Report G.001
Audit Committee
Presbyterian Mission Agency Board
April 14, 2015

The Audit Committee met on April 14, 2015, at the Brown Hotel in Louisville, KY and forwards the following to the Presbyterian Mission Agency Board:

I. **Consent Agenda:** None

II. **For Action:**

A. The Audit Committee has reviewed and approved and recommends that the Presbyterian Mission Agency Board receive and forward to the General Assembly the audit report of the Presbyterian Church (U.S.A.), A Corporation Consolidated Financial Statements, December 31, 2014. (Attachment A)

III. **For Information:**

A. The Audit Committee approved the minutes of the May 22, 2014, September 16, 2014, October 7, 2014, and January 26, 2015 meetings. (Appendix A)
B. The Audit Committee accepted and approved the Internal Audit Plan for 2015.
C. The Committee voted unanimously to approve the nomination of Kears Pollock as Chair of the Audit Committee and Molly Baskin as Vice Chair of the Audit Committee.

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Presbyterian Church (U.S.A.), A Corporation
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Presbyterian Church (U.S.A.), A Corporation and its constituent corporations, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Presbyterian Church (U.S.A.), A Corporation and its constituent corporations as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance 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 consolidated financial statements as a whole. The consolidating statement of financial position, and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

Louisville, Kentucky
April 15, 2015

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 5,131,614	$ 3,983,386
Investments (Notes 4 and 13)		
Beneficial interests in pooled investments and accrued income held by the Foundation	57,999,714	52,389,914
Other investments and accrued income	56,058,851	60,022,462
Receivables		
Contributions from congregations	3,257,551	4,679,396
Mortgages and loans on churches and manses, including accrued interest, less allowance of $1,900 and $2,250, respectively (Note 7)	1,566,316	2,146,986
Receivables from related entities, mortgages and loans, less allowance of $1,910,051 and $2,158,889, respectively (Note 9)	4,083,150	4,301,022
Due from the Foundation	1,844,846	1,100,864
Other accounts receivable	83,880	659,296
Total receivables	10,835,743	12,887,564
Inventories, prepaid expenses and other assets	1,012,645	1,118,109
Property and equipment, net (Note 10)	16,275,976	17,000,051
Beneficial interest in pooled investments held by the Foundation – long-term (Notes 4 and 13)	336,457,258	337,819,087
Other investments held by the Foundation (Notes 4 and 13)	6,209,789	6,242,362
Beneficial interest in perpetual trusts (Note 5)	69,670,791	68,575,320
Total assets	$ 559,652,381	$ 560,038,255
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,030,534	$ 7,789,288
Amounts received from congregations and designated for others	487,446	520,594
Amounts held for missionaries and committed for projects	2,647,174	2,774,891
Amounts due to other agencies (Note 16)	5,935,628	5,927,434
Due to the Foundation	2,220,891	-
Deferred revenue	587,128	983,741
Other	739,907	38,751
Total liabilities	20,648,708	18,034,699
Net assets (Note 3)		
Unrestricted		
Undesignated	8,710,971	17,201,545
Designated	46,135,095	39,326,017
Total unrestricted	54,846,066	56,527,562
Temporarily restricted	209,967,686	214,190,120
Permanently restricted	274,189,921	271,285,874
Total net assets	539,003,673	542,003,556
Total liabilities and net assets	$ 559,652,381	$ 560,038,255

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2014
(With comparative 2013 totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Revenue, gains, and other support					
Contributions					
Congregations	$ 19,304,474	$ 3,706,023	$ -	$ 23,010,497	$ 23,981,715
Presbyterian Women	-	-	-	-	11,815
Gifts, bequests, and grants	2,062,327	7,845,262	1,696,668	11,604,257	6,928,636
Special giving and special offering	-	22,836,897	-	22,836,897	28,963,878
Total contributions	21,366,801	34,388,182	1,696,668	57,451,651	59,886,044
Investment income					
Income from endowment funds	1,877,978	2,779,512	31,412	4,688,902	4,542,595
Income on investments	735,120	214,761	40,638	990,519	1,368,065
Realized and unrealized gains on investments, net	4,553,272	(2,608,762)	1,893,499	3,838,009	36,173,862
Change in value of beneficial interest in life income funds	814,482	124,198	(635,255)	303,425	1,878,919
Total investment return	7,980,852	509,709	1,330,294	9,820,855	43,963,441
Interest income from loans	6,635	44,027	107,396	158,058	198,941
The Hubbard Press	1,432,051	-	-	1,432,051	1,527,413
Sales of resources and services	19,110,046	12,949	-	19,122,995	17,547,873
Other	1,517,137	(7,072)	(230,311)	1,279,754	845,423
	51,413,522	34,947,795	2,904,047	89,265,364	123,969,135
Net assets released from restrictions	39,896,458	(39,896,458)	-	-	-
Total revenue, gains, and other support	91,309,980	(4,948,663)	2,904,047	89,265,364	123,969,135
Expenses					
Office of the Executive Administrator	2,306,014	-	-	2,306,014	1,569,774
Communications and Funds Development	1,556,310	-	-	1,556,310	1,833,986
Office of the Deputy Executive Director	1,087,946	-	-	1,087,946	1,223,984
Theology, Worship and Education	7,441,051	-	-	7,441,051	7,748,657
Evangelism and Church Growth	6,966,459	-	-	6,966,459	8,644,957
Compassion, Peace and Justice	13,723,987	-	-	13,723,987	18,020,114
World Mission	25,106,538	-	-	25,106,538	23,362,921
Racial Ethnic and Women's Ministries	5,128,086	-	-	5,128,086	4,843,237
Shared Services	2,071,543	-	-	2,071,543	1,973,839
Office of the General Assembly	9,829,474	-	-	9,829,474	6,583,399
Presbyterian Mission Agency	4,047,597	-	-	4,047,597	3,752,481
Presbyterian Historical Society, Inc.	891,425	-	-	891,425	676,742
Conference Center – Ghost Ranch	5,047,520	-	-	5,047,520	4,859,892
Conference Center – Stony Point	2,069,805	-	-	2,069,805	2,364,511
The Hubbard Press	1,024,829	-	-	1,024,829	1,154,998
Related Bodies and Other Programs	10,244	-	-	10,244	2,062,790
Shared	1,636,928	-	-	1,636,928	1,676,522
Depreciation	1,737,973	-	-	1,737,973	2,011,824
Other	581,518	-	-	581,518	2,751,504
Total expenses	92,265,247	-	-	92,265,247	97,116,132
Change in net assets	(955,267)	(4,948,663)	2,904,047	(2,999,883)	26,853,003
Change in endowment funds with deficiencies	(726,229)	726,229	-	-	-
Change in net assets	(1,681,496)	(4,222,434)	2,904,047	(2,999,883)	26,853,003
Net assets at beginning of year	56,527,562	214,190,120	271,285,874	542,003,556	515,150,553
Net assets at end of year	$ 54,846,066	$ 209,967,686	$ 274,189,921	$ 539,003,673	$ 542,003,556

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Contributions				
Congregations	$ 20,285,475	$ 3,696,240	$ -	$ 23,981,715
Presbyterian Women	-	11,815	-	11,815
Gifts, bequests, and grants	1,922,766	2,990,940	2,014,930	6,928,636
Special giving and special offering	-	28,963,878	-	28,963,878
Total contributions	22,208,241	35,662,873	2,014,930	59,886,044
Investment income				
Income from endowment funds	1,808,392	2,704,605	29,598	4,542,595
Income on investments	1,028,469	290,447	49,149	1,368,065
Realized and unrealized gains on investments, net	5,591,909	24,800,333	5,781,620	36,173,862
Change in value of beneficial interest in life income funds	1,415,190	199,817	263,912	1,878,919
Total investment return	9,843,960	27,995,202	6,124,279	43,963,441
Interest income from loans	17,543	52,209	129,189	198,941
The Hubbard Press	1,527,413	-	-	1,527,413
Sales of resources and services	17,528,679	19,194	-	17,547,873
Other	1,051,241	(21,207)	(184,611)	845,423
	52,177,077	63,708,271	8,083,787	123,969,135
Net assets released from restrictions	43,405,710	(43,405,710)	-	-
Total revenue, gains, and other support	95,582,787	20,302,561	8,083,787	123,969,135
Expenses				
Office of the Executive Administrator	1,569,774	-	-	1,569,774
Communications and Funds Development	1,833,986	-	-	1,833,986
Office of the Deputy Executive Director	1,223,984	-	-	1,223,984
Theology, Worship and Education	7,748,657	-	-	7,748,657
Evangelism and Church Growth	8,644,957	-	-	8,644,957
Compassion, Peace and Justice	18,020,114	-	-	18,020,114
World Mission	23,362,921	-	-	23,362,921
Racial Ethnic and Women's Ministries	4,843,237	-	-	4,843,237
Shared Services	1,973,839	-	-	1,973,839
Office of the General Assembly	6,583,399	-	-	6,583,399
Presbyterian Mission Agency	3,752,481	-	-	3,752,481
Presbyterian Historical Society, Inc.	676,742			676,742
Conference Center – Ghost Ranch	4,859,892	-	-	4,859,892
Conference Center – Stony Point	2,364,511	-	-	2,364,511
The Hubbard Press	1,154,998	-	-	1,154,998
Related Bodies and Other Programs	2,062,790	-	-	2,062,790
Shared	1,676,522	-	-	1,676,522
Depreciation	2,011,824	-	-	2,011,824
Other	2,751,504	-	-	2,751,504
Total expenses	97,116,132	-	-	97,116,132
Change in net assets	(1,533,345)	20,302,561	8,083,787	26,853,003
Reinstate endowment funds with deficiencies	1,895,721	(1,895,721)	-	-
Change in net assets	362,376	18,406,840	8,083,787	26,853,003
Net assets at beginning of year	56,165,186	195,783,280	263,202,087	515,150,553
Net assets at end of year	$ 56,527,562	$ 214,190,120	$ 271,285,874	$ 542,003,556

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (2,999,883)	$ 26,853,003
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,737,973	2,011,824
Net recoveries for losses on church loans	(350)	(600)
Contributions and revolving loan fund investment earnings restricted for long-term investment	(1,645,803)	(2,753,734)
Realized and unrealized gains on investments, net	(3,838,009)	(36,173,862)
Change in fair value of annuity and life income funds	(303,425)	(1,878,919)
Additions to annuity and life income funds	(826,661)	(4,256,305)
Loss on partial disposal of property and equipment	138,629	-
Changes in operating assets and liabilities:		
Receivables from congregations	1,421,845	644,262
Due to/from the Foundation	1,476,909	(6,299,093)
Other accounts receivable	575,416	(437,482)
Inventories, prepaid expenses and other assets	105,464	198,691
Accounts payable and accrued expenses	241,246	(1,626,196)
Amounts received from congregations and other liabilities	540,291	(432,633)
Amounts due to other agencies	8,194	(631,558)
Deferred revenue	(396,613)	239,848
Net cash used in operating activities	(3,764,777)	(24,542,754)
Cash flows from investing activities		
Purchases of investments	(41,760,776)	(88,730,352)
Sales of investments	45,346,998	103,384,387
Payments received on church loans	580,027	681,568
Change in accrued interest receivable on church loans	993	2,567
Net change in receivables from related entities, mortgages and loans	217,872	931,338
Acquisition of property and equipment, net	(1,152,527)	(555,129)
Maturities of annuity and life income funds	34,615	514,369
Net cash from investing activities	3,267,202	16,228,748
Cash flows from financing activities		
Contributions and revolving loan fund investment earnings restricted for long-term investment	1,645,803	2,753,734
Net cash from financing activities	1,645,803	2,753,734
Net increase (decrease) in cash and cash equivalents	1,148,228	(5,560,272)
Cash and cash equivalents at beginning of year	3,983,386	9,543,658
Cash and cash equivalents at end of year	$ 5,131,614	$ 3,983,386
Supplemental disclosure of cash flow information		
Donated stock	$ 148,686	$ 92,578

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Presbyterian Church (U.S.A.), ("PCUSA") is an unincorporated body of Reformed Christians, who have agreed to conduct worship and other religious activities in conformity with the then current version of the Presbyterian Church (U.S.A.) Constitution, which contains among other things, in its Book of Order, a Form of Government setting forth a detailed formal structure of the Church. As an ecclesiastical organization, PCUSA does not exist under any federal law. Central to the structure of PCUSA is the concept of mid councils (formerly referred to as governing bodies). At the national level, the council is the General Assembly. The ecclesiastical work of the PCUSA at the General Assembly level is carried out by a number of ministry units and related agencies.

