962
Investments	5,855	119,903
Accounts receivable	27,030	240,725
Total current assets	2,388,845	2,006,833
NON-CURRENT ASSETS		
Investments	825,586	828,423
Other assets	-	23,276
Property and equipment, net	1,346,765	1,689,624
Property - held for sale	197,187	-
Total non-current assets	2,369,538	2,541,323
Total assets	$ 4,758,383	$ 4,548,156

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 19,238	$ 136,077
Other liabilities	52,682	2,378
Total current liabilities	71,920	138,455
NET ASSETS		
Unrestricted, undesignated	1,199,179	1,308,914
Unrestricted, internally designated	2,737,379	1,916,420
Total unrestricted	3,936,558	3,225,334
Temporarily restricted	721,072	1,155,962
Permanently restricted	28,833	28,405
Total net assets	4,686,463	4,409,701
Total liabilities and net assets	$ 4,758,383	$ 4,548,156

The accompanying notes are an integral part of these statements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
United Mission support	$ 248,517	$ -	$ -	$ 248,517
Per capita assessments	137,468	-	-	137,468
Contributions	811,030	317,348	-	1,128,378
Investment income	26,978	18,841	428	46,247
Hurricane disaster recovery	-	500,801	-	500,801
Change in unrealized gain on investments	29,165	-	-	29,165
Gain on sale of property	-	-	-	-
Other	175,377	-	-	175,377
Total revenues	1,428,535	836,990	428	2,265,953
Net assets released from restrictions	1,271,880	(1,271,880)	-	-
Total revenues and other support	2,700,415	(434,890)	428	2,265,953
Expenses:				
Program services	361,792	-	-	361,792
Support services	388,906	-	-	388,906
Hurricane disaster recovery	500,801	-	-	500,801
Other retreat expenses	216,753	-	-	216,753
Contribution to Project Homecoming, Inc. (see Note 16)	520,939	-	-	520,939
	1,989,191	-	-	1,989,191
Change in net assets	711,224	(434,890)	428	276,762
Net assets at the beginning of year	3,225,334	1,155,962	28,405	4,409,701
Net assets at the end of year	$ 3,936,558	$ 721,072	$ 28,833	$ 4,686,463

The accompanying notes are an integral part of these statements.

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 267,362	$ -	$ -	$ 267,362
144,338	-	-	144,338
67,692	244,689	-	312,381
21,425	8,901	59	30,385
-	1,428,985	-	1,428,985
(16,436)	-	-	(16,436)
33,891	-	-	33,891
212,443	-	-	212,443
730,715	1,682,575	59	2,413,349
2,309,799	(2,309,799)	-	-
3,040,514	(627,224)	59	2,413,349
370,391	-	-	370,391
361,648	-	-	361,648
2,130,051	-	-	2,130,051
218,910	-	-	218,910
-	-	-	-
3,081,000	-	-	3,081,000
(40,486)	(627,224)	59	(667,651)
3,265,820	1,783,186	28,346	5,077,352
$ 3,225,334	$ 1,155,962	$ 28,405	$ 4,409,701

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 276,762	$ (667,651)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	96,529	139,477
Change in unrealized gain on investments	(29,165)	16,436
Realized gain on investments	(14,082)	-
Gain on sale of property and equipment	-	33,891
Non-cash contribution to Project Homecoming, Inc.	257,721	-
Change in accounts receivable and other assets	112	(240,288)
Change in accounts payable, accrued payroll taxes and withholdings, and other liabilities	93,619	84,071
Net cash provided by (used in) operating activities	681,496	(634,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(17,108)	(71)
Proceeds from sale of property	-	308,249
Purchases of investments	(268,732)	(60,115)
Proceeds from sales of investments	314,099	87,103
Net cash provided by investing activities	28,259	335,166
Net increase (decrease) in cash and cash equivalents	709,755	(298,898)
Cash and cash equivalents - beginning of year	1,646,205	1,945,103
Cash and cash equivalents - end of year	$ 2,355,960	$ 1,646,205

