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June 6, 2016

The Finance Committee
Church of the Palms Presbyterian (U.S.A.), Inc.

We have audited the financial statements of **Church of the Palms Presbyterian (U.S.A.), Inc.** for the year ended December 31, 2015, and have issued our report thereon dated June 6, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 31, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Church of the Palms Presbyterian (U.S.A.), Inc. are described in Note 2 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Church during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Church of the Palms Presbyterian (U.S.A.) Inc.

June 6, 2016

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 6, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

The Early Childhood Learning Center has been included in the financial statements to present a more comprehensive picture of Church activities.

The size of the Church's Accounting and Administrative Staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Session remains involved in the financial affairs of the Church to provide oversight and independent review functions.

When money is transferred from Designated to Operating or from Operating to Designated, this is not NEW money. It is not Contributions; it is a transfer from one Fund to another Fund. It was Contributions when it was deposited into the bank. We have separated the transfers from Contributions in the detail of the Designated Funds.

The Church owes The Foundation \$150 in accumulated interest that was due January 1, 2016.

We have included a Financial Institution on the Church's Audited Financials that is not normally included on the Church's in-house financials. We understand the Church's intentions for this exclusion, but when the stock that is deposited into this account is not sold in the same statement time period, leaving money in that account at month end, we recommend it be recorded for the Finance Committee's consideration.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Finance Committee and the Session of Church of the Palms Presbyterian (U.S.A.), Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Kenneth F. Kandefer

Certified Public Accountant

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND
SARASOTA, FLORIDA**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2015

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND**

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INDEPENDENT AUDITOR'S REPORT

The Session
Church of the Palms - Presbyterian (U.S.A.), Inc.
Sarasota, Florida

We have audited the accompanying financial statements of *Church of the Palms - Presbyterian (U.S.A.), Inc.*, which comprise the Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis as of December 31, 2015, and the related Statement of Support, Revenues, Expenses, Capital Additions and Changes in Fund Balances – Modified Cash Basis for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Church of the Palms – Presbyterian (U.S.A.), Inc.* as of December 31, 2015, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Donor Designated Fund Activity – Modified Cash Basis is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Kameron Kandefer
Certified Public Accountant

Available for Release Date: June 6, 2016

Audit Release Date: September 22, 2016

CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
DECEMBER 31, 2015

	OPERATING	DESIGNATED	PROPERTY & EQUIPMENT	TOTAL ALL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 2)	\$ 1,062,884	\$ 10,000	\$ -	\$ 1,072,884
Investments	15,999	-	-	15,999
Capital Assets, Net of Accumulated Depreciation of \$1,408,171	-	-	2,363,379	2,363,379
Prepaid Insurance	123,377	-	-	123,377
Due Between Funds	(834,014)	834,014	-	-
TOTAL ASSETS	368,246	844,014	2,363,379	3,575,639
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	6,836	-	-	6,836
Prepaid Pledges & Tuitions	30,010	-	-	30,010
Foundation Loan Payable	-	59,150	-	59,150
TOTAL LIABILITIES	36,846	59,150	-	95,996
 FUND BALANCES				
Unrestricted	331,400	-	-	331,400
Donor Designated - Oper.	-	784,864	-	784,864
Restricted (Note 8)	-	-	2,363,379	2,363,379
TOTAL FUND BALANCES	331,400	784,864	2,363,379	3,479,643
TOTAL LIABILITIES AND FUND BALANCES	\$ 368,246	\$ 844,014	\$ 2,363,379	\$ 3,575,639