Presbyterian Church (U.S.A.), A Corporation ("PCUSA, A Corporation") is a corporate entity of the General Assembly of PCUSA, and is the principal corporation of the General Assembly. All voting members of the Presbyterian Mission Agency Board are members of the Board of Directors of PCUSA, A Corporation. PCUSA, A Corporation receives and holds title and/or maintains and manages property and income at the General Assembly level related to mission activities; generally maintains and manages all real and tangible property not held for investment, including the insuring of such property; effects short-term investment of funds prior to either their disbursement or transfer to the Presbyterian Church (U.S.A.) Foundation (the "Foundation") for longer-term investment; acts as the disbursing agent for all funds held for the General Assembly and for other governing bodies and entities upon their request; and provides accounting, reporting, and other financial and related services as the General Assembly or Presbyterian Mission Agency Board may direct or approve.

PCUSA, A Corporation is a tax-exempt religious corporation under Internal Revenue Code Section 501(c)(3).

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements reflect the consolidated operations of PCUSA, A Corporation and its constituent corporations, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The constituent corporations of PCUSA, A Corporation are the following: General Assembly Mission Board of the Presbyterian Church (U.S.A.); The Historical Foundation of the Presbyterian and Reformed Churches, Inc.; The Hubbard Press; Pedco, Inc.; The Presbyterian Historical Society, Inc.; Presbyterian Life, Inc.; Presbyterian Publishing House of the Presbyterian Church (U.S.A.), Inc.; The Commission on Ecumenical Mission and Relations of the Presbyterian Church (U.S.A.); Board of Foreign Missions of the Presbyterian Church (U.S.A.); and The Woman's Board of Foreign Missions of the Presbyterian Church (U.S.A.). All intercompany transactions have been eliminated in consolidation.

In order to ensure the observance of limitations and restrictions placed on the use of available resources, PCUSA, A Corporation maintains its financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established in accordance with their nature or purpose.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For external reporting purposes, however, PCUSA, A Corporation's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

- Unrestricted Undesignated - net assets that are not subject to donor-imposed restrictions. Unrestricted undesignated net assets consist of the accumulation of certain contributions, gifts, bequests, and related income thereon, which are available for general church purposes.

- Unrestricted Designated - net assets that are not subject to donor-imposed restrictions. Unrestricted designated net assets consist of the accumulation of certain contributions, gifts, bequests, and related income thereon that have been designated for specific purposes by the Presbyterian Mission Agency of the General Assembly.

- Temporarily Restricted - net assets that are subject to donor-imposed restrictions that may or will be met either by actions of PCUSA, A Corporation or the passage of time. Temporarily restricted net assets primarily consist of contributions and related investment income.

- Permanently Restricted - net assets that are subject to donor-imposed restrictions to be maintained permanently by PCUSA, A Corporation. Generally, the donors of these assets permit PCUSA, A Corporation to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets consist primarily of endowment funds and revolving loan funds.

Cash Equivalents: For purposes of reporting cash flows, PCUSA, A Corporation considers investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments: Investments are recorded at fair value. Investment transactions are recorded on a trade-date basis. Realized gains and losses are recorded using the specific identification of securities sold on funds held by the Foundation and using the historical cost of securities sold on funds held by other investment managers.

The Trustees ("Trustees") of the Presbyterian Church (U.S.A.) Foundation (the "Foundation") believe that the carrying amount of its alternative investments is a reasonable estimate of fair value as of December 31, 2014 and 2013. Since alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material.

Long-term investments held by the Foundation represent General Assembly endowment funds, which are generally not available for immediate use.

Contributions from Congregations: Contributions from congregations include amounts in-transit at year-end.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is maintained at a level considered by management to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon reviews of payment history, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans, and such other factors, which in management's judgment deserve current recognition in estimating loan losses. The allowance for loan losses is increased by the provision for loan losses and reduced by net loan charge-offs.

Annuity and Life Income Funds: PCUSA, A Corporation is an income beneficiary of trust funds held by the Foundation. In accordance with current accounting standards, PCUSA, A Corporation has recorded, as an asset, the net present value of the future income to be received from the funds.

Inventories: Inventories represent books, periodicals, and curriculum produced by PCUSA, A Corporation for distribution. These items are stated at average cost.

Property and Equipment: Property and equipment consists principally of the PCUSA, A Corporation headquarters building and related land and equipment, domestic properties used for mission work, cemeteries, undeveloped land, and property held for disposition.

The PCUSA, A Corporation headquarters building and related land and equipment are stated at cost or fair value at the date of donation, if donated. The domestic properties used for mission work, cemeteries, undeveloped land, and other properties are recorded based on fair value at the date of donation, appraisal value, or replacement cost. Expenditures greater than $5,000 which increase values or extend the useful lives of the respective assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

PCUSA, A Corporation holds title to various other foreign properties. Such properties include properties used for mission work, cemeteries, undeveloped land, and property held for disposition. PCUSA, A Corporation has administrative responsibility for property taxes, insurance, maintenance, and improvements for these properties. Generally, it is PCUSA, A Corporation's policy to exclude the cost or donated value of foreign properties from its financial records.

PCUSA, A Corporation reviews for the impairment of long-lived assets subject to depreciation and amortization, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If this review were to result in the conclusion that the carrying value of long-lived assets would not be recoverable, then a write down of the assets would be recorded through a charge to net assets equal to the difference in the fair market value of the assets and their carrying value. No such impairment losses were recognized for the years ended December 31, 2014 and 2013.

Deferred Revenue: PCUSA, A Corporation holds special events each year. Monies received to support future special events are recorded as deferred revenue.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections: PCUSA, A Corporation's collections consist of works of art, ecclesiastical objects and papers, historical treasures, archeological specimens, and other assets. The collections, which were acquired through purchases and contributions since PCUSA, A Corporation's inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period.

Income Taxes: The Internal Revenue Service has determined that PCUSA, A Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, PCUSA, A Corporation is subject to federal income tax on any unrelated business taxable income.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position would "more-likely-than-not" be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management has concluded that it is unaware of any tax benefits or liabilities to be recognized at December 31, 2014, and does not expect this to change in the next 12 months.

PCUSA, A Corporation would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. PCUSA, A Corporation has no amounts accrued for interest or penalties as of December 31, 2014 and 2013. PCUSA, A Corporation is no longer subject to examination by taxing authorities for the years before December 31, 2011.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2014. Management has performed their analysis through April 15, 2015, which is the date the financial statements were available to be issued.

Reclassification: Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

(Continued)

NOTE 3 – NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	2014	2013
Church loans	$ 2,865,756	$ 2,919,833
Jinishian Memorial Program	22,198,735	23,010,093
Educational seminars and publications	22,187,659	22,600,966
Mission work	20,226,331	21,596,104
Presbyterian Disaster Assistance	13,379,597	13,568,413
Evangelism and Church Growth	15,262,947	15,428,829
Health	15,776,507	15,779,665
Missionary support	41,325,153	38,668,331
Christian education	12,388,298	12,490,941
Peacemaking/Justice	1,648,507	1,766,859
Hunger	1,921,392	2,140,180
Beneficial interest in Perpetual Trusts	1,596,298	1,552,100
Racial Ethnic	213,671	197,428
Women	643,366	638,765
Historical Foundation/per capita	1,338,968	1,315,870
General endowments	35,598,072	38,837,624
Self-Development of People	427,985	695,789
Other	968,444	982,330
	$ 209,967,686	$ 214,190,120

Permanently restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	2014	2013
Church loans	$ 20,105,784	$ 19,932,701
Jinishian Memorial Program	10,069,586	10,057,618
Educational seminars and publications	21,684,815	21,322,720
Mission work	4,815,452	4,735,043
Evangelism and Church Growth	6,809,315	6,695,612
Health	13,218,596	12,997,871
Missionary support	15,624,196	15,363,363
Christian education	14,899,554	14,659,655
Peacemaking/Justice	87,826	86,359
Hunger	422,370	415,317
Beneficial interest in Perpetual Trusts	68,074,494	67,023,221
Racial Ethnic	229,392	225,562
Women	105,567	103,804
Historical Foundation/per capita	784,629	784,629
General endowments	96,244,896	95,885,877
Other	1,013,449	996,522
	$ 274,189,921	$ 271,285,874

(Continued)

NOTE 3 – NET ASSETS (Continued)

Net assets released from restrictions during the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
Jinishian Memorial Program	$ 1,458,616	$ 1,554,483
Educational seminars and publications	2,952,141	2,803,865
Mission work	6,832,300	6,489,138
Presbyterian Disaster Assistance	4,777,905	9,437,853
Evangelism and Church Growth	6,584,134	6,253,437
Health	3,114,273	2,957,854
Missionary support	2,077,513	1,973,167
Christian education	4,950,014	4,701,392
Peacemaking/Justice	2,147,141	2,039,298
Hunger	2,904,820	2,897,159
Self-Development of People	2,097,601	2,298,064
	$ 39,896,458	$ 43,405,710

NOTE 4 – INVESTMENTS

Investments, including long-term investments, are primarily held in common funds managed by the Foundation on behalf of PCUSA, A Corporation. A summary of PCUSA, A Corporation's ownership of the investments held at December 31, 2014 and 2013 is as follows:

	2014	2013
Pooled investments held by the Foundation		
Beneficial interest in pooled investments		
Short-term	$ 57,999,714	$ 52,389,914
Long-term	336,457,258	337,819,087
Total beneficial interest in pooled investments	394,456,972	390,209,001
Other investments held by the Foundation		
Equities	2,382,326	2,442,300
Shares in New Covenant Mutual Fund	3,827,463	3,800,062
Total other investments held by the Foundation	6,209,789	6,242,362
Other investments		
Cash equivalents	2,590,800	3,418,937
U.S. treasury securities	17,037,655	20,679,538
U.S. agency securities	1,847,073	2,398,284
Corporate debt securities	21,386,921	20,513,619
Mortgage-backed securities	2,297,468	2,916,152
Other fixed income securities	341,208	35,949
Equity securities	776,061	58,115
Presbyterian Investment and Loan Program denominational account receipts	9,781,665	10,001,868
Total other investments	56,058,851	60,022,462
Total investments	$ 456,725,612	$ 456,473,825

(Continued)

NOTE 4 – INVESTMENTS (Continued)

PCUSA, A Corporation invests a majority of its funds in the Foundation's common investment portfolio. Investment balances held by the Foundation are allocated monthly by the Foundation's management based on the portion of PCUSA, A Corporation's funding to the total funding of the portfolio. The Foundation's investment portfolio as of December 31 comprised the following types of investments:

	2014	2013
Preferred and common stock	44%	48%
Fixed income	20	18
Hedge funds	24	24
Real estate	7	5
Private equity	5	5
	100%	100%

Income received by PCUSA, A Corporation from the Foundation is net of administrative fees of outside managers.

