

EVERGREEN PRESBYTERIAN MINISTRIES, INC.

DBA EVERGREEN LIFE SERVICES

AND RELATED ENTITIES

ANNUAL FINANCIAL REPORT

JUNE 30, 2013 AND 2012

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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October 10, 2013

To the Board of Directors of
Evergreen Presbyterian Ministries, Inc.
Evergreen Presbyterian Ministries of Texas, Inc. and
Evergreen Foundation, Inc.

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Evergreen Presbyterian Ministries, Inc. (a nonprofit Louisiana corporation) and related entities, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Evergreen Presbyterian Ministries, Inc. and related entities as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 on our consideration of Evergreen Presbyterian Ministries, Inc. and related entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Evergreen Presbyterian Ministries, Inc. and related entities' internal control over financial reporting and compliance.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included on pages 17-23 is presented for purposes of additional analysis and is not a required part of the consolidated 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 audits 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.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2013 AND 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
<u>Current assets:</u>		
Cash and cash equivalents	6,746,444	9,359,907
Marketable securities and certificates of deposit	9,168,407	8,558,939
Accounts receivable:		
Resident fees-net of allowance for doubtful accounts	8,068,400	5,269,747
Other receivable	89,385	84,178
Notes receivable-current portion	1,250	1,837
Prepaid expenses	<u>94,789</u>	<u>131,552</u>
Total current assets	24,168,675	23,406,160
<u>Property and equipment:</u>		
Land and land improvements	817,324	817,324
Buildings and leasehold improvements	17,945,901	17,284,392
Furniture, fixtures and equipment	4,236,771	4,039,381
Construction-in-progress	520,445	-
Vehicles and other	<u>7,815,211</u>	<u>7,251,191</u>
	31,335,652	29,392,288
Less accumulated depreciation	<u>(16,689,649)</u>	<u>(15,781,119)</u>
Net property and equipment	14,646,003	13,611,169
<u>Other assets:</u>		
Certificates of deposit – designated	866,272	866,791
Notes receivable – long-term portion	6,454	7,288
Value of gift annuities and trusts	468,541	449,919
Intangible assets	2,627,038	892,258
All other	<u>114,806</u>	<u>116,143</u>
Total other assets	<u>4,083,111</u>	<u>2,332,399</u>
Total assets	<u><u>42,897,789</u></u>	<u><u>39,349,728</u></u>

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

<u>LIABILITIES</u>	<u>2013</u>	<u>2012</u>
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	1,994,040	1,595,237
Accrued payroll and payroll taxes	1,608,465	866,239
Accrued compensated absences	1,337,634	1,119,889
Current portion of long-term debt	<u>890,220</u>	<u>694,685</u>
Total current liabilities	5,830,359	4,276,050
<u>Long-term liabilities:</u>		
Long-term debt – noncurrent portion	4,195,009	2,776,831
Workers’ compensation fund escrow	<u>430,989</u>	<u>589,232</u>
Total long-term liabilities	4,625,998	3,366,063
<u>Net assets</u>		
Net assets – unrestricted	31,663,394	30,939,294
Net assets – temporarily restricted	204,504	222,192
Net assets – permanently restricted	<u>573,534</u>	<u>546,129</u>
Total net assets	<u>32,441,432</u>	<u>31,707,615</u>
 Total liabilities and net assets	 <u><u>42,897,789</u></u>	 <u><u>39,349,728</u></u>

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Change in unrestricted net assets:</u>		
Support and Revenues:		
Support		
Contributions, grants, and other revenue, net	887,745	1,383,435
Fundraising, net of \$65,718 and \$129,833 expense	<u>126,374</u>	<u>57,775</u>
Total support	1,014,119	1,441,210
Revenues		
Program fees	74,588,999	56,599,080
Investment return		
Interest, dividends and capital gain distributions	248,970	268,443
Rental income and royalties	194,716	198,883
Other revenue	12,082	6,378
Gain on sale of investments	28,090	36,803
Change in value of gift annuities and trusts	18,621	(24,226)
Unrealized change in market value of securities	<u>434,551</u>	<u>(104,460)</u>
Total revenues	75,526,029	56,980,901
Net assets released from restrictions		
Restrictions satisfied by payments	<u>87,591</u>	<u>102,976</u>
Total support and revenue	76,627,739	58,525,087
Expenses:		
Program services	73,876,200	55,341,167
Support services	<u>2,185,728</u>	<u>1,987,372</u>
Total expenses	76,061,928	57,328,539
Other gains (losses):		
Gain on sale of assets	<u>158,289</u>	<u>61,528</u>
Increase in unrestricted net assets	724,100	1,258,076
<u>Change in temporarily restricted net assets:</u>		
Support and Revenues:		
Support	37,534	27,294
Revenues		
Investment return		
Dividends and interest	20,590	10,162
Unrealized change in market value of securities	11,779	(5,880)
Net assets released from restrictions		
Restrictions satisfied by payments	<u>(87,591)</u>	<u>(102,976)</u>
(Decrease) in temporarily restricted net assets	<u>(17,688)</u>	<u>(71,400)</u>