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery) conform to accounting principles generally accepted in the United States of America and the prevailing practices within the not-for-profit industry. The Presbytery's subsidiaries are the Presbytery of South Louisiana Feliciana Retreat Center, the Presbytery of South Louisiana Hurricane Recovery, the Presbytery of South Louisiana Peace Church, and the Presbytery of South Louisiana Young Adult Volunteer Program. All significant intercompany accounts and transactions have been eliminated. A summary of significant accounting policies is as follows:

Organization

The Presbytery consists of all churches and ministers of the Word and Sacrament in South Louisiana and is a corporate extension of these churches and ministers. The Presbytery is responsible for the mission and government of the churches throughout South Louisiana.

The Retreat Center provides a retreat setting with facilities for workshops and conferences, a summer camping program, and various specialized programs throughout the year in an attempt to nurture and revitalize the Christian growth of individuals and the mission of the churches.

The South Louisiana Hurricane Recovery provides recovery efforts to areas impacted by Hurricanes Katrina, Rita, Gustav and Ike. Its primary focus is to help re-establish area churches and congregations. The Presbytery of South Louisiana voted in October 2011 to create a separate corporation and transfer Hurricane Disaster Recovery operations to that entity which would be called Project Homecoming, Inc. Project Homecoming, Inc. received their non-profit corporate charter and filed for 501(c)(3) tax exempt status in April 2010. It was originally expected the spin-off would occur in the last quarter of 2010. Until that time Project Homecoming, Inc. conducted no business activities and Hurricane Disaster Recovery operations continued in the Presbytery of South Louisiana with no change in function. Hurricane Disaster Recovery began to use the business name Project Homecoming in anticipation of the spin-off. The Project Homecoming, Inc. 501(c)(3) approval was received in August 2011. There was no impact on the 2011 financial statements or operations. However, during 2012 the spin-off between Project Homecoming, Inc. and Hurricane Disaster Recovery occurred. See Note 16 regarding the transfer of assets from Hurricane Disaster Recovery to Project Homecoming, Inc.

The Young Adult Volunteer Program offers opportunities in Christian service and learning for young adults between the ages of 19 to 30 in areas of need. The program responds to the realities of disaster in the lives of individuals and communities by allowing agencies and congregations in the greater New Orleans area to receive the assistance and skills of Young Adult Volunteers.

Income taxes

The Presbytery is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Louisiana Revenue and Taxation Code Section 17.22(a). Accordingly, no provision for income taxes has been made; however, should the Presbytery engage in activities unrelated to the purpose for which it was created, taxable income could result. The Presbytery had no material unrelated business income for the years ending December 31, 2012 and 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

In Management's judgment, the Presbytery does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using the straight-line method, based on the estimated useful lives of the assets which range from 3 to 30 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized as income for that period.

In accordance with FASB ASC relating to accounting for the impairment or disposal of long-lived assets, an asset is determined to be impaired if the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the assets exceeds its fair value. Fair value was determined using an independent appraisal based on market comparisons.

Investments

Investments are stated at fair value (see Notes 10 and 11). Unrealized gains and losses are recorded in current year operations as increases or decreases in unrestricted net assets. Dividend, interest and other investment income is recorded as an increase in unrestricted net assets unless the use is restricted by the donor.

Donor restrictions

The Presbytery accounts for contributions in accordance with FASB ASC relating to accounting for contributions received and contributions made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Presbytery in perpetuity.

1. **Summary of Significant Accounting Policies** (continued)

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions on the Statements of Activities.

The Presbytery reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Presbytery received $37,616 of donated equipment from the Presbyterian Church USA during the year ended December 31, 2011 and none during the year ended December 31, 2012.