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

CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND AND EARLY CHILDHOOD CENTER
STATEMENT OF SUPPORT, REVENUE, EXPENSES, CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	<u>OPERATING</u>	<u>DESIGNATED</u>	<u>ECC</u>	<u>PROPERTY & EQUIPMENT</u>	<u>TOTAL ALL FUNDS</u>
SUPPORT AND REVENUE					
Pledge Payments	\$ 2,492,078	\$ -	\$ -	\$ -	\$ 2,492,078
Open Plate Offerings	46,680	-	-	-	46,680
Designated Contributions	-	679,412	-	-	679,412
Tuition	-	-	936,751	-	936,751
Registration	-	-	30,052	-	30,052
Grants	-	148,418	-	-	148,418
Building Use and Reimbursements	30,060	-	-	-	30,060
Other Income	167,904	276,377	20,090	-	464,371
TOTAL SUPPORT AND REVENUE	<u>2,736,722</u>	<u>1,104,207</u>	<u>986,893</u>	<u>-</u>	<u>4,827,822</u>
EXPENSES					
Clergy	517,210	-	-	-	517,210
Professional Teaching Staff	-	-	685,230	-	685,230
Secretarial and Financial Staff	193,679	-	-	-	193,679
Custodial and Kitchen Staff	140,358	-	-	-	140,358
Auxiliary Staff	479,381	-	-	-	479,381
Staff Benefits	192,361	-	131,578	-	323,939
Spiritual Community	252,498	-	-	-	252,498
Organizational Community	625,214	-	-	-	625,214
Partnered Community	225,394	-	-	-	225,394
Office Expenses	-	-	12,534	-	12,534
Other Expenses	-	-	10,884	-	10,884
Designated Expenses - General	-	829,863	-	-	829,863
Designated Expense - ECC	-	-	-	-	-
Depreciation	-	-	-	103,663	103,663
Classroom Expenses	-	-	129,395	-	129,395
TOTAL EXPENSES	<u>2,626,095</u>	<u>829,863</u>	<u>969,621</u>	<u>103,663</u>	<u>4,529,242</u>
EXCESS (DEFICIT) SUPPORT AND REVENUE OVER EXPENSES	110,627	274,344	17,272	(103,663)	298,580
FUND BALANCES, Beginning of Year	251,130	736,970	156,133	2,212,797	3,357,030
OTHER CHANGES					
Interest Expense	-	(150)	-	-	(150)
Investment Income	4,065	1,062	67	-	5,194
Purchase of Fixed Assets	-	(261,784)	-	261,784	-
Assets Retired	-	-	-	(7,539)	(7,539)
Transfers	(34,422)	34,422	-	-	-
Prior Period Correction	-	-	(27,823)	-	(27,823)
FUND BALANCES, End of Year	<u>\$ 331,400</u>	<u>\$ 784,864</u>	<u>\$ 145,649</u>	<u>\$ 2,363,379</u>	<u>\$ 3,625,292</u>

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

CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND
MODIFIED CASH BASIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 – NATURE OF OPERATION

Church of the Palms – Presbyterian (U.S.A.), Inc. (the Church) is located in Sarasota, Florida, and is organized for the purpose of supporting worship of Almighty God and instruction in the Christian religion according to the Constitution of the Presbyterian Church (U.S.A.). The Church was established as a mission church in 1957.

Receipts are substantially in the form of contributions from Church members. The General Operating Fund is maintained as a separate entity, but is controlled by the Church.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Church's policy is to prepare the financial statements on a modified cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Property, Equipment and Improvements

Acquisitions of property, equipment and improvements in excess of \$1,000 are capitalized. Property and equipment are carried at cost. The Church records the value of donated property when there is an objective basis available to measure the value. Donated property is reflected as other revenues in the accompanying statements at their estimated values at the date of receipt. Donated property not used for Church operations is held for sale and is not depreciated. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Equipment – 7 to 10 years

Buildings – 40 years

Revenue Recognition

Contributions and gifts are recorded as income in the year received if not designated for the subsequent year.

Income Taxes

The Church is exempt from Federal income taxes, except for unrelated business income, under Internal Revenue Code Section 501(c)(3).

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND
MODIFIED CASH BASIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

The preparation of financial statements on the modified cash basis requires the Church's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, since no objective basis is available to measure the value of such services.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value due to the short maturities of those financial instruments.

Functional Expenses

Functional expenses have been allocated between ministries based on an analysis of personnel time and expenses for the related activities. ECC maintains a separate income and expense tracking program.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Restricted Funds

To ensure observance of limitations and restrictions placed on contributions received for specific purposes, such contributions are recorded as restricted funds and may be expended only for the purpose specified at the time of contribution. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

NOTE 3 – PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consist of the following:

Buildings and improvements	\$ 3,435,163
Equipment	336,388
Playground Equipment	<u>30,872</u>
	3,802,423
Less accumulated depreciation	<u>1,439,044</u>
	<u><u>\$ 2,363,379</u></u>

CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
GENERAL OPERATING FUND
MODIFIED CASH BASIS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 4 - RELATED PARTY TRANSACTIONS

The Church paid \$14,902 for scholarships for the year ended December 31, 2015, to the Early Childhood Center.