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

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Change in permanently restricted net assets:</u>		
Unrealized change in market value of securities	<u>27,405</u>	<u>(26,119)</u>
Increase (decrease) in permanently restricted net assets	<u>27,405</u>	<u>(26,119)</u>
Increase in net assets	733,817	1,160,557
<u>Net assets-beginning of year</u>	<u>31,707,615</u>	<u>30,547,058</u>
<u>Net assets-end of year</u>	<u>32,441,432</u>	<u>31,707,615</u>

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

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	733,817	1,160,557
Adjustments to reconcile change in net assets to net (used) cash provided by operating activities:		
Provision for bad debts	29,239	(55,842)
Depreciation	1,625,572	1,498,829
(Gain) on sale of assets	(158,289)	(61,528)
Noncash donation	-	(107,036)
Unrealized (gain) loss on investments	(492,356)	136,459
Realized (gain) on investments	(28,090)	(36,803)
(Increase) decrease in assets:		
Trade accounts receivable	(2,827,892)	(300,446)
Other assets	(3,870)	74,288
Prepaid assets	36,763	242,829
Value of gift annuities and trusts	(18,622)	24,227
Increase (decrease) in liabilities:		
Trade accounts payable	398,803	75,326
Accrued payroll and payroll taxes	742,226	(1,403,581)
Accrued compensated absences	217,745	107,089
Miscellaneous payables	-	(34,933)
Net cash provided by operating activities	<u>255,046</u>	<u>1,319,435</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,703,789)	(2,273,108)
Proceeds from sale of property and equipment	201,672	71,605
Receipt of payments from note receivable	1,421	1,702
Increase in intangible assets from acquisitions	(1,734,780)	-
Sale of investments	519	-
Net (decrease) increase in workers compensation escrow fund	(158,243)	17,881
Purchase of investments	<u>(89,022)</u>	<u>(904,080)</u>
Net cash (used) by investing activities	<u>(4,482,222)</u>	<u>(3,086,000)</u>
<u>Cash flows from financing activities:</u>		
Proceeds of loans	2,409,777	557,500
Principal payments on long-term debt	<u>(796,064)</u>	<u>(643,004)</u>
Net cash provided (used) by financing activities	<u>1,613,713</u>	<u>(85,504)</u>
<u>Net (decrease) in cash and cash equivalents</u>	<u>(2,613,463)</u>	<u>(1,852,069)</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>9,359,907</u>	<u>11,211,976</u>
<u>Cash and cash equivalents at end of year</u>	<u>6,746,444</u>	<u>9,359,907</u>
<u>Supplemental data:</u>		
Interest paid:	<u>201,818</u>	<u>168,486</u>

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

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Business

Evergreen Presbyterian Ministries, Inc. (EPMI) is a nonprofit Louisiana corporation and Evergreen Presbyterian Ministries of Texas, Inc. (EPMOT) is a nonprofit Texas corporation. Both are managed and operated at the same location as Evergreen Presbyterian Ministries, Inc. These organizations, which provide services for persons with developmental disabilities, are not-for-profit service agencies (missions) of the Synod of the Sun, Presbyterian Church (USA). EPMI and related organizations are governed by a Board of Directors. Evergreen Foundation, Inc. is a not-for-profit corporation, which is managed and operated at the same location as Evergreen Presbyterian Ministries, Inc. The Foundation exists to raise funds and support the services of Evergreen Presbyterian Ministries, Inc. The financial statements of Evergreen Foundation, Inc., Evergreen Presbyterian Ministries of Texas, Inc. and Evergreen Presbyterian Ministries, Inc. have been consolidated herein. Evergreen Presbyterian Ministries, Inc. and Evergreen Presbyterian Ministries of Texas, Inc. are combined as operating funds and Evergreen Foundation, Inc. is reported as foundation funds in the related financial statements.

In 2012, the Board of Directors implemented a name change in order to establish a public image that better represents what the organization does. Evergreen Presbyterian Ministries Inc. remains the legal name; however, the organization now does business as Evergreen Life Services.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958, EPMI is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

EPMI uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

Estimates

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

Income Taxes

As a nonprofit organization, all the combined entities are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. Each entity is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. They must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. None of the entities expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

Each entity is required to file U. S. federal Form 990 for informational purposes. The federal income tax returns for the tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

As of June 30, 2013, Evergreen had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Cash Equivalents

Cash and cash equivalents for Evergreen Presbyterian Ministries, Inc. and Evergreen Presbyterian Ministries of Texas, Inc. include investments in certificates of deposit, demand deposits and petty cash funds. Evergreen Foundation, Inc.'s cash and cash equivalents include checking accounts and money market accounts. Certificates of deposit with maturities of more than three months, mutual funds, and U.S. Treasury bills and notes are reported separately as investments. The company maintains its cash balances primarily at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

In operating funds, \$866,272 and \$866,791 of certificates of deposit is designated as a reserve for the workers' compensation escrow and is classified as other assets.