NOTE 5 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Funds held in trust by others represent resources neither in the possession nor under the control of PCUSA, A Corporation, but held and administered by outside trustees, with PCUSA, A Corporation deriving only income from such funds. Such investments are recorded in the consolidated statement of financial position at the fair value of the principal amounts, which represents the estimated present value of the expected future cash flows, and the income, including fair value adjustments, is recorded in the consolidated statement of activities and changes in net assets.

NOTE 6 – ENDOWMENT COMPOSITION

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

Appropriation of Endowment Assets: PCUSA, A Corporation has a spending formula agreement with the Foundation whereby PCUSA, A Corporation receives investment income from unrestricted and restricted endowments held by the Foundation on behalf of the General Assembly for mission use.

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

The current policy calls for a 4.25% annual total return payout rate of the average market value based on the 20-quarter rolling average with an eighteen-month lag. Pursuant to this policy, the Foundation paid the beneficiaries of certain endowments 4.1% (based on the December 31, 2013 market value) and 4.6% (based on the December 31, 2012 market value) in 2014 and 2013, respectively. The spending formula will be monitored to determine the effects of changing return and inflation expectations on the preservation of purchasing power and the generation of appropriate levels of spendable income.

Investment Policies: The Trustees of the Presbyterian Church (U.S.A.) Foundation are charged with the responsibility of managing the endowment assets of the Church. The overall goal in management of these funds is to generate a long-term total rate of return that provides sustainable distributions to support the mission within reasonable levels of risk.

The Trustees adhere to modern portfolio theory, which has as its basis risk reduction through diversification. Diversification is obtained through the use of multiple asset classes as well as multiple investments within these asset classes. Asset classes that may be used include (but are not limited to) domestic and international stocks and bonds, hedge funds, private equity (venture capital and corporate finance), and real property (real estate, minerals, and timber). The investment strategy is implemented through the selection of external advisors and managers with expertise and successful histories in the management of specific asset classes.

The Trustees believe their role is one of setting and reviewing policy; and retaining, monitoring, and evaluating advisors and investment managers. It is the Trustees' desire to find ways to invest these funds in accordance with the social witness principles of the PCUSA. The Trustees will review the investment policy statement at least annually.

The primary financial objectives of the investment funds (the "Fund") are to (1) provide a stream of relatively stable and constant earnings in support of annual budgetary needs and (2) to preserve and enhance the real (inflation-adjusted) purchasing power of the Fund.

The long-term investment objective of the Fund is to attain a real total annualized return of at least 5% The calculation of real total return includes all realized and unrealized capital changes plus all interest, rent, dividend, and other income earned by the portfolio, adjusted for inflation, during a year, net of investment expenses, on average, over a five-to-seven year period. Secondary objectives are to (1) outperform the Fund's custom benchmark, a weighted average return based on the target asset allocation and index returns and (2) to outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies. The Fund's objective is to attain estimated nominal compound return of 9% with a standard deviation of 11.3% of the current portfolio.

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2014				
Donor-restricted endowment funds	$ (4,341,464)	$ 172,778,959	$ 274,189,921	$ 442,627,416
Board-designated funds	46,135,095	-	-	46,135,095
Total endowment net assets	41,793,631	172,778,959	274,189,921	488,762,511
Net assets other than endowment	13,052,435	37,188,727	-	50,241,162
Total net assets	$ 54,846,066	$ 209,967,686	$ 274,189,921	$ 539,003,673
2013				
Donor-restricted endowment funds	$ (3,615,235)	$ 175,044,929	$ 271,285,874	$ 442,715,568
Board-designated funds	39,326,017	-	-	39,326,017
Total endowment net assets	35,710,782	175,044,929	271,285,874	482,041,585
Net assets other than endowment	20,816,780	39,145,191	-	59,961,971
Total net assets	$ 56,527,562	$ 214,190,120	$ 271,285,874	$ 542,003,556

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for the years ended December 31, 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance, January 1, 2014	$ 35,710,782	$ 175,044,929	$ 271,285,874	$ 482,041,585
Investment return				
Investment income	332,409	2,791,444	179,446	3,303,299
Net appreciation	289,208	(2,531,497)	1,258,244	(984,045)
Total investment return	621,617	259,947	1,437,690	2,319,254
Contributions	1,321,644	7,623,606	1,696,668	10,641,918
Sales of resources and services	12,384,103	-	-	12,384,103
Appropriation of endowment assets for expenditure and other changes	(8,244,515)	(10,149,523)	(230,311)	(18,624,349)
Ending balance, December 31, 2014	$ 41,793,631	$ 172,778,959	$ 274,189,921	$ 488,762,511
Beginning balance, January 1, 2013	$ 38,073,908	$ 157,156,798	$ 263,202,087	$ 458,432,793
Investment return				
Investment income	356,924	2,722,676	207,936	3,287,536
Net appreciation	1,372,533	24,847,819	6,045,532	32,265,884
Total investment return	1,729,457	27,570,495	6,253,468	35,553,420
Contributions	1,247,883	2,348,029	2,014,930	5,610,842
Sales of resources and services	12,819,319	-	-	12,819,319
Appropriation of endowment assets for expenditure and other changes	(18,159,785)	(12,030,393)	(184,611)	(30,374,789)
Ending balance, December 31, 2013	$ 35,710,782	$ 175,044,929	$ 271,285,874	$ 482,041,585

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor requires PCUSA, A Corporation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted and designated net assets were $4,341,464 and $3,615,235 as of December 31, 2014 and 2013.

(Continued)

NOTE 7 – MORTGAGES AND LOANS ON CHURCHES AND MANSES

A summary of the activity relating to mortgages and loans on churches and manses during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Receivables at January 1	$ 2,145,873	$ 2,827,441
Repayments	(580,027)	(681,568)
Receivables at December 31	1,565,846	2,145,873
Add accrued interest receivable	2,370	3,363
	1,568,216	2,149,236
Less allowance for loan loss	(1,900)	(2,250)
Net receivables at December 31	$ 1,566,316	$ 2,146,986

The ability of each borrower congregation to pay PCUSA, A Corporation for the loan(s) made to the congregation may depend on the contributions the congregation receives from its members. Therefore, payments to PCUSA, A Corporation may depend on the continued growth in membership of the borrower congregations, and on the maintenance of adequate contributions by individual members to their congregations, as well as on prudent management by those congregations of their finances. The following is a summary of the gross loan balances for each Synod at December 31, 2014 and 2013:

	2014	2013
Covenant	$ 211,199	$ 257,836
Lincoln Trails	154,812	352,379
Mid-Atlantic	46,317	53,335
Northeast	78,649	190,422
South Atlantic	764,112	896,311
Southern California/Hawaii	259,879	274,691
Southwest	50,878	78,285
The Sun	-	9,333
Trinity	-	33,281
Gross mortgages and loans receivable	1,565,846	2,145,873
Accrued interest receivable	2,370	3,363
Less allowance for loan losses	(1,900)	(2,250)
Mortgages and loans receivable, net	$ 1,566,316	$ 2,146,986

(Continued)

NOTE 8 – ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF LOANS

The outstanding principal balances of loans to churches, students, and Presbyterian schools and colleges for which an impairment has been recognized at December 31, 2014 and 2013 were $86,758 and $74,163, respectively, and the related allocated allowances for loan losses at December 31, 2014 and 2013 were $0, resulting in no additional provision for loans for December 31, 2014 or 2013. There was no interest received by PCUSA, A Corporation, on the impaired loans during 2014. The total average impaired loan balances were approximately $3,337 and $3,371 at December 31, 2014 and 2013, respectively.

NOTE 9 – RECEIVABLES FROM RELATED ENTITIES

A summary of the activity relating to receivables from related entities, which includes unsecured student loans of approximately $1.5 million and $2 million, during the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Receivables at January 1	$ 6,459,911	$ 7,237,906
Assessments and other	14,063,676	13,442,021
Collections of assessments and other	(12,967,808)	(12,517,801)
New loans	252,453	312,304
Loan repayments	(581,121)	(518,937)
Charge-offs	(1,233,910)	(1,495,582)
Receivables at December 31	5,993,201	6,459,911
Less allowance for loan loss	(1,910,051)	(2,158,889)
Net receivables at December 31	$ 4,083,150	$ 4,301,022

NOTE 10 – PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2014 and 2013 are as follows:

	2014	2013
Land	$ 3,745,576	$ 3,881,120
Buildings and building improvements	44,488,320	43,777,808
Equipment	12,893,693	14,083,681
Furniture and fixtures	552,583	552,583
Less accumulated depreciation	(45,404,196)	(45,295,141)
	$ 16,275,976	$ 17,000,051

(Continued)

NOTE 11 – BENEFITS DATA

As explained below in the following paragraphs, PCUSA, A Corporation through the Board of Pensions of the Presbyterian Church USA offers a defined benefit pension plan, long-term disability plan, death benefit plan, a major medical plan, and a retirement savings plan to eligible employees.

Substantially all employees of PCUSA, A Corporation participate in the Benefits Plan of the Presbyterian Church (U.S.A.) (the “Benefits Plan”) which is administered by the Board of Pensions of the Presbyterian Church (U.S.A.) (the “Board of Pensions”). The Benefits Plan is a comprehensive benefits program, which provides a defined benefit pension plan, a long-term disability plan, a death benefit plan, and a major medical plan. The assets of the Benefits Plan are commingled for investment purposes; however, accounting for each plan is separately maintained.

The defined benefit pension plan’s total net assets available for benefits, as reported by the Board of Pensions, were $7,771,000 and $7,640,065 at December 31, 2014 and 2013, respectively. The defined benefit pension plan’s total Accumulated Plan Benefit Obligations, as reported by the Board of Pensions, were $5,951,000 and $5,162,644 at December 31, 2014 and 2013, respectively. Since the Benefits Plan is a Church Plan under the Internal Revenue Code, PCUSA, A Corporation has no financial interest in the Benefits Plan assets nor does it have any liability for benefits payable, contingent or otherwise, under the Benefits Plan or its components.

PCUSA, A Corporation pays the entire cost associated with the major medical plan. Employees have the option to purchase additional coverage such as dental, long-term care, and life insurance.