Allowance for uncollectible accounts

An allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Receivables are closely monitored during the year, and all accounts considered to be uncollectible are written-off when such conclusions are reached. As of December 31, 2012 and 2011, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established.

Statements of cash flows

For purposes of the statements of cash flows, cash and cash equivalents includes all restricted and unrestricted checking accounts, savings accounts, and amounts invested in money market accounts.

Insurance proceeds

Insurance proceeds are recognized as income in the year the insurance claim is settled.

2. **Property and Equipment**

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Land	$ 500,456	$ 500,456
Buildings	2,295,366	2,295,366
Furniture and equipment	336,509	605,736
	3,132,331	3,401,558
Less: accumulated depreciation	(1,588,379)	(1,711,934)
	$ 1,543,952	$ 1,689,624

2. **Property and Equipment** (continued)

The Presbytery held property for sale recorded at $197,187 and $0 in New Orleans, LA at December 31, 2012 and 2011, respectively. No depreciation is being recorded on the property being held for sale.

3. **Internally Designated Net Assets**

The Presbytery designated a portion of its unrestricted net assets for the following programs at December 31, 2012 and 2011, respectively:

	2012	2011
Church Development Fund	$ 772,762	$ 847,221
Denham Springs Church Fund	86,762	81,384
Peace Church Fund	884,634	919,783
2004 PEP Fund	-	4,897
Office Maintenance Fund	56,099	25,814
Salary Match Grants	121,323	-
Gentilly Church Proceeds	683,294	-
Other Internally Designated Net Assets	132,505	37,321
	$ 2,737,379	$ 1,916,420

4. **Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following at December 31, 2012 and 2011, respectively:

	2012	2011
The Bloomfield Fund	$ 12,879	$ 12,818
Roberta H. Browning Fund	12,771	12,722
Presbytery Endowment Fund	3,183	2,865
	$ 28,833	$ 28,405

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011, respectively, were available for the following programs:

	2012	2011
Leona Crawford Fund	$ 9,481	$ 9,377
Storm Recovery	21,357	20,477
Young Adult Volunteer Fund	100,412	60,272
Ann Cook Campbell Fund	65,637	63,815
Cuba Partnership Fund	6,921	6,729
PSL - Disaster Operations	98,888	99,023
History of Presbyterianism in South Louisiana Fund	33,273	32,349
Hurricane Recovery	-	516,641
New Pentecost Fund	6,415	6,141
Preparation for Ministry Fund	54,188	54,608
Texas Foundation for New Orleans Campus Ministry Fund	114,684	109,181
Urban New Church Development Fund	-	22,005
Grand Bayou Families Grant	14,612	14,207
Feliciana Retreat Center Worship Center	2,336	2,336
Church Development Western Area	36,550	36,022
Other Temporarily Restricted Net Assets	156,318	102,779
	$ 721,072	$ 1,155,962

6. Commitments and Contingencies

Loan Guarantees

The Presbytery is a guarantor on several loans taken out by churches operating in southern Louisiana. The loans are owed to the Presbyterian General Assembly with total monthly payments of approximately $4,500 with various interest rates ranging from 4.00% to 5.5%. The terms of the loans range from 7 to 20 years. The Presbytery would be responsible for such loans should the corresponding churches be unable to satisfy such commitments. The Presbytery has pledged various pieces of property to mortgage as security on the loan guarantees. At December 31, 2012 and 2011, the outstanding balances on these loans totaled approximately $433,000 and $464,000, respectively.

