

Bishop's Discretionary Fund

Financial Report

Years Ended December 31, 2012 and 2011

Bishop's Discretionary Fund

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Independent Auditor's Report

To the Trustees and Council of the Protestant
Episcopal Diocese of Kentucky

We have audited the accompanying statements of cash receipts and disbursements of the Bishop's Discretionary Fund (a nonprofit organization) for the year ended December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash receipts and disbursements basis of accounting as described in Note B; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the statements of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Bishop's Discretionary Fund for the year ended December 31, 2012 and 2011, on the basis of accounting described in Note B.

Basis of Accounting

As described in Note B, these financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Richardson, Pennington & Skinner, PSC.

Richardson, Pennington & Skinner, PSC
August 19, 2013

Bishop's Discretionary Fund
Statements of Cash Receipts and Disbursements
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Beginning Cash Balance	\$ 28,135	\$ 9,251
Cash Receipts		
Commingled fund - related entity	15,831	12,501
Cash donations and offerings	28,808	26,599
Interest earned	11	6
	<u>44,650</u>	<u>39,106</u>
Cash Disbursements	<u>(33,853)</u>	<u>(20,222)</u>
Net Change in Cash	10,797	18,884
Ending Cash Balance	<u>\$ 38,932</u>	<u>\$ 28,135</u>

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

**Bishop's Discretionary Fund
Notes to Financial Statements
December 31, 2012 and 2011**

Note A - Nature of Organization

The Bishop's Discretionary Fund was established to allow the Bishop and the Canon to the Ordinary of the Episcopal Diocese of Kentucky to provide support to others believed to be in need by the Bishop and meet related expenses of the Bishop and others incurred in providing related support.

Note B - Significant Accounting Policies

1. Basis of Accounting: The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recorded.
2. Income Taxes: The Bishop's Discretionary Fund is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code under a group exemption for Episcopal Churches and Diocese in the United States.

Note C – Subsequent Events Policy

The Bishop's Discretionary Fund has evaluated subsequent events through August 19, 2013, the date which the financial statements were available to be issued.

Note D – Accounting for Uncertain Tax Positions

The Bishop's Discretionary Fund adopted the accounting standard regarding the "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Bishop's Discretionary Fund financial statements. It requires an entity to recognize the financial statement benefit of tax position when it is more likely than not that the position will be sustained upon examination. With few exceptions, the Bishop's Discretionary Fund is no longer subject to U.S. federal, state or local tax examinations by tax authorities for years before 2008. The adoption of this standard had no material effect on the Bishop's Discretionary Fund financial position, results of operations, or cash flow.