In addition, PCUSA, A Corporation sponsors a retirement savings plan. The employer contribution is designed to provide equalization of the impact of tax differences between clergy and lay personnel. All exempt lay employees are eligible to participate in the employer portion of the plan. PCUSA, A Corporation pays an amount based upon a calculation of tax differences. Contributions to the Plan were $682,453 and $626,789 for 2014 and 2013, respectively.

PCUSA, A Corporation’s expenses for the plans for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Administered by Board of Pensions		
Pension plan	$ 3,524,904	$ 3,457,139
Death and disability	324,880	316,779
Major medical plan	7,979,457	7,038,556
	11,829,241	10,812,474
Administered by others - retirement savings plan	682,453	626,789
	$ 12,511,694	$ 11,439,263

(Continued)

NOTE 12 – CONCENTRATION OF RISKS

Revenue Risk: PCUSA, A Corporation's primary source of revenue is contributions from Congregations, Presbyteries, Synods and individuals. The majority of these contributions are transmitted via the Presbyteries that are grouped into 16 Synods comprised of a total of 172 Presbyteries. The following is a summary of the contributions by each of the Synods during the years ended December 31, 2014 and 2013:

	2014	2013
Alaska-Northwest	$ 720,731	$ 773,823
Covenant	2,208,735	2,674,230
Lakes and Prairies	2,330,410	2,295,906
Lincoln Trails	2,131,695	2,153,212
Living Waters	1,359,336	1,474,172
Mid-America	1,015,276	1,239,284
Mid-Atlantic	3,509,544	3,909,904
Northeast	2,665,758	2,864,660
Pacific	1,956,297	2,007,180
Puerto Rico	19,097	24,984
South Atlantic	2,409,086	2,940,061
Southern California/Hawaii	1,076,507	1,250,499
Southwest	477,403	554,731
The Rocky Mountains	583,503	700,474
The Sun	2,088,306	2,384,043
Trinity	3,212,456	3,824,546
	27,764,140	31,071,709
Individuals and Other Church-Related	9,519,979	10,912,653
	$ 37,284,119	$ 41,984,362

Credit Risk: PCUSA, A Corporation maintains cash and cash equivalents with various financial institutions. At times, such cash and cash equivalents may be in excess of the FDIC insurance level. PCUSA, A Corporation has not experienced any losses in such accounts and management believes PCUSA, A Corporation is not exposed to any significant credit risks on cash and cash equivalents.

(Continued)

NOTE 13 – FAIR VALUE

United States generally accepted accounting principles (GAAP) define and establish a framework for measuring fair value and expand disclosures about fair value measurements. GAAP emphasizes fair value is a market-based measurement and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a fair value hierarchy for ranking the quality and reliability of the information used to determine fair values. The assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

> Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained as of the measurement date from readily available pricing sources for market transactions involving identical assets or liabilities (market approach).
>
> Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from quoted prices by third party pricing sources for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated. The valuation methodology for Level 2 investments consists of both income and market approaches, as appropriate for the specific investment.
>
> Level 3: Valuations for assets and liabilities are unobservable and significant. Valuations reflect management's best estimate of what market participants would use in pricing an asset or liability at the measurement date.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the categorization of the entire fair value measurement in the hierarchy.

Treasury bonds, equities and mutual funds are valued at the closing price reported in the active market in which the bonds are traded (Level 1 inputs). Corporate bonds and agency bonds are valued at quoted prices for identical or similar assets in non-active markets since these bonds trade infrequently (Level 2 inputs - market). Mortgage backed securities are valued using matrix pricing, which is a mathematical technique widely used to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs - market).

The fair value of the certificates of deposit, equity investment, and Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. ("PILP") denominational accounts were recalculated by applying the interest rate to the initial investments, and no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

The investment in the unitized pool is managed by the Presbyterian Church (U.S.A.) Foundation. The investment objectives of the fund are to (1) provide a stream of relatively stable and constant earnings in support of annual budgetary needs and (2) preserve and enhance the real (inflation-adjusted) purchasing power of the fund. The Foundation's investment policy is documented in the Statement of Investment Policies and Objectives for the Endowment Fund amended November 14, 2013.

(Continued)

NOTE 13 – FAIR VALUE (Continued)

The underlying investments in the unitized pool are held in accordance with specific guidelines set forth by the Foundation and various targets have been established with regard to allowable investments purchased by the unitized pool. At December 31, 2014, the underlying investments of the unitized pool consist of the following asset classes:

Stock	44%
Fixed Income	20
Hedge Funds	24
Real Estate	7
Private Equity	5
	100%

Withdrawals from the unitized pool are available within 90 days with prior written notice. Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of the fair value inputs. As a result, unitized pool assets with redemption periods of 90 days or less are considered Level 2 fair value measurements.

The fair value of the beneficial interests in the perpetual trust assets (life income funds and funds held in trust by others) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates the fair value of investment holdings, which are readily marketable securities valued at quoted prices and incorporates assumptions that market participants would use in estimating future distributed income. PCUSA, A Corporation is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. PCUSA does not have the ability to redeem the investment within 90 days (Level 3 inputs - market).

(Continued)

NOTE 13 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below for 2014 and 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Assets:				
Pooled investments held by the Foundation				
Beneficial interest in pooled investments	$394,456,972	$ -	$394,456,972	$ -
Other investments held by the Foundation				
Equities	2,382,326	2,382,326	-	-
Shares in New Covenant Mutual fund	3,827,463	3,827,463	-	-
Other investments				
Cash equivalents	2,590,800	2,590,800	-	-
U.S. treasury securities	17,037,655	17,037,655	-	-
U.S. agency securities	1,847,073	-	1,847,073	-
Corporate debt securities	21,386,921	-	21,386,921	-
Mortgage-backed securities	2,297,468	-	2,297,468	-
Other fixed income securities	341,208	-	341,208	-
Equity securities	776,061	-	776,061	-
Total investments	446,943,947	25,838,244	421,105,703	-
Beneficial interest in perpetual trusts	69,670,791	-	-	69,670,791
	$516,614,738	$23,838,244	$421,105,703	$ 69,670,791

(Continued)

NOTE 13 – FAIR VALUE (Continued)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2013				
Assets:				
Pooled investments held by the Foundation				
Beneficial interest in pooled investments	$ 390,209,001	$ -	$ 390,209,001	$ -
Other investments held by the Foundation				
Equities	2,442,300	2,442,300	-	-
Shares in New Covenant Mutual fund	3,800,062	3,800,062	-	-
Other investments				
Cash equivalents	3,418,937	3,418,937	-	-
U.S. treasury securities	20,679,538	20,679,538	-	-
U.S. agency securities	2,398,284	-	2,398,284	-
Corporate debt securities	20,513,619	-	20,513,619	-
Mortgage-backed securities	2,916,152	-	2,916,152	-
Other fixed income securities	35,949	-	35,949	-
Equity securities	58,115	-	58,115	-
Total investments	446,471,957	30,340,837	416,131,120	-
Beneficial interest in perpetual trusts	68,575,320	-	-	68,575,320
	$ 515,047,277	$ 30,340,837	$ 416,131,120	$ 68,575,320

The table below presents a reconciliation of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2013:

	Beneficial Interest in Perpetual Trusts
Balance January 1, 2013	$ 62,954,465
Total realized and unrealized gains and losses	6,135,224
Settlements	(514,369)
Balance, December 31, 2013	68,575,320
Total realized and unrealized gains and losses	1,686,528
Settlements	(591,057)
Balance, December 31, 2014	$ 69,670,791

Certain reclassifications were made in levels in 2013 and 2014; however, there were no transfers during 2013 or 2014.

(Continued)

NOTE 14 – FUNCTIONAL CLASSIFICATION

A summary of PCUSA, A Corporation's operating expenses by functional classification for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Program expenses	$ 78,848,769	$ 86,985,945
Management and general expenses	8,104,262	6,140,066
Fundraising expenses	5,312,216	3,990,121
	$ 92,265,247	$ 97,116,132

The amount of fundraising expenses as a percentage of funds raised was 15% and 11% for the years ended December 31, 2014 and 2013, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

PCUSA, A Corporation holds and participates in an insurance fund (the "Fund") that exists to provide a source of funds for that portion of certain losses not covered by commercial insurance to cover deductibles on commercial insurance and for certain classes of uninsured losses. Various General Assembly-level agencies and corporations are included in the Fund. The largest possible loss to be assumed in any one event or occurrence is $250,000, with $1,000,000 as the largest potential aggregate of all claims in a single calendar year.

The minimum balance of the self-insurance fund shall not fall below $5,000,000 as a result of claims paid. In the event this happens, an assessment will be made to the insured entities to return the fund to the $5,000,000 minimum balance. The assessment will be based on each insured entity's 5-year loss ratio. A 1% minimum assessment will be made by the entities that have not experienced any losses in the 5-year period. The balance of the Fund reflected as designated net assets by PCUSA, A Corporation was $6,219,583 and $6,010,024 at December 31, 2014 and 2013, respectively.

During the ordinary course of business, PCUSA, A Corporation is subject to pending and threatened legal actions. Management of PCUSA, A Corporation does not believe that any of these actions will have a material adverse effect on PCUSA, A Corporation's consolidated financial position or change in net assets.

(Continued)

NOTE 16 – RELATED PARTY TRANSACTIONS

Foundation

The Foundation provides certain investment, custodial, and deferred giving services to PCUSA, A Corporation. The Foundation recoups the cost of those services not covered from the income of its own endowment funds and the annual grant from the General Assembly by quarterly charges against the investment pools in which the funds administered by the Foundation are invested. These charges were recovered equally from the principal and income of these pools. Such costs consist of salary and benefits (50% of the Foundation's operating expenses); outside investment services (23% of the Foundation's operating expenses); and other operating expenses (27% of the Foundation's operating expenses).

The income received by PCUSA, A Corporation from the Foundation is net of administrative fees of outside managers as described previously. PCUSA, A Corporation's investments and unrestricted and restricted endowment funds held by the Foundation on behalf of the General Assembly at December 31, 2014 and 2013, totaled approximately $401,000,000 and $396,000,000, respectively.

The Foundation's custodial cost recovery and investment management fees are assessed daily based on the prior day's market value against the total fund.

Board of National Missions

There are certain church loan funds whereby the fiduciary ownership belongs to the Board of National Missions, a constituent corporation of the Foundation. PCUSA, A Corporation is the disbursing agent for those funds under a limited power of attorney from the Foundation. PILP administers the Loan Program under an administrative services agreement with PCUSA, A Corporation. Accordingly, these funds are not reflected in the consolidated financial statements but are administered by PCUSA, A Corporation. These loan funds were approximately $245,000,000 and $237,000,000 at December 31, 2014 and 2013, respectively.

Board of Pensions

PCUSA, A Corporation served as a receiving agent for funds designated for the Board of Pensions. PCUSA, A Corporation received $1,462,123 and $1,496,769 for the years ended December 31, 2014 and 2013, of which $401,274 and $408,409 was yet to be remitted to the Board of Pensions.

Presbyterian Church (U.S.A.) Investment and Loan Program, Inc.

PCUSA, A Corporation leases office space and provides administrative support to PILP by contract. For the years ended December 31, 2014 and 2013, administrative support charged to PILP was $144,960 and $140,736, respectively. Office space charged to PILP was $58,180 and $57,039 for 2014 and 2013, respectively.