Impairment of Intangible Assets

Intangible assets were recognized for bed licenses associated with the purchase of ICF/MR facilities in Calcasieu Parish, Louisiana; Sherman, Texas; and a community home in Shreveport, Louisiana. EPMI evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. EPMI measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There was no impairment recorded for the years ended June 30, 2013 and 2012.

Fixed Assets

Depreciation is computed using the straight-line method with estimated life as prescribed by the Department of Health and Human Resources Residential Care Rate Setting Manual which are also in accordance with generally accepted accounting principles. The estimated lives used for fixed assets are as follows:

	<u>Years</u>
Land improvements	10-30
Buildings	25-50
Fixed equipment	20-25
Major movable equipment	8-20
Automobiles	3-5
Furniture and furnishings	5-10
Office machines	5-10

Land and equipment are valued at cost if purchased or fair market value if donated. It is the policy of Evergreen Presbyterian Ministries, Inc. and Evergreen Foundation, Inc. to capitalize expenditures for these items of \$1,500 or more. It is the policy of Evergreen Presbyterian Ministries of Texas, Inc. to capitalize expenditures for these items of \$2,500 or more. Lesser amounts are expensed. All costs incurred in operating, maintaining and setting up a home prior to certification and client use are classified as other depreciable assets and amortized over 5 years.

Receivables

All of the combined entities use the reserve method of accounting for losses on uncollectible accounts receivable. Accounts receivable – resident fees as of June 30, 2013 and 2012 are reported on the consolidated statements of position net of the allowance for doubtful accounts of \$249,539 and \$197,007, respectively.

Marketable Securities

Investments in marketable securities and certificates of deposit with readily determinable fair values are reported at approximate fair value in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets.

Change in Accounting Principles

In 2012, the Organization adopted FASB Accounting Standards Codification 958. This standard requires EPMI to recognize a 100% interest in the net assets of Evergreen Foundation and to adjust that interest for its share of the change in the net assets of Evergreen Foundation. Also, from time to time, EPMI makes transfers to Evergreen Foundation which uses those assets on behalf of EPMI. These transfers are recognized as liabilities by Evergreen Foundation and as an asset by EPMI. These changes did not have an effect on the net assets of EPMI on a consolidated basis.

During 2013 and 2012, EPMI transferred \$0 and \$500,000, respectively, to the Foundation which was recorded as Investments held at Evergreen Foundation on the consolidated statement of financial position.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Also in 2012, EPMI switched to the indirect method from the direct method for reporting cash flows. The indirect method is an acceptable method under generally accepted accounting principles and only affects the presentation of the consolidated cash flow statement.

Reclassifications

Certain amounts in 2012 have been reclassified to conform to the 2013 presentation.

2. Notes Payable

The long-term debt of Evergreen Presbyterian Ministries, Inc. and Evergreen Presbyterian Ministries of Texas, Inc. as of June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Evergreen Presbyterian Ministries, Inc.		
Various bank notes, secured by mortgages on real estate, with interest rates ranging from 3.78% to 5.00%	3,726,150	1,818,101
Evergreen Presbyterian Ministries of Texas, Inc.		
Various bank notes, secured by mortgages on real estate, with interest rates ranging from 4.47% to 5.50%	<u>1,359,079</u>	<u>1,653,415</u>
Total debt	5,085,229	3,471,516
Less current maturities	<u>890,220</u>	<u>694,685</u>
Long term debt	<u>4,195,009</u>	<u>2,776,831</u>

EPMI has a commitment letter to refinance \$489,777 of short-term construction loans to a five-year note with a fixed rate of 3.95%. These loans were reclassified as long-term debt for financial reporting purposes.

The annual requirements to amortize all debt outstanding as of June 30, 2013, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	890,220	180,322	1,070,542
2015	955,076	158,793	1,113,869
2016	874,445	116,506	990,951
2017	385,669	89,824	475,493
2018	371,595	73,935	445,530
2019 and thereafter	<u>1,608,224</u>	<u>197,433</u>	<u>1,805,657</u>
	<u>5,085,229</u>	<u>816,813</u>	<u>5,902,042</u>

Total interest expense was \$127,597 and \$92,612 for 2013 and 2012, respectively.

3. Leases

EPMI and EPMOT are engaged in numerous leases, which involve the lease of community homes and copiers. Payments on such leases are charged to expense when incurred. Total rental and lease payments for June 30, 2013 and 2012 were \$1,235,855 and \$1,372,460, respectively.

3. Leases (Continued)

The following is a schedule by years of future minimum rental payments required under the operating leases of copiers and community homes that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Evergreen Presbyterian Ministries, Inc.</u>	<u>Evergreen Presbyterian Ministries of Texas, Inc.</u>
2014	618,153	33,856
2015	509,240	32,398
2016	290,337	18,827
2017	183,097	4,475
2018	<u>106,763</u>	<u>758</u>
Total minimum payments required	<u>1,707,590</u>	<u>90,314</u>

4. Related Parties

EPMI serves as management agent for the following HUD apartment projects which are non-profit Louisiana corporations. Administrative fees received for these services for the years ended June 30, 2013 and 2012 are shown for each project.