7. Endowment Disclosure

The Presbytery holds three endowments which are held in trust at a local financial institution. No funds have been drawn from the endowments over the last two fiscal years. Appropriation of endowment assets for spending must be requested in writing to the trustee. The trustee has a committee to review all requests. For the years ending December 31, 2012 and 2011; endowed net assets were $28,833 and $28,405, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Net Assets Released from Donor Restrictions

The following restrictions were satisfied during the years ended December 31, 2012 and 2011, respectively:

	2012	2011
Ann Cook Campbell	$ -	$ 15,000
Other Funds	70,440	22,279
Urban New Church Development	22,005	810
Feliciana Retreat Center - Worship Center	-	2,271
Young Adult Volunteer Fund	152,329	131,206
Storm Recovery	1,866	-
Preparation for Ministry Fund	3,500	-
Hurricane Disaster Recovery Fund	1,021,740	2,138,233
	$ 1,271,880	$ 2,309,799

9. Concentration of Credit Risk

The Presbytery maintains its temporary cash investments with several qualified financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

10. Investments

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2012, were as follows:

	December 31, 2012			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Mutual funds	$ 715,472	$ 75,435	$ 765	$ 790,142
Equities	30,037	11,262	-	41,299
	$ 745,509	$ 86,697	$ 765	$ 831,441

10. **Investments** (continued)

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2011, were as follows:

	December 31, 2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Mutual funds	$ 693,043	$ 43,231	$ 6,868	$ 729,406
Certificates of deposit	104,455	10,310	-	114,765
Equities	43,540	9,849	983	52,406
Corporate bonds	50,521	1,228	-	51,749
	$ 891,559	$ 64,618	$ 7,851	$ 948,326

11. **Disclosures about fair value of financial instruments**

The *Fair Value Measurements and Disclosures* topic of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Presbytery has the ability to access.
- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual funds: valued at the net asset value of shares held by the Presbytery at year end.

Certificates of Deposit: the carrying amounts reported in the statements of financial position for certificates of deposit approximate fair value because these assets are highly liquid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. **Disclosures about the fair value of financial instruments** (continued)

Common stocks: valued at the closing price reported on active market exchanges.

Corporate Bonds: the fair values are estimated based on quoted market prices for those investments in an active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Presbytery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3
Mutual funds			
Blend	$ 243,533	$ -	$ -
Growth	52,700	-	-
Bond	380,516	113,393	-
Equities			
Blend	41,299	-	-
	$ 718,048	$ 113,393	$ -

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3
Mutual funds			
Value	$ 35,358	$ -	$ -
Blend	274,814	-	-
Growth	55,764	-	-
Bond	255,338	108,131	-
Certificates of deposit	114,765	-	-
Equities			
Value	11,159	-	-
Blend	41,248	-	-
Corporate bonds	51,749	-	-
	$ 840,195	$ 108,131	$ -

12. **Operating Lease**

In 2010 the Presbytery entered into a lease for warehouse storage on a month to month basis for $560 per month. The lease ended in 2011. For the years ended December 31, 2012 and 2011, rent expense incurred by the Presbytery under prior lease agreements was $0 and $7,280; respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Grants

The Presbytery received a grant from the New Orleans Redevelopment Authority (NORA) on February 16, 2011 with reimbursement for qualified expenses up to $500,000. The purpose of the program was to partner and collaborate with NORA to redevelop certain residential sites in and about the Gentilly Community of New Orleans, LA. The agreement was amended on November 4, 2011 to transfer the remaining grant funds to Project Homecoming, Inc. (see Note 16). The amount remaining on the grant as of December 31, 2011 was approximately $225,000. There was no activity with this grant in 2012.

Presbytery of South Louisiana – Project Homecoming entered in to a contract with United Way for the Greater New Orleans Area for the reconstruction/rehabilitation of five homes in the New Orleans Area. United Way agreed to reimburse the Presbytery for qualified expenses up to $260,467. The Presbytery was reimbursed $125,999 during the year ended December 31, 2011. The contracts were completed in November 2011.

14. Agency Transactions

After the spin-off of Project Homecoming, Inc. on January 1, 2012, the Presbytery became an agent in transactions between grantors and Project Homecoming, Inc. During the fiscal year ended December 31, 2012, these grants included:

United Way for the Greater New Orleans Area	$ 84,952
Broadmoor Development Corporation	109,229
Americorps	173,901
	$ 368,082

These agency transactions have been properly excluded from the consolidated statement of activities.