NOTE 5 – UNINSURED CASH BALANCE

The Church maintains cash balances at financial institutions located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. There were \$22,118.02 in UBS in uninsured balances in excess of FDIC as of December 31, 2015. Additionally, the Church maintains funds in Northern Anchor Investment, which is not FDIC insured. As of December 31, 2015 funds in this account were \$308,007.51.

NOTE 6 – OPERATING LEASES

The Church has several non-cancelable operating leases, primarily for equipment, that expire at various dates through the year 2015. Rental expense incurred for operating leases was \$37,705.08 for the year ended December 31, 2015. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2015 are as follows:

Year ended December 31:	2015	\$12,077
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NOTE 7 – PROMISSORY NOTE

Foundation for the Church of the Palms – Presbyterian (U.S.A.), Inc. has promised to loan the Church a principal amount of \$98,200 with an interest rate of one-half of one percent per annum. The loan is on a draw as needed basis. As of December 31, 2015, the Church has drawn \$59,000 and accrued interest of \$150. Accrued interest is due and payable on January 1 each year until all interest and principal are paid in full. The total loan plus interest is due and payable in full three years from the date of the note (March 25, 2015). Total loan balance at December 31, 2015 is \$59,150.

NOTE 8 – FOUNDATION FOR THE CHURCH OF THE PALMS-PRESBYTERIAN (U.S.A.), INC. DONATION

The Foundation has pledged \$550,000 to the Capital Campaign payable over 5 years. In addition, the Foundation received a donation of a residential home during 2015. The sale of this home was donated to the Capital Campaign in the amount of \$239,000.

NOTE 9 – DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through the date indicated on the Auditor's letter labeled "available for issue" date.

CHURCH OF THE PALMS - PRESBYTERIAN (USA) INC.
GENERAL OPERATING FUND MODIFIED CASH BASIS
DONOR DESIGNATED FUND ACTIVITY
YEAR ENDED DECEMBER 31, 2015

	Beginning Balance	Contributions	Interest Dividends	Revenues	Disbursements	Transfers	Ending Balance
102 Project	\$ 30.00	\$ -	\$ -	\$ -	(30.00)	\$ -	\$ -
2 Cents-A-Meal	797.74	9,370.72	-	-	(5,565.18)	-	4,603.28
A/C Replacement	-	95,000.00	-	-	(60,761.60)	-	34,238.40
Adult Ed Luncheons	154.36	-	-	-	-	-	154.36
Advent Dinner	8,756.11	8,100.00	-	-	(16,856.11)	-	-
Amelia Obren Beautificat	250.00	300.00	-	-	-	-	550.00
Apologetics Seminar	1,042.50	958.53	-	-	(683.00)	-	1,318.03
Bible Study - Tues AM Gr	839.00	1,760.00	-	-	(1,576.00)	-	1,023.00
Buildings & Grounds	60.00	-	-	-	(60.00)	-	-
Bus Service 2 Wycliffe	1,529.26	200.00	-	-	(988.64)	-	740.62
Campus Crusade DeGuia	-	800.00	-	-	(600.00)	-	200.00
Campus Signage	22,619.25	-	-	-	(22,619.25)	-	-
Capital Reserve Gifts	2,000.00	-	-	-	(2,000.00)	-	-
CC Infrastructure Improv	266.49	-	-	-	-	266.49	532.98
CC Renderings	-	-	-	-	(29,748.60)	29,300.00	(448.60)
CD's/DVD's	2,384.59	-	-	135.00	(1,184.13)	-	1,335.46
Chase Capital Resv	267,571.42	516.45	16.38	-	(179,622.90)	2,000.00	90,481.35
Children's Donations	-	41.00	-	-	-	-	41.00
Congregational Care	1,006.28	1,840.00	-	-	(1,367.72)	-	1,478.56
Congregational Life	859.51	50.00	-	-	(50.00)	-	859.51
Consulting - Cap Cmpgn	-	-	-	-	(61,211.00)	71,000.00	9,789.00
Day of Hope	2,226.41	41,365.00	-	-	(31,968.84)	-	11,622.57
Deacons	2,649.98	-	-	-	-	-	2,649.98
Designated Giving	4,000.00	-	-	-	(4,000.00)	-	-
Diaper Drive	-	225.00	-	-	(225.00)	-	-
Ed Bldg Roof	-	122,567.90	-	-	(122,567.90)	-	-
Elder Leadership Conf	757.82	-	-	-	-	-	757.82
Equipping Events	-	2,051.56	-	-	(1,954.78)	-	96.78
Facilities Master Plan	-	-	-	-	(60,512.64)	-	(60,512.64)
Family Promise	-	2,190.00	-	-	(363.01)	-	1,826.99
Fire Station Lease	-	-	-	21,381.84	(16,382.72)	-	4,999.12
Flower Fund	\$ 4,420.45	\$ 9,395.00	\$ -	\$ -	(6,814.71)	\$ -	\$ 7,000.74