	<u>Administrative Fees</u>	
	<u>2013</u>	<u>2012</u>
Louisiana Housing Corporation for Handicapped Citizens	4,535	3,769
Central Independent Living Center	6,371	8,726
Shreveport Independent Living, Inc.	8,161	8,342
Baton Rouge Rehab Community Homes	8,360	6,398
Baton Rouge New Community Homes	12,337	2,826

Amounts due of \$15,820 and \$12,512 from the above-related parties are included in other receivable on the consolidated statements of financial position for June 30, 2013 and 2012, respectively.

5. Intercompany Transactions

EPMOT is consolidated with EPMI as operating funds. The individual companies were consolidated with the following eliminations at June 30, 2013 and 2012:

1. Receivable/payable between EPMOT and EPMI of \$1,612,154 and \$1,033,017, respectively.
2. General and administrative overhead allocation of \$402,973 and \$541,650, respectively, between EPMI and EPMOT.

The Foundation engaged in transactions with EPMI. These transactions are eliminated for the consolidated statements.

	<u>2013</u>	<u>2012</u>
Evergreen Foundation, Inc. receivable (payable) to EPMI.	<u>155,843</u>	<u>136,650</u>

6. Self-Insurance Reserve for Workers' Compensation

EPMI has provided a reserve for self-insurance against workers' compensation claims. The reserve for workers' compensation fund, included in other liabilities, was \$430,989 at June 30, 2013, and \$589,232 at June 30, 2012. Such reserve is covered, at June 30, 2013, by designated certificates of deposit of \$866,272.

7. Defined Benefit Pension Plan

Evergreen Presbyterian Ministries, Inc., Evergreen Presbyterian Ministries of Texas, Inc. and Evergreen Foundation, Inc. maintain a defined benefit pension plan for employees. However, effective November 22, 2003, benefits were frozen due to implementation of a new 401(k) plan. The plan was funded entirely by the employers.

All requirements have been met for making distributions of all funds to participants, including the excess funds available. Distributions of \$55,330 to participants have been made in 2013 and as of June 30, 2013, a balance of \$39,188 remains for distribution.

8. 403-B Retirement Plan

Evergreen Presbyterian Ministries, Inc., Evergreen Presbyterian Ministries of Texas, Inc. and Evergreen Foundation, Inc. additionally offer a 403-B Retirement Plan for eligible employees. Eligible employees are defined as all full-time employees. Employees, after completing a salary-reduction agreement, may then make tax-deferred contributions. All contributions are 100% vested to the contributing employees.

9. 401-K Defined Contribution Plan

Effective July 1, 2003, Evergreen Presbyterian Ministries, Inc., Evergreen Presbyterian Ministries of Texas, Inc. and Evergreen Foundation, Inc. established a 401(k) Profit Sharing Plan. Currently, eligible employees are those who are at least 21 years of age, have worked for one year of service, and who have worked at least 1,000 hours each year. Employees, after completing a salary-reduction agreement, may then make tax-deferred contributions. Employee contributions may be matched up to 2% of compensation. Employer contributions for the year ending June 30, 2013 were \$133,441 and for the year ending June 30, 2012 were \$155,388 offset by a credit from employee forfeitures of \$135,370.

10. Notes Receivable

Components of notes receivable for real estate financed by the corporation are detailed as follows:

	<u>2013</u>	<u>2012</u>
<u>June 30</u>		
Seller financed real estate loans	7,704	9,125
Less-amounts classified as current	<u>(1,250)</u>	<u>(1,837)</u>
	<u>6,454</u>	<u>7,288</u>

11. Acquisitions

In October 2012, EPMI acquired the operation of North Lake Supports and Services Center, a public intermediate care facility located in Hammond, Louisiana through a cooperative endeavor agreement with the State of Louisiana, Department of Health and Hospitals. Under the agreement, EPMI has the exclusive right to operate the North Lake facility site and to receive the daily ICF per diems earned for the provision of services paid via the state Medicaid program. This facility serves approximately 218 individuals. There was no direct cost paid by EPMI to the State in conjunction with this acquisition.

Also in October 2012, EPMI acquired the operations of Calcasieu Multi-Handicapped Center, a privately run facility near Lake Charles, Louisiana. With the purchase, EPMI acquired sixty-six (66) licensed beds

11. Acquisitions (Continued)

for intermediate care facility services for persons with developmental disabilities and five (5) residential real estate properties along with several used vehicles. The purchase price was \$2,422,580 and consisted of \$649,000 in real estate, \$38,800 in vehicles and \$1,734,780 in bed licenses. The bed licenses purchased are included as intangible assets. See Footnote 12.

12. Intangible Assets

Intangible assets shown under "other assets" on the consolidated statements of financial position are composed of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Evergreen Presbyterian Ministries of Texas, Inc. – Thirty bed licenses associated with purchase of ICF/MR facility in Sherman, Texas	742,258	742,258
Evergreen Presbyterian Ministries, Inc. – Six bed licenses associated with purchase of community home in Shreveport, Louisiana	150,000	150,000
Sixty-six bed licenses associated with purchase of community homes in Calcasieu Parish	<u>1,734,780</u>	<u>-</u>
Total	<u>2,627,038</u>	<u>892,258</u>

These assets are considered to have an indefinite useful life; therefore, no amortization was recorded.