15. Pending Litigation Status

The Presbytery is currently a defendant in legal action brought by the Carrollton Presbyterian Church of New Orleans who claims the trust provision over property in favor of the Presbyterian Church USA set forth in the PCUSA Book of Order is unenforceable. It also sought an order requiring the Presbytery to pay Carrollton's attorney's fees on the basis that the Presbytery should not have defended the case. On August 21, 2013, the district court granted that motion and awarded Carrollton $390,000 plus interest as provided by law. The Presbytery filed a motion for new trial (which suspends the effect of the judgment) that has not yet been heard. Since the likelihood of the outcome of the motion for new trial is not known and cannot be determined, a liability has not been recorded in the December 31, 2012 financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. **Transfer of Assets from Hurricane Disaster Recovery to Project Homecoming, Inc.**

As mentioned in Note 1, the spin-off between Project Homecoming, Inc. and Hurricane Disaster Recovery occurred during 2012. The Presbytery negotiated the transfer of operations of Hurricane Disaster Recovery to Project Homecoming, Inc., with the transfer beginning on January 1, 2012 and completing on September 30, 2012. A three year lease was signed effective September 1, 2012, allowing Project Homecoming, Inc. use of the Volunteer Village. Certain assets and agreements of Hurricane Disaster Recovery were also transferred to Project Homecoming, Inc. in 2012, as outlined in the final memorandum of understanding. The final memorandum of understanding was signed between the Presbytery and Project Homecoming, Inc. on October 13, 2012. The Presbytery's contribution to Project Homecoming, Inc. totaled $520,939 during the fiscal year ended December 31, 2012 which included cash, investments, property and equipment and other assets. Also, as part of the final memorandum of understanding certain receivables and payables were forgiven between the two entities. As of December 31, 2012, the Presbytery has an outstanding payable of $49,086 to Project Homecoming, Inc. See Note 14 regarding the related agency transactions that remain between the two entities.

17. **Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2013, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION

Other Revenues

Other revenues earned during the years ended December 31, 2012 and 2011, consisted of the following:

	2012	2011
Meal revenues	$ 67,285	$ 85,604
Lodge revenues	93,987	112,405
Other	14,105	14,434
	$ 175,377	$ 212,443

Program Service Expenses

Program service expenses incurred during the years ended December 31, 2012 and 2011, consisted of the following:

	2012	2011
Developing congregations	$ -	$ 16,056
Care and development of church professionals	10	-
Committee on ministry	4,361	1,247
Nurturing congregations	10,938	63,052
Preparation for ministry	1,400	3,684
Strategy for Presbytery mission	235,766	188,826
Young Adult Volunteer Program	109,317	97,526
	$ 361,792	$ 370,391

Support Services

Expenses relating to support services consisted of the following during the years ended December 31, 2012 and 2011:

	2012	2011
Communication expenses	$ 6,178	$ 4,688
Finance expenses	14,250	12,500
Governing body expenses	33,869	12,000
Office staff expenses	82,653	73,636
Professional staff expenses	70,698	66,457
Office, travel, and other	63,737	59,888
Peace Church expenses	8,953	14,499
Feliciana Retreat Center expenses	53,459	54,451
Young Adult Volunteer expenses	12,539	21,779
Depreciation	42,570	41,750
	$ 388,906	$ 361,648

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION

Other Expenses

Other expenses related to the operations of the Feliciana Retreat Center consisted of the following during the years ended December 31, 2012 and 2011:

	2012	2011
Wages and benefits	$ 88,832	$ 91,600
Kitchen expenses	43,979	50,005
Utilities	15,622	17,099
Insurance	22,872	15,914
Maintenance and janitorial	5,071	13,554
Contract services	5,155	5,809
Telephone expenses	6,277	6,164
Office expenses	1,205	1,121
Other	27,740	17,644
	$ 216,753	$ 218,910