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

**CHURCH OF THE PALMS - PRESBYTERIAN (USA) INC.
GENERAL OPERATING FUND MODIFIED CASH BASIS
DONOR DESIGNATED FUND ACTIVITY
YEAR ENDED DECEMBER 31, 2015**

	Beginning Balance	Contributions	Interest Dividends	Revenues	Disbursements	Transfers	Ending Balance
Food Pantry	\$ 81,711.66	\$ 94,208.19	\$ -	\$ -	\$ (74,018.73)	\$ -	\$ 101,901.12
Foundation Hse Incidenta	-	5,818.47	-	-	(5,818.47)	-	-
Garden Operations	-	13,725.55	-	-	(13,725.55)	-	-
Giuffrida Missionary	250.00	100.00	-	-	(350.00)	-	-
Global Missionary	463.09	-	-	-	-	-	463.09
Golf Cart Repairs	-	300.00	-	-	(300.00)	-	-
Habitat	124.37	-	-	-	-	-	124.37
Honduras - Child Sponsor	400.00	-	-	-	(400.00)	-	-
Honduras - Eye Clinic	20,124.41	59,675.00	-	-	(61,583.04)	18,000.00	36,216.37
Honduras - Good Samarita	16,447.48	11,139.27	-	-	(16,336.49)	4,000.00	15,250.26
Honduras - Mission Trips	(194.22)	11,295.00	-	-	(9,081.95)	-	2,018.83
Honduras - Other.Mission	9,416.51	2,410.00	-	-	(10,541.33)	-	1,285.18
Honduras - Perry Mem Sch	12,755.00	-	-	-	-	-	12,755.00
Honduras - Travel Assist	12,975.83	2,227.00	-	-	(1,205.54)	-	13,997.29
In/Out Funds	2,317.92	117.88	-	-	-	-	2,435.80
Job Resources	50.00	-	-	-	-	-	50.00
Leadership Theology Educ	21,751.48	20,000.00	-	-	(24,500.67)	-	17,250.81
Legacy Giving	6,110.00	994.20	-	-	(3,061.70)	-	4,042.50
'Love Gift' Hedgepeth	-	2,090.00	-	-	-	-	2,090.00
Media	20,916.75	11,949.65	-	-	(13,878.15)	-	18,988.25
Memorial Garden	8,056.20	10,650.00	-	-	(10,458.00)	-	8,248.20
Memorial Scholarships	1,325.89	-	-	-	-	-	1,325.89
Men's Ministry	145.81	-	-	-	-	-	145.81
Mission	18,300.00	250.00	-	-	(18,100.00)	-	450.00
Mission 2015	-	6,020.68	-	-	-	16,659.53	22,680.21
Mission Expo	-	2,748.00	-	-	(1,206.00)	-	1,542.00
Mission Support	57,000.00	-	-	-	(57,000.00)	-	-
Misson Potluck	509.15	-	-	-	-	-	509.15
Music	23,081.20	1,650.00	-	-	(579.04)	-	24,152.16
Music Concert Series	-	-	-	15,860.75	(15,684.00)	-	176.75
Nepal Disaster	-	560.00	-	-	(560.00)	-	-
Nicaragua Trip	\$ 1,228.55	\$ 27,942.37	\$ -	\$ -	\$ (29,170.92)	\$ -	\$ -