13. Concentrations

Evergreen Presbyterian Ministries, Inc. and Evergreen Presbyterian Ministries of Texas, Inc.'s revenues and receivables are derived primarily from contracts with the Louisiana Department of Health and Hospitals, the Oklahoma Department of Human Services, the Tennessee Department of Finance and Administration – Division of Mental Retardation Services, the Kentucky Department of Mental Health, Developmental Disabilities and Addiction Services and the Texas Department of Human Services – Department of Mental Health and Mental Retardation whereby services are provided for persons with developmental disabilities.

14. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services:

	<u>2013</u>	<u>2012</u>
Scholastic Endowment Fund that provides scholarships for consumers	73,075	64,665
Endowment established for needs of consumers	107,823	141,190
Endowment established for needs of Evergreen's employees	<u>23,606</u>	<u>16,337</u>
	<u>204,504</u>	<u>222,192</u>

15. Permanently Restricted Net Assets

Permanently restricted net assets in 2013 and 2012 of \$573,534 and \$546,129, respectively, are restricted to investments in perpetuity, the income from which is expendable for operations as directed by the Board of Trustees in accordance with donor restrictions.

16. Operations Reserve Fund

Evergreen Presbyterian Ministries, Inc.'s board has set aside funds in the "Operations Reserve Fund", which are designated as a reserve for future operational needs of Evergreen Presbyterian Ministries, Inc. The funds were moved to EPMI from the Foundation in 2013. The fund had balances of \$1,876,824 and \$2,032,375 at June 30, 2013 and 2012, respectively.

17. Investments

Investments are composed of publicly-traded mutual funds and certificates of deposits with maturity dates greater than three months. These investments are carried at fair value and summarized as follows:

	<u>As of June 30, 2013</u>			<u>As of June 30, 2012</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Marketable securities	6,254,191	7,026,990	772,799	6,020,262	6,319,326	299,064
Certificates of deposit	2,141,417	2,141,417	-	2,239,613	2,239,613	-
	<u>8,395,608</u>	<u>9,168,407</u>	<u>772,799</u>	<u>8,259,875</u>	<u>8,558,939</u>	<u>299,064</u>

The investment return and its classification can be found in the statements of activities.

18. Fair Value Measurements

The fair values of assets measured on a recurring basis as of June 30, 2013 and 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>
June 30, 2013		
Marketable securities and certificates of deposit	9,168,407	9,168,407
Certificates of deposit - designated	866,272	866,272
Charitable gift annuities and trusts	468,541	468,541
Total	<u>10,503,220</u>	<u>10,503,220</u>
June 30, 2012		
Marketable securities and certificates of deposit	8,558,939	8,558,939
Certificates of deposit - designated	866,791	866,791
Charitable gift annuities and trusts	449,919	449,919
Total	<u>9,875,649</u>	<u>9,875,649</u>

The carrying amounts of certificates of deposit approximate fair values because of the short maturities of those instruments. The fair values of marketable securities are based on quoted market prices of those investments.

19. Subsequent Events

Subsequent events have been evaluated through October 10, 2013. This date represents the date the financial statements were available to be issued.

20. Endowment Net Asset Composition by Type of Fund

Evergreen Foundation, Inc. has approximately seven (7) individual endowment funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees has interpreted state law to allow as expenditures for the purposes of the endowment fund, so much of the net appreciation, realized and unrealized, in the fair value of the assets over the historic dollar value of the fund as is prudent under the standard established by Louisiana Revised Statute RS 9:2337.6.

Five (5) funds are donor restricted whereby the corpus is permanently restricted. However, the earnings above the corpus may be used for operations as directed by the board of trustees. Two (2) funds are board designated, established for the purpose of providing support and supplemental funding for Evergreen Presbyterian Ministries, Inc.

	<u>2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	410,857	204,504	573,534	1,188,895
Board-designated endowment funds	<u>6,130,186</u>	<u>-</u>	<u>-</u>	<u>6,130,186</u>
Total funds	<u>6,541,043</u>	<u>204,504</u>	<u>573,534</u>	<u>7,319,081</u>

	<u>2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	360,717	222,192	546,129	1,129,038
Board-designated endowment funds	<u>5,602,147</u>	<u>-</u>	<u>-</u>	<u>5,602,147</u>
Total funds	<u>5,962,864</u>	<u>222,192</u>	<u>546,129</u>	<u>6,731,185</u>