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION
HURRICANE RECOVERY
PRESBYTERIAN DISASTER ASSISTANCE
YEAR ENDED DECEMBER 31, 2012

Revenues		
PDA Hurricane Recovery Grant Katrina/Rita	$	400,000
PDA Hurricane Recovery Grant Isaac		36,000
Total PDA Grants		436,000
Operating Expenses		
Project Homecoming		393,854
General Operations		15,469
Hurricane Isaac Recovery Operations		18,356
Total Operating Expenses		427,679
Net Recovery revenues and expenses	$	8,321

PRESBYTERY OF SOUTH LOUISIANA
REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

DECEMBER 31, 2012

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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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*

Council of the Presbytery of South Louisiana
Baton Rouge, Louisiana

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 the Presbytery of South Louisiana and its Subsidiaries (the Presbytery), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Presbytery'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Presbytery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Presbytery's internal control.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2012-1 to be a material weakness.

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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 in the accompanying schedule of findings as items 2012-2, 2012-3 and 2012-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Presbytery's financial statements are free from 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2012-4.

The Presbytery's Response to Findings

The Presbytery's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Presbytery's response was not subjected to the auditing procedures applied in the audit of the consolidated 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 result of that testing, and not to provide an opinion on the effectiveness of the Presbytery's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Presbytery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2013

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS–Financial Statement Audit

2012-1 Internal Control Over Financial Reporting

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Presbytery, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over year-end GAAP financial statements by the Presbytery is not sufficient. This is a repeat finding from the prior year.

Cause: During our work on net assets, we discovered that the Presbytery was accounting for revenues and expenses as direct entries to net assets. We assisted management in making reclassifying journal entries to correct the presentation of revenues and expenses to be in accordance with generally accepted accounting principles (GAAP).

Effect: The Organization has a material weakness in their internal control over financial reporting.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS–Financial Statement Audit (continued)

2012-1 Internal Control Over Financial Reporting (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges dependence upon the auditor selected by the Council (Board of Directors) for preparing the financial statements. Recommendations were presented to Presbytery (the Corporation) for preparation of the books beginning in 2013. It is acknowledged this will be a partial consolidation and that additional consolidations will be scheduled at a later date. Management shall continue to monitor each set of books on a monthly basis and assist the selected auditor with making a consolidated annual audit of all books.

Further, management acknowledges that accounting for revenues and expenses as direct entries to net assets is a deficiency inherited from a previous administration. Recommendations were made to Council (Board of Directors) and Presbytery (Corporation) for a new chart of accounts which will bring reporting of these revenues and expenses in line with Generally Accepted Accounting Practices and that the changes were implemented beginning in 2013.

2012-2 Segregation of Duties

Criteria: Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.

Condition: It was noted that improper segregation of duties is not in place specifically over the activities of cash receipts as the office administrator performs the duties of both handling cash and checks received by the Presbytery as well as recording and depositing these receipts into the accounting system. This is a repeat finding from the prior year.

Cause: Due to the limited number of personnel working for the Presbytery, many of the critical duties are combined.

Effect: The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS–Financial Statement Audit (continued)

2012-2 Segregation of Duties (continued)

Recommendation:	A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that someone other than the office administrator open the mail and maintain a receipts log.

View of Responsible Official and Planned Corrective Action

Management acknowledges the deficiency in lack of segregation of duties created by the limited number of staff. This has been considered by Council (Board of Directors) and Presbytery (Corporation) previously and both bodies have accepted the deficiency given the limited staffing. It shall continue to be addressed and management shall continue to supervise these functions to prevent mishandling of funds.