On June 29, 2000, PCUSA, A Corporation entered into an operating agreement with PILP under which PILP will provide administrative services (e.g., origination and loan servicing) for PCUSA, A Corporation's church loan program at cost in an effort to streamline the coordination process between PCUSA, A Corporation's church loan program and PILP's loan program. PCUSA, A Corporation reimbursed PILP $324,716 and $309,960 for the actual costs of such services during 2014 and 2013, respectively.

(Continued)

NOTE 16 – RELATED PARTY TRANSACTIONS (Continued)

PCUSA, A Corporation and PILP have issued joint loans through a participation arrangement. For the years ended December 31, 2014 and 2013, total loans outstanding were $33,001,030 and $36,286,837, respectively, under this participation arrangement.

The current commitment, effective May 1, 2014, to PILP is a five-year commitment to invest up to $5,000,000 in short and intermediate term accounts called denominational account receipts (DAR). As of December 31, 2014 and 2013, investments with PILP were $9,769,049 and $9,685,868, respectively. At December 31, 2014 and 2013, fixed interest rates ranged from 0.45% to 1.74% and 0.65% to 2.03%, respectively, and the adjustable rate ranged from 0.40% to 1.14% and 0.45% to 0.90%, respectively. For the year ended December 31, 2014, the Foundation did not invest with PILP from PCUSA, A Corporation's unrestricted endowment funds.

Presbyterian Publishing Corporation

PCUSA, A Corporation leases office space to Presbyterian Publishing Corporation ("PPC") under an operating lease. For the years ended December 31, 2014 and 2013, rental income was $156,770 and $152,693. PPC's lease expired at the end of 2014 and a new lease addendum was signed for 2015-2017.

Other related expenses charged to PPC for telephone, postage, and copy services were $86,234 and $106,187 in 2014 and 2013, respectively.

PPC pays PCUSA for supplemental warehousing and distribution services. Fees paid by PPC under this agreement in 2014 and 2013 were $45,832 and $43,939 for fulfillment fees and $148,228 and $241,016 for freight, respectively.

PPC publishes various pamphlets, magazines, and books for PCUSA, A Corporation during the year on a project-by-project basis. Expenses related to this type of work in 2014 and 2013 were $195,051 and $190,574, respectively. PPC also pays PCUSA, A Corporation for advertising space in various church publications. Advertising expense under such arrangements was $995 and $13,690 in 2014 and 2013, respectively.

Insurance

PCUSA, A Corporation participates in commercial insurance programs, whereby premiums are negotiated and paid by PCUSA, A Corporation. The Board of Pensions, Foundation, PILP, and PPC reimburse PCUSA, A Corporation for expenses paid on their behalf. Expenses incurred for commercial insurance paid by PCUSA, A Corporation for December 31, 2014 and 2013:

	2014	2013
Foundation	$ 120,405	$ 110,048
Board of Pensions	553,931	463,480
PILP	53,933	77,074
PPC	86,869	83,980

SUPPLEMENTAL INFORMATION

Presbyterian Church (U.S.A.), A Corporation
Consolidated Statement of Financial Position
December 31, 2014

	General Mission	Curriculum	Presbyterian Center Louisville/ Property and Equipment	Hubbard Press	Youth Triennium	Jinishian	Presbyterian Disaster Assistance	Self Development of People	Presbyterian Hunger Program	Ghost Ranch	Stony Point	Specific Property	Self Insurance	Student Loans	Church Loans	Per Capita	Historical Society	Reclass/ Elimination	Total
Assets																			
Cash and cash equivalents	$ 4,323,743	$ -	$ -	$ 1,536	$ -	$ -	$ -	$ -	$ -	$ 275,689	$ 349,877	$ -	$ -	$ -	$ -	$ 164,207	$ 16,562	$ -	$ 5,131,614
Beneficial interest in pooled investments held by the Foundation - short-term	30,470,659	-	1,109,254	-	-	110,334	-	-	-	455,470	-	787,152	6,396,697	1,717,524	8,056,466	5,220,951	3,675,207	-	57,999,714
Other investments and accrued income	32,318,427	-	-	1,589,868	-	186,674	13,600,231	1,052,284	1,328,489	-	-	-	-	-	3,976,765	1,641,327	364,786	-	56,058,851
Contributions receivable from congregations	3,374,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(117,085)	-	-	3,257,551
Mortgages and loans on churches and manses, including accrued interest, net	-	-	-	-	-	-	-	285	-	-	-	-	-	-	1,566,031	-	-	-	1,566,316
Receivables from related entities, net	1,194,322	21,809	-	114,971	-	-	-	2,083	338	49,134	172,025	28,334	-	1,511,396	-	1,405,452	165,000	(581,714)	4,083,150
Due from/(to) other funds	(34,180)	34,777	1,583,955	(18,140)	3,627	346,826	(222,701)	(232,618)	(257,487)	(2,881,146)	(1,995,736)	(21,172)	(177,114)	1,297,383	2,811,638	(225,013)	(12,899)	-	-
Due from the Foundation	1,844,846	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,844,846
Other accounts receivable	64,096	-	-	413	-	-	-	-	-	15,272	4,099	-	-	-	-	-	-	-	83,880
Inventories, prepaid expenses and other assets	192,526	170,918	-	227,131	-	-	2,122	1,788	116,752	222,584	61,899	-	-	-	-	16,925	-	-	1,012,645
Property and equipment, net of accumulated depreciation	-	-	7,629,179	232,903	-	-	-	-	-	5,833,426	1,438,818	-	-	-	-	1,867	1,139,783	-	16,275,976
Beneficial interest in pooled investments held by the Foundation - long-term	300,946,775	-	-	-	-	31,701,798	-	-	-	-	-	-	-	3,298,559	-	355,989	154,137	-	336,457,258
Other investments held by Foundation	6,209,789	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,209,789
Beneficial interest in perpetual trusts	69,670,791	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,670,791
Total assets	$ 450,576,430	$ 227,504	$ 10,322,388	$ 2,148,682	$ 3,627	$ 32,345,632	$ 13,379,652	$ 823,822	$ 1,188,092	$ 3,970,429	$ 30,982	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,464,620	$ 5,502,576	$ (581,714)	$ 559,652,381
Liabilities and Net Assets																			
Liabilities:																			
Accounts payable and accrued expenses	$ 7,805,663	$ 720,061	$ -	$ 5,035	$ -	$ -	$ 55	$ -	$ -	$ 57,912	$ 13,734	$ -	$ -	$ -	$ -	$ 9,788	$ -	$ (581,714)	$ 8,030,534
Amounts received from congregations and designated for others	487,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487,446
Amounts held for missionaries and committed for projects	2,095,971	-	-	-	-	77,308	-	395,837	-	12,215	65,843	-	-	-	-	-	-	-	2,647,174
Amount due to other agencies	5,935,628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,935,628
Due to the Foundation	2,220,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,220,891
Deferred revenue	378,565	-	-	-	-	-	-	-	-	208,563	-	-	-	-	-	-	-	-	587,128
Other	735,696	-	-	241	-	-	-	-	-	1,451	-	-	-	-	-	2,519	-	-	739,907
Total liabilities	19,659,860	720,061	-	5,276	-	77,308	55	395,837	-	280,141	79,577	-	-	-	-	12,307	-	(581,714)	20,648,708
Net assets:																			
Unrestricted																			
Undesignated	2,823,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,887,368	-	-	8,710,971
Designated	17,049,683	(492,557)	10,322,388	2,143,406	3,627	-	-	-	-	3,041,936	(155,430)	794,314	6,219,583	-	1,264,221	2,214,006	3,729,918	-	46,135,095
Total unrestricted	19,873,286	(492,557)	10,322,388	2,143,406	3,627	-	-	-	-	3,041,936	(155,430)	794,314	6,219,583	-	1,264,221	8,101,374	3,729,918	-	54,846,066
Temporarily restricted	168,346,012	-	-	-	-	22,198,738	13,379,597	427,985	1,188,092	115,702	106,835	-	-	2,865,757	-	261,370	1,077,598	-	209,967,686
Permanently restricted	242,697,272	-	-	-	-	10,069,586	-	-	-	532,650	-	-	-	4,959,105	15,146,679	89,569	695,060	-	274,189,921
Total net assets	430,916,570	(492,557)	10,322,388	2,143,406	3,627	32,268,324	13,379,597	427,985	1,188,092	3,690,288	(48,595)	794,314	6,219,583	7,824,862	16,410,900	8,452,313	5,502,576	-	539,003,673
Total liabilities and net assets	$ 450,576,430	$ 227,504	$ 10,322,388	$ 2,148,682	$ 3,627	$ 32,345,632	$ 13,379,652	$ 823,822	$ 1,188,092	$ 3,970,429	$ 30,982	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,464,620	$ 5,502,576	$ (581,714)	$ 559,652,381

Presbyterian Church (U.S.A.), A Corporation
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2014