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

**CHURCH OF THE PALMS - PRESBYTERIAN (USA) INC.
GENERAL OPERATING FUND MODIFIED CASH BASIS
DONOR DESIGNATED FUND ACTIVITY
YEAR ENDED DECEMBER 31, 2015**

	Beginning Balance	Contributions	Interest Dividends	Revenues	Disbursements	Transfers	Ending Balance
Northern Trust - Honduras	\$ 10,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000.00
Open Palms Cap Campgn	-	195,379.84	-	239,000.00	(7,217.18)	(100,300.00)	326,862.66
Pastors Discretionary	1,825.93	2,015.00	-	-	(1,825.00)	-	2,015.93
Phs2 Spec Execop Prj	-	-	-	-	(1,000.00)	-	(1,000.00)
Presb OPS/Per Capita	-	-	-	-	-	3,696.00	3,696.00
Rustin Memorial	6,312.41	-	1,045.98	-	-	-	7,358.39
Sabbatical Leave	20,000.00	2,350.20	-	-	(15,337.95)	-	7,012.25
Session Meals PD	-	2,080.00	-	-	(1,820.00)	-	260.00
SILL Events	10,200.00	-	-	-	-	(10,200.00)	-
Software Upgrade Grant	11,369.58	-	-	-	(9,173.27)	-	2,196.31
Stephen Ministry	524.80	1,609.32	-	-	(2,685.48)	-	(551.36)
Student Ministry	10,600.00	500.00	-	-	(5,103.82)	-	5,996.18
Tutoring	20,105.01	3,225.00	-	-	(7,440.88)	-	15,889.13
United Way Food Grant	-	2,917.50	-	-	(852.10)	-	2,065.40
Van	-	30,500.00	-	-	(32,224.25)	-	(1,724.25)
Wimauma Good Samaritan	100.00	-	-	-	(100.00)	-	-
Wycliffe	-	1,000.00	-	-	(1,000.00)	-	-
Wycliffe Drymon	-	800.00	-	-	(600.00)	-	200.00
Wycliffe Hoskins	-	800.00	-	-	(600.00)	-	200.00
Wycliffe Winkler	-	800.00	-	-	(600.00)	-	200.00
Youth Mission	6,444.00	1,250.00	-	-	(6,944.00)	-	750.00
Total	\$ 736,969.98	\$ 827,829.28	\$ 1,062.36	\$ 276,377.59	\$ (1,091,797.24)	\$ 34,422.02	\$ 784,863.99

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

**CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
SARASOTA, FLORIDA**

Financial Statements

December 31, 2015 and 2014

**CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
SARASOTA, FLORIDA**

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*Member American Institute of Certified Public Accountants*Florida Institute of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

The Session
Church of the Palms - Presbyterian (U.S.A.), Inc.
Early Childhood Center
Sarasota, Florida

My firm has audited the accompanying Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis of Church of the Palms - Presbyterian (U.S.A.), Inc. - Early Childhood Center as of December 31, 2015 and 2014 and the related statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion 2015

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Church of the Palms – Presbyterian (USA) Inc. – Early Childhood Center as of December 31, 2015, and its receipts, disbursements and changes in fund balances for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion 2014

We were unable to obtain sufficient appropriate audit evidence about the correct total of income collected for the year. The disparities between the School's different accounting systems were well over the materiality amount that the Firm established at the beginning of the audit. Consequently, we were unable to determine which system was correct and what adjustments to the income categories were necessary.

Qualified Opinion 2014

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Church of the Palms - Presbyterian (U.S.A.), Inc. - Early Childhood Center as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Kameron Kandefer
Certified Public Accountant

Documentation Completion Date: June 6, 2016

Audit Release Date: September 22, 2016

CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
Sarasota, Florida

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS

December 31, 2015 and 2014

	2015	2014
Cash and Cash Equivalents (Note 2)	\$ 174,106	\$ 154,273
Tuition Billed not Received	11,967	37,279
Property, equipment and improvements (net of accumulated depreciation - Note 5)	-	-
TOTAL ASSETS	186,073	191,552
<u>LIABILITIES AND FUND BALANCES</u>		
Accounts Payable	8,661	-
Prepaid Tuition	1,747	3,808
TOTAL LIABILITIES	10,408	3,808
Unrestricted	145,649	156,135
Donor designated (Note 3)	30,016	31,609
Permanently restricted (Note 5)	-	-
TOTAL FUND BALANCES	175,665	187,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 186,073	\$ 191,552