2012-3 Timely Submission of the Financial Statement and Compliance Audit

Criteria:	LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.
Condition:	The financial statements and compliance audits were submitted after the six month time frame.
Cause:	The Organization was unaware of the compliance requirements related to the grants received by Project Homecoming until late in the fiscal year. Therefore, this is a repeat finding.
Effect:	The Organization is out of compliance with the statute.
Recommendation:	The Organization should monitor and track all reporting and compliance requirements for grants received during the year. In addition, the Organization should submit their financial statements within the six month period in the coming fiscal year.

FINDINGS–Financial Statement Audit (continued)

2012-3 Timely Submission of the Financial Statement and Compliance Audit (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges its failure to be aware of the compliance requirements related to the Fiscal Agent Agreement it executed with Project Homecoming, Inc. Management reported this to Council (Board of Directors) and Presbytery (Corporation) at their respective meetings. Management shall coordinate with the selected auditor to make every reasonable attempt to avoid late reports in the future. It is acknowledged that the timing of discovery of this deficiency did not allow on time filing of the 2012 compliance audit reports in 2013, however, every effort was made to minimize the amount of time the filing was late.

2012-4 Monitoring of Agency Transactions

Criteria:	The pass-through agency is responsible for assuring that sub-recipients are complying with the terms of the grant.
Condition:	The Organization passes through funds for the Americorps grant received from the State of Louisiana Office of the Lieutenant Governor to Project Homecoming, Inc. During our audit we noted that Presbytery is not providing oversight over the required elements of the Americorps program. These include but are not limited to the required match for the grant, participation in training events, and reporting requirements for member information, program performance, and finances.
Cause:	The Organization, as the pass-through agent, was unaware of the compliance requirements of the grant.
Effect:	The Organization is non-compliant with sub-recipient monitoring requirements of the Americorps grant.
Recommendation:	The Organization should monitor and track all reporting and compliance requirements for grants received during the year.

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS–Financial Statement Audit (continued)

2012-4 Monitoring of Agency Transactions (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges its lack of oversight of the required elements of the Americorps program with regard to sub-recipient monitoring. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) at their respective next meetings. In future years, the Organization shall request annual representation letters from Project Homecoming, Inc., acknowledging and certifying compliance with grant requirements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit

2011-1 Internal Control Over Financial Reporting

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Presbytery, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over year-end GAAP financial statements by the Presbytery is not sufficient. This is a repeat finding from the prior year.

Cause: During our work on net assets, we discovered that the Presbytery was accounting for revenues and expenses as direct entries to net assets. We assisted management in making reclassifying journal entries to correct the presentation of revenues and expenses to be in accordance with generally accepted accounting principles (GAAP).

Effect: The Organization has a material weakness in their internal control over financial reporting.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements.

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit (continued)

2011-1 Internal Control Over Financial Reporting (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges dependence upon the auditor selected by the Council (Board of Directors) for preparing the financial statements. Recommendations shall be presented to Presbytery (the Corporation) for preparation of the books beginning in 2013. It is acknowledged this will be a partial consolidation and that additional consolidations will be scheduled at a later date. Management shall continue to monitor each set of books on a monthly basis and assist the selected auditor with making a consolidated annual audit of all books.

Further, management acknowledges that accounting for revenues and expenses as direct entries to net assets is a deficiency inherited from a previous administration. Recommendations shall be made to Council (Board of Directors) and Presbytery (Corporation) for a new chart of accounts which will bring reporting of these revenues and expenses in line with Generally Accepted Accounting Practices and that the changes were implemented beginning in 2013.

Current status: Not resolved. See finding 2012-1.

2011-2 Segregation of Duties

Criteria: Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.

Condition: It was noted that proper segregation of duties is not in place specifically over the activities of cash receipts as the office administrator performs the duties of both handling cash and checks received by the Presbytery as well as recording and depositing these receipts into the accounting system. This is a repeat finding from the prior year.

Cause: Due to the limited number of personnel working for the Presbytery, many of the critical duties are combined.