21. Changes in Endowment Net Assets

	<u>2013</u>			
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	5,962,864	222,192	546,129	6,731,185
Investment return:				
Investment income	233,291	20,590	-	253,881
Net appreciation (realized and unrealized)	<u>462,641</u>	<u>11,779</u>	<u>27,405</u>	<u>501,825</u>
Total investment return	695,932	32,369	27,405	755,706
Contributions	7,247	37,534	-	44,781
Appropriation of endowment assets for expenditure	<u>(125,000)</u>	<u>(87,591)</u>	<u>-</u>	<u>(212,591)</u>
Endowment net assets, end of year	<u>6,541,043</u>	<u>204,504</u>	<u>573,534</u>	<u>7,319,081</u>

21. Changes in Endowment Net Assets (Continued)

	<u>Unrestricted</u>	<u>2012 Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	5,690,453	293,592	572,248	6,556,293
Investment return:				
Investment income	234,814	10,162	-	244,976
Net appreciation (realized and unrealized)	<u>(132,714)</u>	<u>(5,880)</u>	<u>(26,119)</u>	<u>(164,713)</u>
Total investment return	102,100	4,282	(26,119)	80,263
Contributions	170,311	27,294	-	197,605
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(102,976)</u>	<u>-</u>	<u>(102,976)</u>
Endowment net assets, end of year	<u>5,962,864</u>	<u>222,192</u>	<u>546,129</u>	<u>6,731,185</u>

SUPPLEMENTARY INFORMATION

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

<u>ASSETS</u>	Evergreen Presbyterian Ministries, Inc.	Evergreen Presbyterian Ministries of Texas, Inc.	Total Operating	Evergreen Foundation, Inc.	Consolidating Entries	Consolidated Totals
<u>Current assets:</u>						
Cash and cash equivalents	6,581,424	21,350	6,602,774	143,670	-	6,746,444
Marketable securities and certificates of deposit	1,876,824	164,593	2,041,417	7,126,990	-	9,168,407
Accounts receivable						
Resident fees - net of allowance for doubtful accounts	7,170,414	897,986	8,068,400	-	-	8,068,400
Other receivable	77,444	10,410	87,854	1,531	-	89,385
Notes receivable - current portion	-	-	-	1,250	-	1,250
Prepaid expenses	86,298	8,491	94,789	-	-	94,789
Total current assets	<u>15,792,404</u>	<u>1,102,830</u>	<u>16,895,234</u>	<u>7,273,441</u>	<u>-</u>	<u>24,168,675</u>
<u>Property and equipment:</u>						
Land and land improvements	735,574	81,750	817,324	-	-	817,324
Buildings and leasehold improvements	12,345,191	5,600,710	17,945,901	-	-	17,945,901
Furniture, fixtures and equipment	3,382,948	822,367	4,205,315	31,456	-	4,236,771
Construction in progress	520,445	-	520,445	-	-	520,445
Vehicles and other	6,067,206	1,701,160	7,768,366	46,845	-	7,815,211
	<u>23,051,364</u>	<u>8,205,987</u>	<u>31,257,351</u>	<u>78,301</u>	<u>-</u>	<u>31,335,652</u>
Less-accumulated depreciation	(13,222,255)	(3,412,926)	(16,635,181)	(54,468)	-	(16,689,649)
Net property and equipment	<u>9,829,109</u>	<u>4,793,061</u>	<u>14,622,170</u>	<u>23,833</u>	<u>-</u>	<u>14,646,003</u>
<u>Other assets</u>						
Certificates of deposit - designated	866,272	-	866,272	-	-	866,272
Notes receivable - long-term portion	-	-	-	6,454	-	6,454
Value of gift annuities and trusts	-	-	-	468,541	-	468,541
Interest in net assets of Evergreen Foundation, Inc.	7,544,361	-	7,544,361	-	(7,544,361)	-
Due from Evergreen Presbyterian Ministries of Texas, Inc.	1,612,154	-	1,612,154	-	(1,612,154)	-
Due from Evergreen Foundation, Inc.	155,843	-	155,843	-	(155,843)	-
Intangible assets	1,884,780	742,258	2,627,038	-	-	2,627,038
Other	97,688	17,118	114,806	-	-	114,806
Total other assets	<u>12,161,098</u>	<u>759,376</u>	<u>12,920,474</u>	<u>474,995</u>	<u>(9,312,358)</u>	<u>4,083,111</u>
 Total assets	 <u>37,782,611</u>	 <u>6,655,267</u>	 <u>44,437,878</u>	 <u>7,772,269</u>	 <u>(9,312,358)</u>	 <u>42,897,789</u>