	General Mission	Curriculum	Presbyterian Center Louisville/ Property and Equipment	Hubbard Press	Youth Triennium	Jinishian	Presbyterian Disaster Assistance	Self Development of People	Presbyterian Hunger Program	Ghost Ranch	Stony Point	Specific Property	Self Insurance	Student Loans	Church Loans	Per Capita	Historical Society	Reclass/ Elimination	Total
Revenues, Gains, and Other Support																			
Contributions																			
Congregations	$ 10,269,112	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,741,385	$ -	$ -	$ 23,010,497
Gifts, bequests and grants	10,107,012	-	-	-	-	28,945	-	-	-	811,306	363,120	-	-	-	-	16,539	352,335	(75,000)	11,604,257
Special giving and special offering	14,690,523	-	-	-	-	-	4,329,337	1,529,882	2,287,155	-	-	-	-	-	-	-	-	-	22,836,897
Total contributions	35,066,647	-	-	-	-	28,945	4,329,337	1,529,882	2,287,155	811,306	363,120	-	-	-	-	12,757,924	352,335	(75,000)	57,451,651
Investment return																			
Income from endowments held by Foundation	3,859,457	-	10,485	-	-	326,068	-	-	-	18,862	1,665	9,620	58,666	15,719	25,743	134,388	228,229	-	4,688,902
Income on investments	732,896	-	-	8,032	-	1,956	144,335	12,339	16,152	-	112	-	-	-	40,639	27,296	6,762	-	990,519
Realized and unrealized net gain/loss	3,150,438	-	54,150	-	-	178,407	(56,113)	(2,869)	(6,021)	(30,708)	-	25,034	328,959	95,464	165,460	92,330	(156,522)	-	3,838,009
Changes in value of beneficial interest	303,425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	303,425
Total investment return	8,046,216	-	64,635	8,032	-	506,431	88,222	9,470	10,131	(11,846)	1,777	34,654	387,625	111,183	231,842	254,014	78,469	-	9,820,855
Interest income from loans	-	-	-	-	-	-	-	-	-	-	-	1,417	-	71,394	85,247	-	-	-	158,058
Hubbard Press	-	-	-	1,432,051	-	-	-	-	-									-	1,432,051
Sales of resources and services	12,151,711	1,654,217	9,621	-	-	-	2,914	-	10,034	4,341,575	1,559,702	-	-	-	-	236,885	82,351	(926,015)	19,122,995
Other	712,542	289,995	1,969,722	(3,266)	558,224	(109,076)	(594,372)	(44,524)	(73,500)	75	161,227	(23,050)	(80,536)	(314,367)	(157,681)	847,662	140,679	(2,000,000)	1,279,754
Cost recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues, gains and other support	55,977,116	1,944,212	2,043,978	1,436,817	558,224	426,300	3,826,101	1,494,828	2,233,820	5,141,110	2,085,826	13,021	307,089	(131,790)	159,408	14,096,485	653,834	(3,001,015)	89,265,364
Expenses:																			
Cost of sales	774,669	500,764	-	239,671	-	-	-	-	3,704	233,178	-	-	-	-	-	396	-	-	1,752,382
Salaries and benefits	33,645,047	1,147,366	-	695,996	-	149,239	1,159,836	588,389	734,676	2,820,769	1,144,448	-	-	-	-	5,526,531	611,463	-	48,223,760
Travel	1,672,196	58,815	-	298	-	19,823	241,333	51,091	73,618	16,119	12,298	-	-	-	-	1,997,520	4,223	-	4,147,334
Meetings	441,652	9,784	-	-	-	10,217	19,409	174,856	19,128	6,928	805	-	-	-	-	648,562	-	-	1,331,341
Administration	7,459,747	228,694	1,147,934	372,587	-	20,073	104,710	18,457	27,199	1,310,851	837,716	8,537	97,530	-	-	2,013,599	376,537	-	14,024,171
Program	6,145,667	131,628	-	14,711	(3,627)	2,147	654,515	11,144	19,624	1,089,520	219,037	-	-	-	-	3,886,596	90,390	(3,001,015)	9,260,337
Resource development	144,547	-	-	-	-	2,188	69,394	-	16,855	-	-	-	-	-	-	-	-	-	232,984
Grants	8,038,494	-	-	-	-	1,022,000	1,765,721	918,697	1,546,140	-	-	-	-	-	-	1,886	-	-	13,292,938
Total expenses	58,322,019	2,077,051	1,147,934	1,323,263	(3,627)	1,225,687	4,014,918	1,762,634	2,440,944	5,477,365	2,214,304	8,537	97,530	-	-	14,075,090	1,082,613	(3,001,015)	92,265,247
Change in net assets before transfers	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets after transfers	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Beginning net assets	433,261,473	(359,718)	9,426,344	2,029,852	(558,224)	33,067,711	13,568,414	695,791	1,395,216	4,026,543	79,883	789,830	6,010,024	7,956,652	16,251,492	8,430,918	5,931,355	-	542,003,556
Net surplus/(deficit)	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Ending net assets	$ 430,916,570	$ (492,557)	$ 10,322,388	$ 2,143,406	$ 3,627	$ 32,268,324	$ 13,379,597	$ 427,985	$ 1,188,092	$ 3,690,288	$ (48,595)	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,452,313	$ 5,502,576	$ -	$ 539,003,673

**Minutes of the Audit Committee of the
Presbyterian Mission Agency Board and
Presbyterian Church (U.S.A.), A Corporation**

**Conference Call
Louisville, Kentucky
May 22, 2014**

CALL TO ORDER AND OPENING PRAYER	The meeting of the Audit Committee was called to order by the chair of the Committee, Molly Baskin. Ms. Baskin opened the meeting with prayer.
ATTENDANCE	Those present for all or a portion of the meeting were:
Members	Molly Baskin – Chair, Audit Committee Kears Pollock – Vice Chair, Audit Committee Thomas Fleming Ellen Pearre Cason Richard Turpen
Excused	Chris Rhodes, COGA
Others Present	Tim Stepp Martha Clark
Recorder	Tim Stepp
Quorum	A quorum was declared present for transaction of business.
Action 1-AC-052214 Agenda	The Chair presented, and upon motion made and seconded, the agenda was unanimously approved (Appendix 1).
	The Chair entertained a motion to move into closed session to discuss personnel matters.
Action 2-AC-052214 Closed Session	On motion made and seconded, the Audit Committee unanimously approved a motion to convene in closed session to discuss personnel matters with only members of the Audit Committee and the following individuals who were invited to remain and attend the closed session: 1. Martha Clark 2. Tim Stepp The Chair called the closed session to order. Discussion ensued.

Action 3-AC-052214 End Closed Session	The Chair called for a motion to arise from closed session, and upon motion made, seconded and unanimously approved, stated the Audit Committee rose from closed session.
Plenary	The Chair reconvened in open session and announced no actions were taken.
Prayer and Adjournment	The meeting was closed with prayer.

Respectfully submitted,

____
Molly Baskin,
Chair, Audit Committee

____
Tim Stepp, Recorder for the Meeting

Appendix 1
May 22, 2014 Agenda

APPENDIX 1

Presbyterian Church (USA) Mission Agency
Audit Committee
of the Board of Directors

MEETING AGENDA

Monday, May 22, 2014

9:00 am EST

By Conference Call

9:00am	Welcome.
	Open with prayer.
	Review and approve agenda.
9:10am	Move into executive session
9:55am	Arise from executive session.
10:00am	Adjourn with prayer.

Minutes of the Audit Committee of the Presbyterian Mission Agency Board and Presbyterian Church (U.S.A.), A Corporation

Louisville, Kentucky
September 16, 2014

CALL TO ORDER AND OPENING PRAYER	The meeting of the Audit Committee was called to order at 1:30 p.m. by the chair of the Committee, Molly Baskin. Ms. Baskin opened the meeting with prayer.
ATTENDANCE	Those present for all or a portion of the meeting were:
Members	Molly Baskin – Chair, Audit Committee Kears Pollock – Vice Chair, Audit Committee Thomas Fleming Richard Turpen Ellen Pearre Cason
Others Present	Tim Stepp Shawn Ellison Martha Clark Earline Williams Denise Hampton Kristin McDonner, Crowe Horwath Cynthia Pierce, Crowe Horwath
Recorder	Shawn Ellison
Quorum	A quorum was declared present for transaction of business.
Action 1-AC-091614 Agenda	The Chair presented, and upon motion made and seconded, the agenda was unanimously approved (Appendix 1).
Action 2-AC-091614 Minutes Approved	The Chair presented, and upon motion made and seconded, the minutes of the April 26, 2014; May 12, 2014; August 13, 2014 and September 4, 2014 Audit Committee meeting were unanimously approved.
Action 3-AC-091614 Purchase to Pay Report	The Audit Committee was updated from Internal Audit and received and approved the Purchase to Pay Internal Control Review Report (Appendix 2).
Action 4-AC-091614 2014 Audit	The Audit Committee also received the engagement letter from Crowe Horwath and, upon motion made and seconded, approved the engagement for 2014 financial statement audit.
	The CFO, Earline Williams gave a brief update to the Committee with no actions to report.
	The Audit Committee discussed corporate ethics and fiduciary duties of the Board.

The Chair entertained a motion to move into closed session to discuss personnel matters.

Action 5-AC-091614 Closed Session

On motion made and seconded, the Audit Committee unanimously approved a motion to convene in closed session to discuss personnel matters with only members of the Audit Committee and the following individuals who were invited to remain and to attend the closed session:

1. Martha Clark
2. Shawn Ellison
3. Tim Stepp

The Chair called the closed session to order.

Discussion ensued.

Action 6-AC-091614 End Closed Session

The Chair called for a motion to arise from closed session, and upon motion made, seconded and unanimously approved, stated the Audit Committee rose from closed session.

Plenary

The Chair reconvened in open session and announced that no actions were taken.

Action 7-AC-091614 Report Approval

The Committee voted unanimously to approve its Report (Appendix 3) for submission to the September 16, 2014 Presbyterian Mission Agency Board meeting. The Committee discussed its presentation to the Presbyterian Mission Agency Board on September 17, 2014 closed session of its two reports as presented to the Executive Committee earlier in the day.

Prayer and Adjournment

The meeting was closed with prayer.

Respectfully submitted,

____
Molly Baskin,
Chair, Audit Committee

____
Shawn Ellison, Recorder for the Meeting

Appendix 1
September 16, 2014 Agenda

Appendix 2
Purchase to Pay Internal Control Review Report

Appendix 3
Report of the Audit Committee

APPENDIX 1

ITEM G.100
Presbyterian Church (USA) Mission Agency
Audit Committee
of the Board of Directors

MEETING AGENDA

Tuesday, September 16, 2014
1:30 p.m. EST
Presbyterian Center, Conference Room 5000
Louisville, KY

1:30pm	Welcome. Open with prayer. Review and approve agenda. Review and approve minutes for April 23, 2014 meeting; May 12, 2014 conference call; August 13, 2014 conference call; and September 4, 2014 conference call.	Baskin
2:00pm	Update on internal audit work, including Purchase to Pay report.	Stepp/Ellison
2:30pm	Receive engagement letter.	McDonner/Pierce
3:00pm	Update from Chief Financial Officer.	Williams
3:30pm	Move into closed session	
5:55pm	Arise from closed session and announce any actions.	
6:00pm	Adjourn with prayer.	

APPENDIX 2

INTERNAL AUDIT REPORT
Purchase-to-Pay Review 2014

September 2, 2014

Audit Department
Timothy W. Stepp, C.P.A. - Associate Director of Internal Audit
Shawn Ellison, CPA - Senior Internal Auditor

TABLE OF CONTENTS

I. BACKGROUND

Per the Internal Audit Charter, the Internal Audit function is tasked with "providing a broad variety of financial audit services". A listing (not all-inclusive) of said tasks includes the following (emphasis added for the purpose of this report):

- Reviewing the **reliability and integrity of financial information** and how that information is identified, measured, classified, and reported;

- Reviewing the **effectiveness and efficiency** of particular financial management functions such as, but not limited to, purchasing, transportation expenses, and overtime analysis;

- Reviewing established **financial control systems for efficiency and compliance**;

- Reviewing **compliance with financial policies and procedures**.

To accomplish the objectives listed above, an initial, all-inclusive, financial process internal control review has been undertaken by Internal Audit in 2013. To facilitate such a review, Internal Audit has established a review process (see *Addendum E – Internal Control Review Process*) utilizing the following guidance:

- *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary* (*COSO – see Appendix A – COSO – Internal Control Framework*);

- *IT Governance Institute – COBIT 4.1 – Control Objectives for Information Technology* (*COBIT* – see *Information Technology Review 2013*; prepared by Internal Audit; dated July 24, 2013);

Utilizing the guidance provided within COSO, the term "internal control" is defined as follows (emphasis added for the purpose of this report):

Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide ***reasonable*** *assurance regarding the achievement of objectives in the following categories:*

- ***Effectiveness*** *and* ***efficiency*** *of operations;*
- ***Reliability of financial reporting****;*
- ***Compliance*** *with applicable laws and regulations*[1].

Furthermore, COSO provides the following internal control framework guidance:

Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. Although the components apply to all entities, small and

[1] *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary*; page 9

mid-size companies may implement them differently than large ones. Its controls may be less formal and less structured, yet a small company can still have effective internal control. The components are:

- *Control Environment — The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.*

- *Risk Assessment — Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.*

- *Control Activities — Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.*

- *Information and Communication — Pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.*

- *Monitoring — Internal control systems need to be monitored-a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board*[2].