Effect: The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit (continued)

2011-2 Segregation of Duties (continued)

Recommendation: A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that someone other than the office administrator open the mail and maintain a receipts log.

View of Responsible Official and Planned Corrective Action

Management acknowledges the deficiency in lack of segregation of duties created by the limited number of staff. This has been considered by Council (Board of Directors) and Presbytery (Corporation) previously and both bodies have accepted the deficiency given the limited staffing. It shall continue to be addressed and management shall continue to supervise these functions to prevent mishandling of funds.

Current status: Not resolved. See finding 2012-2.

2011-3 Record Retention

Criteria: Cash disbursements should be supported by adequate documentation to ensure that checks are issued for valid purposes and maintain documentation that complies with the Organization's policies.

Condition: As part of our auditing procedures, ten New Orleans Redevelopment Authority grant expenditures were selected for testing, reviewing for existence and completeness of the supporting documents. Management was unable to provide adequate support for one of the ten invoices selected for testing. Four of the ten invoices selected for testing didn't agree to the amount requested for reimbursement.

Cause: Due to turnover in the staffing during the year the Organization was unable to provide all of the supporting documentation.

Effect: The Organization has a significant deficiency in their internal control over record retention.

Recommendation: We recommend that a better system of document retention and file maintenance be implemented and that proper supporting documentation be kept on file for all grant reimbursement requests. This type of file maintenance is a basic element of a strong system of accounting procedures and related controls.

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit (continued)

2011-3 Record Retention (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges this deficiency. This deficiency occurred in an office which was separated from the main office and which is now operated by a separate corporation. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) with the recommendation that the newly formed separate corporation will be promptly advised of the situation and that corrective action be referred to that corporation.

Current status: Resolved

2011-4 Gift Cards

Criteria: Internal control over financial reporting should include policies and procedures that ensure that controls are in place to record and track gift cards received during the year.

Condition: As part of our auditing procedures, regarding the existence and valuation of the gift cards donated to Hurricane Recovery, Management was unable to provide support. This is a repeat finding from the prior year.

Cause: The Organization did not maintain the gift card log throughout the year as required by their internal policies.

Effect: The Organization has a significant deficiency in their internal control over record retention related to the gift cards.

Recommendation: We recommend that a better system of documentation of gift card balances and expenses be implemented. An inventory count of gift cards periodically and at the end of the year is a basic element of a strong system of accounting procedures and related controls.

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit (continued)

2011-4 Gift Cards (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges this deficiency. This deficiency occurred in an office which was separated from the main office and which is now operated by a separate corporation. Management will report this to Council (Board of Directors) and Presbytery (Corporation) with the recommendation that the newly formed separate corporation will be promptly advised of the situation and that corrective action be deferred to that corporation.

Current status: Resolved

2011-5 Timely Submission of the Financial Statement and Compliance Audit

Criteria:	LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.
Condition:	The financial statements and compliance audits were submitted after the six month time frame.
Cause:	The Organization was unaware of the compliance requirements related to the grants received by Project Homecoming during the year.
Effect:	The Organization is out of compliance with the statute.
Recommendation:	The Organization should monitor and track all reporting and compliance requirements for grants received during the year. In addition, the Organization should submit their financial statements within the six month period in the coming fiscal year.

View of Responsible Official and Planned Corrective Action

Management acknowledges its failure to be aware of the compliance requirements related to the Fiscal Agent Agreement it executed with Project Homecoming, Inc. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) at their respective next meetings. Management shall coordinate with the selected auditor to make every reasonable attempt to avoid late reports in the future. It is acknowledged that the timing of discovery of this deficiency may not allow on time filing of 2012 compliance audit reports in 2013, however, every effort shall be made to minimize the amount of time the filing is late.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2011

FINDINGS–Financial Statement Audit (continued)

2011-5 Timely Submission of the Financial Statement and Compliance Audit (continued)

Current status: Not resolved. See finding 2012-3.