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

CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
Sarasota, Florida

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES
MODIFIED CASH BASIS**

Years Ended December 31, 2015 and 2014

	2015	2014
Receipts		
Tuition	\$ 936,751	\$ 946,259
Registration	30,052	30,271
Other programs	20,090	27,617
Interest	67	33
	986,960	1,004,180
Disbursements		
Non classroom staff	105,574	93,814
Classroom staff	532,937	544,134
Staff benefits	178,299	186,346
Office expenses	17,048	12,567
Classroom and playground expenses	118,284	115,402
Government requirements	9,399	8,825
Staff and parent support	5,116	3,683
Capital improvements	-	566
Non teaching expenses	1,265	2,021
Other expenses	1,701	3,458
	969,623	970,816
Excess (deficit) receipts over disbursements	17,337	33,364
Unrestricted fund balance - beginning of year	156,135	139,640
Prior Period Adjustment	(27,823)	(16,869)
Unrestricted fund balance - end of year	\$ 145,649	\$ 156,135

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

CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
Sarasota, Florida

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

NOTE 1 – NATURE OF OPERATION

Church of the Palms – Presbyterian (U.S.A.), Inc. Early Childhood Center (ECC) is located in Sarasota, Florida, and is organized for the purpose of providing care and education for pre-school children. Church of the Palms Pre-School began in 1961 for basic education needs and began the full-time childcare program in 1982. For accounting purposes, ECC is maintained as a separate entity, but is controlled by Church of the Palms – Presbyterian (U.S.A), Inc. (the Church). Church of the Palms considers ECC a ministry of the Church.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of ECC have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, the receipts and disbursements are generally being recorded at the time of the cash receipt or disbursement. The financial statements reflect only cash receipts and disbursement transactions that are related to ECC and are not intended to represent the complete financial position or activities of the Church.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributed Services

ECC receives a substantial amount of donated services for office assistance and classroom help. No amounts have been reflected in the financial statements for those services, since no objective basis is available to measure the value of such services.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
 Sarasota, Florida

NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

ECC is exempt from federal income taxes, except for unrelated business income, under Internal Revenue Code Section 501(c)(3) as a ministry of **CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.**

Property, Equipment and Improvements

Acquisitions of property, equipment and improvements in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Playground equipment 10 years

Support and Revenue

ECC receives its support primarily from tuition. ECC recognizes income when received.

NOTE 3 – DONOR DESIGNATED FUND BALANCE

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Single Mother Asst.	\$ 2,633	\$ 1,104	\$ (526)	\$ 3,211
Fund Raisers	1,752	541	(953)	1,340
Trust Scholarship	2,759	0	0	2,759
Curriculum/Training	1,077	0	0	1,077
Family Assistance	1,388	55	0	1,443
Tuition Assistance	17,000	1,186	(3,000)	15,186
Capital Improvements	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
	<u>\$ 31,609</u>	<u>\$ 2,886</u>	<u>(\$ 4,479)</u>	<u>\$ 30,016</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

ECC received \$14,902 and \$1,719 for scholarships from the Church for the years ended December 31, 2015 and 2014, to aid qualified families in their paying of tuition costs. This income is included in the Tuition Income line on the financial statements.

CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.
EARLY CHILDHOOD CENTER
Sarasota, Florida

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

NOTE 5 – PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment, and improvements consist of the following:

	<u>2015</u>	<u>2014</u>
Playground equipment	\$ 30,872	\$ 30,872
Less accumulated depreciation	<u>(30,872)</u>	<u>(30,872)</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENT

The Early Childhood Center had a prior period correction of \$27,823. This prior period correction represents adjustments made to the accounts receivable for the current year. The School changed the accounting procedures for the Early Childhood Center during 2015. The change involved the inclusion of accounts receivable into the current accounting system. This system is being reconciled on a monthly basis. However, the prior year contained an entry provided by the previous accounting system of an accounts receivable that could not be reconciled. This amount has been reversed and recorded as a prior period correction in the current year on the financial statements.

The Early Childhood Center had a prior period correction of \$16,869 in 2014. This prior period correction represents adjustments made to the accounts receivable.