To assist in the facilitation of the review of financial internal controls, Internal Audit partitioned the PCUSA control environment into the following components:

- ***Entity Level Controls (ELC)*** – These are control activities that permeate the entire organization, and set the "tone" for the overall control environment.

- ***Information Technology General Controls (ITGC)*** – These are controls that relate specifically to Information Technology (IT), and also, permeate the entire organization

[2] *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary*; page 3

(Note: As of the date of this report, a review of the ITGC environment has been performed; see *Information Technology Review 2013*; dated July 24, 2013.)

- ***Financial Close & Reporting (FCR)*** – These are process-level-specific control activities associated with the monthly closing and reporting process (e.g. chart of account manipulations; journal entries; reconciliations; segregation of duties; etcetera).

- ***Cash Receipt*** – These are process-level-specific control activities associated with receipts (e.g. receivables; master file manipulations; aging reviews; segregation of duties; etcetera).

- ***Cash Disbursement*** – These are process-level-specific control activities associated with disbursements (e.g. master file manipulations; disbursement preparation and authorization; aging reviews; segregation of duties) and includes wire transfers, accounts payable via voucher, and corporate credit card management. (Note: As of the date of this report, a review of the corporate credit card control environment has been performed; see *Corporate Credit Card Review 2013*; dated June 21, 2013.)

- ***Fixed Assets*** – These are process-level-specific control activities associated with fixed asset management (e.g. procurement; authorization; depreciation; retirement; etcetera).

- ***Payroll*** – These are process-level-specific control activities associated with payroll management (e.g. master file manipulation; segregation of duties; accuracy of payroll calculations; etcetera). (Note: As of the date of this report, a review of the payroll control environment has been performed; see *Payroll Review 2013*; dated September 4, 2013.)

A brief description of the process utilized by Internal Audit to apply the COSO framework within the PCUSA *Purchase-to-Pay(P2P)* control environment is listed below (see steps #1 through #6). In addition, emphasis should be placed on the fact that this is the **initial** P2P internal control review, and as such, "control gaps" (variances between general guidance per COSO versus actual level of compliance) are to be expected.

1. ***General Overview*** – An initial P2P control environment discussion was conducted with the Accounts Payable Manager, Purchasing Manager and Internal Audit on March-April, 2014. The purpose of this meeting was to obtain a high-level understanding of the P2P control environment that would assist with the P2P documentation development (see step #2 below).

2. ***Documentation Development*** – Utilizing the *Internal Control Review Process* (see *Addendum E – Internal Control Review Process*) as a guide, this step provided for the development of the following deliverables:

    a. *P2P Flowchart* – This document was prepared using Microsoft Visio, with standard flowcharting references, to document the entire P2P cycle (see *Addendum B – Purchase-to-Pay Process Flowchart*);
    b. *P2P Listing* – Listing of PCUSA-specific control language (discussed within step #3 below);

c. *P2P GAP Summary* – Documentation to support variances between desired levels of control compliance versus actual, current levels (information contained within step #3 below).

3. ***Risk Control Matrix (RCM)*** – This document utilizes interview responses (see step #1 above) and basic P2P cycle control risks (material obtained from PriceWaterhouseCoopers (PWC)) to develop a listing of PCUSA-specific risks and off-setting control objectives (see *Addendum C – Purchase-to-Pay Risk Control Matrix*). Note: This step was performed in conjunction with step #4 below.

4. ***Control Language Development*** – Due to this being the initial P2P control environment review and a lack of a formalized P2P process control program, **proposed** control language was developed by Internal Audit from the PCUSA-applicable control objective population obtained in step #3. It should be noted that a one-to-one relationship between control objectives and proposed control language does **not** exist. Rather, more than one control objective can be supported by one internal control. As a result, the 97 control objectives utilized in the RCM development (see step #3 above) are represented by 29 proposed internal controls. These proposed internal controls were then assigned a unique identifier using the following format (*P2P(Sub-Process)-Number-Description*):

    a. *P2P* – Designates the process of "Purchase-to-Pay";
    b. *Sub-Process* – Designation for the applicable supporting process within the overall P2P process. The following "sub-process" designations were utilized:

        i. VMF – Vendor Master File;
        ii. PO – Purchase Order;
        iii. GR – Goods Receipt;
        iv. AP – Accounts Payable;
        v. AM – Aging Management.

    c. *Number* – Designates the specific internal control number;
    d. *Description* – Provides a brief overview of the control function.

5. ***Testing Program*** – Detailed testing procedures were then developed to verify the current level of compliance for **each** of the proposed internal control language statements developed in step #4 (see *Addendum D – Purchase-to-Pay Testing Program* to reference both detailed testing methodology and management response). In addition, the results of each internal control statement test are summarized within this report under *Section III. Audit Detail*.

6. ***Final Report*** – The output of the above process (steps #1 through #5) is the information contained and / or referenced within this document.

II. OBJECTIVE AND SCOPE

OBJECTIVES:
Utilizing guidance provided within COSO, perform the initial P2P process internal control review.

SCOPE:
Any necessary audit evidence supporting current level of compliance related to the applicable control language. It should be noted that all information requests were related to 2013 data only.

III. AUDIT DETAIL

The below chart provides a summation of the 2014 P2P internal control review.

TESTING SUMMARY UPDATE					
Key Control #	Status of Control Test	Risk High-Medium-Low	Priority	Expected Completion Date	Level of Management Agreement with Testing Results
P2P(VMF)-C1 Vendor Maste File Access	Fail	High	Needed - Not Urgent	12/31/14	Agreement
P2P(VMF)-C2 Vendor Master File Access Review	Fail	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(VMF)-C3 Vendor Master File Change Approval	Fail	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(VMF)-C4 Vendor Master File Change Report	Fail	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(VMF)-C5 Vendor Master File Review	Fail	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(PO)-C1 PO Creation Access	Fail	High	Needed - Not Urgent	12/31/14	Agreement
P2P(PO)-C2 PO Approval	Pass	Medium	N/A		
P2P(PO)-C3 Prevention of Duplicate PO	Pass	Low	N/A		
P2P(PO)-C4 Vendor Setup Prior to PO Creation	Pass	Low	N/A		
P2P(PO)-C5 PO Completeness	Pass	Low	N/A		
P2P(PO)-C6 Purchase Order Reviews	Needs Improvement	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(GR)-C1 Goods Receipt Access	Fail	High	Needed - Not Urgent	12/31/14	Agreement
P2P(GR)-C2 Purchase Order Prior to Goods Receipt	Pass	Low	N/A		
P2P(GR)-C3 Goods Receipt Date Stamp	Pass	Low	N/A		
P2P(GR)-C4 Over Deliveries	Tested Elsewhere	Low	N/A		
P2P(GR)-C5 Goods Receipt vs. Invoice Receipt	Needs Improvement	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(AP)-C1 Three-way Match	Pass	Medium	N/A		
P2P(AP)-C2 Final Payment Listing	Pass	Medium	N/A		
P2P(AP)-C3 Prevention of Duplicate Payment / Invoice without PO	Pass	Low	N/A		
P2P(AP)-C4 Non-Wire Disbursement Approval	Pass	Medium	N/A		
P2P(AP)-C5 Wire Transaction Approval	Needs Improvement	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(AP)-C6 AP Process Properly Segregated	Fail	High	Needed - Not Urgent	12/31/14	Agreement
P2P(AP)-C7 Posting Balance	Pass	Low	N/A		
P2P(AP)-C8 Check Stock	Pass	Medium	N/A		
P2P(AP)-C9 PNC Security	Pass	High	N/A		
P2P(AP)-C10 Authorization Change Approval	Fail	Medium	Needed - Not Urgent	12/31/14	Agreement
P2P(AP)-C11 Authorization Listing Spreadsheet Control	Needs Improvement	High	Needed - Not Urgent	12/31/14	Agreement
P2P(AP)-C12 Pinnacle Report	Pass	Medium	N/A		
P2P(AM)-C1 AP Aging Report	Needs Improvement	Medium	TBD		Agreement

To assist with interpretation of data contained within the Testing Summary chart above, the following legend is provided.

- ***Key Control #*** – As discussed within step #4 above (see *Section I. Background*), each of the 29 internal controls has a unique internal control number (format of *P2P(Sub-Process)-Number-Description*).

- ***Risk (High – Medium – Low)*** – For this attribute, the assigned values were utilized to "classify" the associated risk level for each control. Although the assigned values are subjective (with values being assigned by Internal Audit), the below **general** guidelines were utilized in the assignment of the listed risk value. It should be noted that these guidelines are not payroll-specific, but are applicable for all process internal control reviews.

    - Financial Closing and Reporting Risks were weighted higher than other processes.

- Manual processes were viewed as medium to high risks.

- Automatic processes were viewed as low to medium risks.

- Spreadsheet controls were evaluated as medium risk.

- Segregation of duties was viewed as high risk.

- Previous failure testing history was also used to override a lower risk to a higher risk (not applicable for initial control review).

➢ ***Status of Control Test*** – The following control testing result options were utilized:

  - *Pass* – Control testing results indicate the level of control compliance was deemed effective.

  - *Needs Improvement* – Control testing results indicate partial compliance with the stated control language (which would be interpreted as the control being deemed not effective).

  - *Fail* – Control testing results indicate the level of control compliance was deemed not effective.

  - *UTD* – Control testing results indicate "Unable-to-Determine" the level of control compliance (which would be interpreted as the control being deemed not effective).

  - *N/A* – Control testing results indicate the control objectives associated with this control as being "Not Applicable" to the PCUSA P2P control environment.

  - *Tested Elsewhere* – Control objectives associated with this control would be applicable to the PCUSA control environment. However, verification of the control effectiveness is covered within another control test.

➢ ***Priority*** – The following prioritization options were utilized:

  - *Immediate Action Required* – Control testing results, current status of control environment and associated risk indicate immediate remediation is required.

  - *Needed – Not Urgent* – Control testing results, current status of control environment and associated risk indicate recommended remediation efforts should be put into place at the earliest opportunity.

  - *Desired* – Control testing results, current status of control environment and associated risk indicate recommended remediation efforts should be considered only after *Immediate Action Required* and *Needed – Not Urgent* opportunities have been addressed.

- ***Expected Completion Date*** – This attribute represents management's best estimate as to the completion of recommended / agreed upon remediation efforts. Note: This date does not take into account Internal Audit retesting efforts.

- ***Level of Management Agreement with Testing Results*** – The following options were available to evaluate management's interpretation of the performed control testing.

    - *Agreement* – This option would indicate complete agreement with the control testing process.

    - *Agreement with additional comments* – This option would indicate management agrees with the overall control testing result, but would like to add an additional comment as to how the result was obtained.

    - *Disagreement* – This option would indicate management did not agree with either the control testing result and / or the testing methodology.

It should be noted that details associated with both testing methodology and management responses are located within *Addendum D – Purchase-to-Pay Testing Program*.

IV. ADDENDUMS

A. COSO - INTERNAL CONTROL – INTEGRATED FRAMEWORK

This addendum refers to *COSO - Committee of Sponsoring Organizations of the Treadway Commission – Internal Control - Integrated Framework – Executive Summary*, which is an external document to this report, and is the primary guidance utilized to establish the framework of this review. A brief history of this report is presented below.