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

<u>LIABILITIES AND NET ASSETS</u>	Evergreen Presbyterian Ministries, Inc.	Evergreen Presbyterian Ministries of Texas, Inc.	Total Operating	Evergreen Foundation, Inc.	Consolidating Entries	Consolidated Totals
<u>Current liabilities:</u>						
Accounts payable and accrued expenses	1,668,178	265,432	1,933,610	60,430	-	1,994,040
Accrued payroll and payroll taxes	1,468,651	136,665	1,605,316	3,149	-	1,608,465
Accrued compensated absences	1,127,201	201,947	1,329,148	8,486	-	1,337,634
Current portion of long-term debt	580,895	309,325	890,220	-	-	890,220
Total current liabilities	<u>4,844,925</u>	<u>913,369</u>	<u>5,758,294</u>	<u>72,065</u>	<u>-</u>	<u>5,830,359</u>
<u>Long-term liabilities:</u>						
Long-term debt - noncurrent portion	3,145,256	1,049,753	4,195,009	-	-	4,195,009
Due to Evergreen Presbyterian Ministries, Inc.	-	1,612,154	1,612,154	155,843	(1,767,997)	-
Workers' compensation fund escrow	430,989	-	430,989	-	-	430,989
Total long-term liabilities	<u>3,576,245</u>	<u>2,661,907</u>	<u>6,238,152</u>	<u>155,843</u>	<u>(1,767,997)</u>	<u>4,625,998</u>
<u>Net assets:</u>						
Net assets-unrestricted	28,583,403	3,079,991	31,663,394	6,766,323	(6,766,323)	31,663,394
Net assets-temporarily restricted	204,504	-	204,504	204,504	(204,504)	204,504
Net assets - permanently restricted	573,534	-	573,534	573,534	(573,534)	573,534
Total net assets	<u>29,361,441</u>	<u>3,079,991</u>	<u>32,441,432</u>	<u>7,544,361</u>	<u>(7,544,361)</u>	<u>32,441,432</u>
Total liabilities and net assets	<u><u>37,782,611</u></u>	<u><u>6,655,267</u></u>	<u><u>44,437,878</u></u>	<u><u>7,772,269</u></u>	<u><u>(9,312,358)</u></u>	<u><u>42,897,789</u></u>

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Evergreen Presbyterian Ministries, Inc.	Evergreen Presbyterian Ministries of Texas, Inc.	Total Operating	Evergreen Foundation, Inc.	Consolidating Entries	Consolidated Totals
Change in unrestricted net assets						
Support and Revenues:						
Support						
G&A overhead allocated to EPM of Texas, Inc.	402,973	-	402,973	-	(402,973)	-
Contributions, grants and other revenue, net	760,948	166,903	927,851	506,041	(546,147)	887,745
Fundraising, net of \$65,718 expense	-	-	-	126,374	-	126,374
Total support	<u>1,163,921</u>	<u>166,903</u>	<u>1,330,824</u>	<u>632,415</u>	<u>(949,120)</u>	<u>1,014,119</u>
Revenues						
Program fees	64,909,250	9,679,749	74,588,999	-	-	74,588,999
Investment return						
Interest, dividends, and capital gain distributions	15,207	472	15,679	233,291	-	248,970
Rental income and royalties	78,825	40,280	119,105	75,611	-	194,716
Other revenue	-	-	-	12,082	-	12,082
Gain on sale of investments	-	-	-	28,090	-	28,090
Change in value of gift annuities and trusts	-	-	-	18,621	-	18,621
Unrealized change in market value of securities	-	-	-	434,551	-	434,551
Total revenues	<u>65,003,282</u>	<u>9,720,501</u>	<u>74,723,783</u>	<u>802,246</u>	<u>-</u>	<u>75,526,029</u>
Net assets released from restrictions						
Restrictions satisfied by payments	-	-	-	87,591	-	87,591
Total support and revenue	<u>66,167,203</u>	<u>9,887,404</u>	<u>76,054,607</u>	<u>1,522,252</u>	<u>(949,120)</u>	<u>76,627,739</u>
Expenses						
Program Services	64,154,255	9,636,456	73,790,711	433,932	(348,443)	73,876,200
Support Services	1,361,368	854,601	2,215,969	570,436	(600,677)	2,185,728
Total expenses	<u>65,515,623</u>	<u>10,491,057</u>	<u>76,006,680</u>	<u>1,004,368</u>	<u>(949,120)</u>	<u>76,061,928</u>
Other gain (losses)						
Change in interest in Evergreen Foundation	517,884	-	517,884	-	(517,884)	-
Gain on sale of assets	89,613	68,676	158,289	-	-	158,289
Increase (decrease) in unrestricted net assets	<u>1,259,077</u>	<u>(534,977)</u>	<u>724,100</u>	<u>517,884</u>	<u>(517,884)</u>	<u>724,100</u>

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Evergreen Presbyterian Ministries, Inc.	Evergreen Presbyterian Ministries of Texas, Inc.	Total Operating	Evergreen Foundation, Inc.	Consolidating Entries	Consolidated Totals
Change in temporarily restricted net assets						
Support and revenues						
Support	-	-	-	37,534	-	37,534
Revenues						
Investment return						
Dividends and Interest	-	-	-	20,590	-	20,590
Unrealized change in market value of securities	-	-	-	11,779	-	11,779
Net assets released from restrictions						
Change in interest in Evergreen Foundation	(17,688)	-	(17,688)	-	17,688	-
Restrictions satisfied by payments	-	-	-	(87,591)	-	(87,591)
Increase (decrease) in temporarily restricted net assets	(17,688)	-	(17,688)	(17,688)	17,688	(17,688)
Change in permanently restricted net assets						
Unrealized change in market value of securities	-	-	-	27,405	-	27,405
Change in interest in Evergreen Foundation	27,405	-	27,405	-	(27,405)	-
Increase in permanently restricted net assets	27,405	-	27,405	27,405	(27,405)	27,405
Increase (decrease) in net assets	1,268,794	(534,977)	733,817	527,601	(527,601)	733,817
Net assets - beginning of year (reclassified)	28,092,647	3,614,968	31,707,615	7,016,760	(7,016,760)	31,707,615
Net assets - end of year	29,361,441	3,079,991	32,441,432	7,544,361	(7,544,361)	32,441,432