COSO was formed in 1985 as a joint initiative to sponsor *the National Commission on Fraudulent Financial Reporting* (the Treadway Commission). The following professional accounting organizations were the original sponsors (*Committee of Sponsoring Organizations*) of the Treadway Commission:

- The American Institute of Certified Public Accountants (AICPA);
- The American Accounting Association (AAA);
- Financial Executives International (FEI);
- The Institute of Internal Auditors (IIA);
- The Institute of Management Accountants (IMA).

COSO's original report, *Report of the National Commission on Fraudulent Financial Reporting*, was released in October 1987. As a result the initial report's release, COSO was retained by *Coopers & Lybrand*, a major CPA firm, to study the issues and author a report regarding an integrated framework of internal controls. In September 1992, the original four volume report, *Internal Control— Integrated Framework*, was released, and was later re-published with minor amendments in 1994. This report is the "standard" by which the majority of companies in the United States utilize to evaluate internal controls (poll conducted by *CFO* magazine in 2006; 82% respondents utilize internal control framework described within COSO's reporting; other framework utilized was reported as COBIT which is more IT-specific).

B. PURCHASE-TO-PAY PROCESS FLOWCHART

This is an external Microsoft Visio document that utilizes standard flowcharting references, to document the entire P2P cycle.

C. PURCHASE-TO-PAY RISK CONTROL MATRIX

The P2P Risk Control Matrix (RCM) is an Excel document which outlines basic P2P cycle risks associated with the PCUSA P2P process control environment. A listing of worksheets contained within this document is as follows:

- ***RCM – Purchase-to-Pay – PCUSA*** – A comparison of P2P process risks versus control objectives. In addition, the following additional comparative attributes are presented:
  - PCUSA-specific internal control reference;
  - Information Processing Objectives (e.g. completeness; accuracy; validity; restricted access);
  - Contribution to Financial Statement Assertions (e.g. accuracy; completeness; cut-off; existence / occurrence; presentation and disclosure; rights and obligations; valuation);
  - Internal Control Classification (e.g. manual versus automated; preventive versus detective).

- ***Purchase-to-Pay Controls*** – A listing of proposed, PCUSA-specific control language with reference to “control gaps” (see last bullet point below).

- ***Entity Level Controls*** – A listing of proposed, Entity Level Controls (ELC). This listing is provided for ease of reference to ELCs that support the P2P process.

- ***ITGC Controls*** – A listing of proposed Information Technology General Controls (ITGC). This listing is provided for ease of reference to ITGCs that support the P2P process.

- ***FCR Controls*** – A listing of proposed, Financial Close & Reporting (FCR) controls. This listing is provided for ease of reference to FCR controls that support the P2P process.

- ***Purchase-to-Pay Control GAPS*** – Variances between general guidance per COSO versus actual level of compliance

D. PURCHASE-TO-PAY TESTING PROGRAM

The P2P Testing Program is an Excel document that contains the following detail for each proposed control language tested:

- ***Cycle*** – As it relates to this review, the testing "cycle" is *Purchase-to-Pay*.
- ***Section*** – The flowcharting and / or sub-process reference for a particular cycle (e.g. master file management; see step #4b within *Section I. Background*).
- ***Control*** – This attribute refers to the key control number nomenclature outlined in *Section III. Audit Summary*.
- ***Control Description*** – Proposed control language utilized to support the control objective(s) identified within the *Risk Control Matrix (RCM)* exercise (see step #3 within *Section I. Background*).
- ***Testing Process*** –Description of the testing procedures utilized to verify as to how the proposed control language's current level of compliance was verified.
- ***Testing Attributes*** – Specific review attributes utilized to support the ***Testing Process***.
- ***Explanation*** – Amplifying details related to the overall process and / or specific ***Testing Attribute***.
- ***Notes*** – Amplifying details related to the overall process and / or specific sample item.
- ***Recommendation*** – Overview of necessary corrective action, if any, to improve the current level of compliance.
- ***Conclusion*** – Testing conclusions were reported as either "Control deemed effective" or "Control deemed not effective". Note: Cataloging of compliance into two headings ("effective" or "not effective") is done for the ease of reporting only. Therefore, it is important to note that controls that have been deemed "not effective" should **not** necessarily be viewed as complete failures of compliance effort. The exact level of "non-compliance" should be ascertained by reviewing the entire testing program associated with that specific control test.
- ***Management Response*** – Detailed response, provided by management (e.g. Controller) to the testing program for the specific control language in question.

E. INTERNAL CONTROL REVIEW PROCESS

This is an Excel document (utilizing embedded Visio imaging) that represents the PCUSA internal control review process in both flowchart and narrative format.

APPENDIX 3

Report G.001
Presbyterian Mission Agency
Audit Committee
September 16, 2014

I. For Information:

A. The Presbyterian Mission Agency Audit Committee reports for information that at its September 16, 2014 meeting, the Committee:

1. **Received and approved the minutes of the April 23, 2014, May 12, 2014, August 13, 2014 and September 4, 2014 meetings;**

2. **Approved the engagement letter from the external auditor, Crowe Horwath.**

3. **Received and approved the Purchase to Payment Internal Control Review.**

4. **The Audit Committee discussed corporate ethics and fiduciary responsibility of the Board.**

5. **The Audit Committee entered into private session.**

6. **The Audit Committee arose from executive session with no actions items.**

Minutes of the Audit Committee of the
Presbyterian Mission Agency Board and
Presbyterian Church (U.S.A.), A Corporation

Conference Call
Louisville, Kentucky
October 7, 2014

CALL TO ORDER AND OPENING PRAYER The meeting of the Audit Committee was called to order by the chair of the Committee, Molly Baskin. Ms. Baskin opened the meeting with prayer.

ATTENDANCE Those present for all or a portion of the meeting were:

Members
Molly Baskin – Chair, Audit Committee
Thomas Fleming
Ellen Pearre Cason
Richard Turpen

Excused
Kears Pollock – Vice Chair, Audit Committee

Others Present
Martha Clark
Tim Stepp
Shawn Ellison
Linda Valentine
Earline Williams
April Davenport
Jo Stewart

Recorder
Shawn Ellison

Quorum A quorum was declared present for transaction of business.

Action 1-AC-100714 Agenda The Chair presented, and upon motion made and seconded, the agenda was unanimously approved (Appendix 1).

The Chair entertained a motion to move into closed session to discuss personnel matters.

Action 2-AC-100714 Closed Session On motion made and seconded, the Audit Committee unanimously approved a motion to convene in closed session to discuss personnel matters with only members of the Audit Committee and the following individuals who were invited to remain and to attend the closed session:

1. Martha Clark
2. April Davenport
3. Shawn Ellison
4. Tim Stepp
5. Jo Stewart

6. Linda Valentine
7. Earline Williams

The Chair called the closed session to order.

Discussion ensued. Staff and guests were dismissed at 2:27 p.m. from the call and the audit committee remained in closed session conference.

Action 3-AC-100714 End Closed Session

The Chair called for a motion to arise from closed session, and upon motion made, seconded and unanimously approved, stated the Audit Committee rose from closed session at 2:55 p.m.

Plenary

The Chair reconvened in open session and announced one action was taken that a motion will be presented in the Board meeting on October 8, 2014 for all Audit Committee meeting minutes to be posted to the internet by Thursday, October 9, 2014.

Prayer and Adjournment

The meeting was closed with prayer.

Respectfully submitted,

____
Molly Baskin,
Chair, Audit Committee

____
Shawn Ellison, Recorder for the Meeting

Appendix 1
October 7, 2014 Agenda

APPENDIX 1

Presbyterian Church (USA) Mission Agency
Audit Committee
of the Board of Directors

MEETING AGENDA

Monday, October 7, 2014

1:00pm EST

By Conference Call

1:00pm	Welcome.
	Open with prayer.
	Review and approve agenda.
1:10pm	Move into executive session
1:55pm	Arise from executive session.
2:00pm	Adjourn with prayer.

Minutes of the Audit Committee of the Presbyterian Mission Agency Board and Presbyterian Church (U.S.A.), A Corporation

Conference Call
Louisville, Kentucky
January 26, 2015

CALL TO ORDER AND OPENING PRAYER	The meeting of the Audit Committee was called to order at 2:00 p.m. EST by the chair of the Committee, Molly Baskin. Ms. Ellen Pearre Cason opened the meeting with prayer.
ATTENDANCE	Those present for all or a portion of the meeting were:
Members	Molly Baskin – Chair, Audit Committee Kears Pollock – Vice Chair, Audit Committee Tom Fleming Richard Turpen Ellen Pearre Cason
Others Present	Martha Clark Tim Stepp Shawn Ellison Denise Hampton Earline Williams Cynthia Pierce, Crowe Horwath Kristin McDonner, Crowe Horwath
Recorder	Shawn Ellison
Quorum	A quorum was declared present for transaction of business.
Action 1-AC-012615 Agenda	The Chair presented, and upon motion made and seconded, the agenda was unanimously approved (Appendix 1).
Action 2-AC-012615 Minutes Approved	The Chair presented, and upon motion made and seconded, the minutes of the December 15, 2014 Audit Committee meeting were unanimously approved.
	The Chair entertained a motion to move into closed session to discuss personnel matters.
Action 3-AC-012615 Closed Session	On motion made and seconded, the Audit Committee unanimously approved a motion to convene in closed session to discuss personnel and property matters with only members of the Audit Committee and the following individuals who were invited to remain and to attend the closed session:

1. Martha Clark
2. Tim Stepp
3. Shawn Ellison
4. Denise Hampton

5. Earline Williams
6. Cynthia Pierce, Crowe Horwath
7. Kristin McDonner, Crowe Horwath

The Chair called the closed session to order.

Discussion ensued.

Action 4-AC-012615 End Closed Session

The Chair called for a motion to arise from closed session, and upon motion made, seconded and unanimously approved, stated the Audit Committee rose from closed session.

Plenary

The Chair reconvened in open session and announced the following actions:

Action 5-AC-012615

- That the Audit Committee notify the Presbyterian Mission Agency Board (PMAB) that it has been formally reported to the Committee that the PCNCI corporation has not been dissolved and that dissolution is likely not in progress by its Board of Directors;

Action 6-AC-012615

- Further, that the Audit Committee recommends that the PMAB direct its Personnel Committee and the PMA Executive Director to consider this factor when it evaluates the return of the four PMA employees currently on administrative leave;

Action 7-AC-012615

- Further, that the Audit Committee recommends that the PMAB direct the PMA Executive Director and General Counsel to ensure that no PMA funds or PMA employee time be used for dissolving this corporation in the state of California, or for its required federal or state tax filings, or for any other liabilities it incurs or has incurred.

Prayer and Adjournment

The meeting was closed with prayer.

Respectfully submitted,

____

Molly Baskin,
Chair, Audit Committee

____

Shawn Ellison, Recorder for the Meeting

Appendix 1
January 26, 2015 Agenda

APPENDIX 1

Presbyterian Church (USA) Mission Agency
Audit Committee
of the Board of Directors

MEETING AGENDA

Monday, January 26, 2015

2:00 p.m. EST

By Conference Call

2:00pm	Welcome.	Baskin
	Open with prayer.	
	Review and approve agenda.	Baskin
	Review and approve minutes for December 15, 2014 meeting.	Baskin
2:05pm	Move into executive session.	Baskin
4:00pm	Close with prayer.	