EVERGREEN PRESBYTERIAN MINISTRIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Program services:</u>		
Salaries and wages	38,754,054	28,067,245
Payroll taxes and employee benefits	6,279,322	4,207,757
Supplies	1,510,647	991,214
Food	2,465,159	993,996
Repairs, maintenance, gas and oil	2,217,235	1,925,503
Utilities and telephone	1,811,782	890,299
Resident and personal care	388,095	224,944
Participant wages	435,540	354,606
Property, liability and workers' compensation insurance	3,411,619	2,642,822
Professional, medical and consultant fees	4,587,831	3,209,905
Information technology	213,869	206,282
Rentals and leases	1,073,666	932,816
Marketing	172,060	-
Dues, subscriptions and postage	113,638	98,862
Personnel recruitment, development and relations	72,622	69,954
Travel	199,390	176,772
Bad debts	96,159	102,950
Miscellaneous	<u>351,567</u>	<u>440,624</u>
Total program services	64,154,255	45,536,551
<u>Support services:</u>		
Interest	127,597	92,612
Depreciation	<u>1,233,771</u>	<u>1,148,439</u>
Total support services	1,361,368	1,241,051
Total expenses	<u>65,515,623</u>	<u>46,777,602</u>

EVERGREEN PRESBYTERIAN MINISTRIES OF TEXAS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<u>Program services:</u>		
Salaries and wages	5,740,392	5,405,178
Payroll taxes and employee benefits	1,039,409	942,662
Supplies	345,402	387,653
Food	376,380	409,829
Repairs, maintenance, gas and oil	581,958	681,244
Utilities and telephone	352,861	357,288
Resident and personal care	102,271	112,882
Participant wages	48,754	59,609
Property, liability and workers' compensation insurance	299,691	314,025
Professional, medical and consultant fees	434,494	512,936
Information technology	33,250	4,882
Rentals and leases	162,189	193,095
Marketing	25,638	-
Dues, subscriptions and postage	27,879	28,165
Personnel recruitment, development and relations	5,846	8,758
Travel	23,555	20,320
Bad debts	3,730	18,898
Miscellaneous	<u>32,757</u>	<u>55,763</u>
Total program services	9,636,456	9,513,187
<u>Support services:</u>		
Interest	74,221	77,479
Depreciation	377,407	338,893
General and administrative	<u>402,973</u>	<u>541,650</u>
Total support services	<u>854,601</u>	<u>958,022</u>
Total expenses	<u>10,491,057</u>	<u>10,471,209</u>

EVERGREEN FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Program services:</u>		
Other program services	14,724	50,157
Grants given	<u>419,208</u>	<u>459,464</u>
Total program services	433,932	509,621
<u>Support services:</u>		
Salaries and wages	395,764	180,921
Payroll taxes and employee benefits	36,248	36,964
Supplies	9,992	3,959
Information technology	9,423	11,120
Gasoline and oil	8,108	2,824
Utilities and telephone	4,820	8,094
Printing and marketing	53,631	35,638
Dues, subscriptions and postage	11,371	8,006
Repairs and maintenance	3,457	3,816
Travel and seminar	9,114	11,619
Insurance	8,910	3,552
Lease, building and furniture allocation	-	4,800
Professional services	-	1,354
Property taxes	702	1,046
Depreciation	14,394	11,497
Board meeting expense and miscellaneous	<u>4,502</u>	<u>4,739</u>
Total support services	570,436	329,949
Total expenses	<u><u>1,004,368</u></u>	<u><u>839,570</u></u>

OTHER REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS

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October 10, 2013

To the Board of Directors of
Evergreen Presbyterian Ministries, Inc.
Evergreen Presbyterian Ministries of Texas, Inc. and
Evergreen Foundation, Inc.

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Evergreen Presbyterian Ministries, Inc. (a nonprofit Louisiana corporation) and related entities, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Evergreen Presbyterian Ministries, Inc. and related entities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Evergreen Presbyterian Ministries, Inc., Evergreen Presbyterian Ministries of Texas, Inc. and Evergreen Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency*, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Evergreen Presbyterian Ministries, Inc. and related entities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Evergreen Presbyterian Ministries, Inc. and related entities.
2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of Evergreen Presbyterian Ministries, Inc. and related entities were disclosed during the audit.
4. Evergreen Presbyterian Ministries, Inc. and related entities was not subject to a Federal Single Audit for the year ended June 30, 2013.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable.

EVERGREEN PRESBYTERIAN MINISTRIES, INC. AND RELATED ENTITIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

There were no findings and questioned costs from the prior year.