

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	
Statements of Financial Position	1
Statements of Activities	2
Statements of Cash Flows	3
Notes to Financial Statements	4 - 11

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Moravian Ministries Foundation in America
Winston-Salem, North Carolina

We have audited the accompanying statements of financial position of The Moravian Ministries Foundation in America (a non-profit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Moravian Ministries Foundation in America's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moravian Ministries Foundation in America as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

May 7, 2007

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS:		
Cash and cash equivalents	\$ 542,182	\$ 670,512
Accounts receivable	36,115	33,571
Prepaid expenses and deposits	5,660	5,765
Property and equipment, net	30,731	13,287
Investments	76,634,997	65,704,283
Assets held in charitable remainder trusts	<u>1,438,022</u>	<u>1,696,748</u>
 Total assets	 <u>\$ 78,687,707</u>	 <u>\$ 68,124,166</u>
 LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 9,126	\$ 11,072
Due to other Moravian Church supported entities	607	1,506
Note payable - bank	23,152	28,000
Charitable gift annuity liabilities:		
Annuity payment liabilities	750,990	857,680
Remainder interests due to Moravian Church entities	621,685	635,624
Charitable remainder trust liabilities:		
Liabilities under unitrust agreements	278,167	304,062
Remainder interests due to Moravian Church entities	372,033	355,056
Liabilities under perpetual trusts	437,833	355,355
Agency funds	<u>76,074,243</u>	<u>65,464,663</u>
 Total liabilities	 <u>\$ 78,567,836</u>	 <u>\$ 68,013,018</u>
 Unrestricted net assets	 <u>\$ 119,871</u>	 <u>\$ 111,148</u>
 Total liabilities and net assets	 <u>\$ 78,687,707</u>	 <u>\$ 68,124,166</u>

See accompanying notes to financial statements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
SUPPORT AND REVENUE:		
Provincial budget support	\$ 81,000	\$ 96,000
Trust management fees	338,226	285,622
Professional fees - campaign services and feasibility studies	17,500	16,500
Laurel Ridge campaign - support	-	674
Contributions and grants	210	155
Investment income	3,575	2,618
Net realized and unrealized gain on investments	2,820	684
Other	240	240
Total support and revenue	<u>\$ 443,571</u>	<u>\$ 402,493</u>
EXPENSES:		
Personnel - salaries, taxes, fringe benefits	\$ 275,085	\$ 241,554
Automobile	13,275	11,008
Office equipment lease	3,882	4,344
Travel and meetings	40,304	31,554
Insurance	3,250	3,149
Interest	1,820	-
Office supplies and maintenance	7,079	10,828
Payroll services	1,064	919
Postage	9,907	9,652
Printing	34,369	30,710
Professional services	6,760	6,520
Rent - office	15,000	9,924
Software contracts and fees	8,630	9,206
Telephone and internet	7,617	6,626
Website costs	180	-
Common Fund Investor summit	-	12,999
Depreciation	4,719	1,818
Miscellaneous	1,907	3,178
Total expenses	<u>\$ 434,848</u>	<u>\$ 393,989</u>
CHANGE IN NET ASSETS	\$ 8,723	\$ 8,504
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>111,148</u>	<u>102,644</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 119,871</u></u>	<u><u>\$ 111,148</u></u>

See accompanying notes to financial statements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,723	\$ 8,504
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,719	1,818
Net realized and unrealized (gain) on investments	(2,820)	(684)
(Increase) in accounts receivable	(2,544)	(1,566)
Decrease in due from other Moravian Church supported entities	-	12,073
Decrease in prepaid expenses and deposits	105	3,416
Increase (decrease) in accounts payable	(1,946)	7,331
Increase (decrease) in due to other Moravian Church supported entities	(899)	1,506
Net receipts over payments of agency funds	2,737,306	7,197,293
Purchase of investments, net - agency funds	<u>(2,843,455)</u>	<u>(6,863,679)</u>
Net cash provided (used) by operating activities	<u>\$ (100,811)</u>	<u>\$ 366,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (508)	\$ (375)
Purchases of property and equipment	<u>(22,163)</u>	<u>(8,944)</u>
Net cash (used) by investing activities	<u>\$ (22,671)</u>	<u>\$ (9,319)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of bank borrowing - note payable	\$ -	\$ 28,000
Payments on bank borrowing - note payable	<u>(4,848)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>\$ (4,848)</u>	<u>\$ 28,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (128,330)	\$ 384,693
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>670,512</u>	<u>285,819</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 542,182</u></u>	<u><u>\$ 670,512</u></u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 1 - NATURE OF ORGANIZATION:

The Moravian Ministries Foundation in America (MMFA) is an inter-provincial agency serving both the Northern and Southern provinces of the Moravian Church in America. The function and role of the MMFA is to promote, receive, and distribute major and planned gifts from individuals who wish to support the mission and ministries of the Church. In addition, MMFA also promotes institutional stewardship through the investment services and programs of the Moravian Common Fund and assists churches and church related entities in fundraising campaigns.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements of MMFA have been prepared on the accrual basis of accounting.

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-For-Profit Organizations*." Under SFAS No. 117, MMFA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of 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.

Cash and Cash Equivalents:

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

Property and Equipment:

Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years. The cost of maintenance and repairs is expensed as incurred.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - (Continued)

Investments:

MMFA carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the statement of financial position.

Moravian Common Fund:

The Moravian Ministries Foundation in America established the Moravian Common Fund to enable MMFA, local churches and affiliated ministries of the Moravian Church in America to invest their endowments and permanent funds in a professionally managed and diversified portfolio. TIAA-CREF serves as the investment manager for the Common Fund.

Investment Expenses:

Expenses relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income in the financial statements.

The custodial and investment advisory fees incurred by the Moravian Common Fund and the MMFA's other investments totaled \$531,219 and \$456,142 for the years ended December 31, 2006 and 2005.

Donated Assets:

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

Income Tax Status:

MMFA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, MMFA qualifies for the charitable contribution deduction under Section 170 and is classified as an organization that is not a private foundation under Section 509(a).

NOTE 3 - CONCENTRATIONS OF CREDIT AND MARKET RISK:

Financial instruments that potentially expose MMFA to concentrations of credit and market risk consist primarily of bank deposits, cash equivalents, and investments.

MMFA maintains its bank deposits with two financial institutions. At December 31, 2006, a total of \$367,020 on deposit with one of these institutions exceeded federally insured limits. MMFA has not experienced any losses in such accounts.

Cash equivalents are maintained primarily at TIAA-CREF. MMFA has not experienced any losses on its cash equivalents.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 3 - CONCENTRATIONS OF CREDIT AND MARKET RISK: (Continued)

MMFA's investments are held primarily by TIAA-CREF. MMFA's investment portfolio is diversified among various equity and debt securities.

NOTE 4 - PROPERTY AND EQUIPMENT:

A summary of property and equipment at December 31, 2006 and 2005 is as follows:

	2006	2005
Computer equipment	\$ 12,359	\$ 12,058
Furniture and equipment	<u>34,209</u>	<u>12,347</u>
	\$ 46,568	\$ 24,405
Less accumulated depreciation	<u>(15,837)</u>	<u>(11,118)</u>
Net property and equipment	<u>\$ 30,731</u>	<u>\$ 13,287</u>

NOTE 5 - INVESTMENTS:

Investments, stated at fair value, consisted of the following at December 31, 2006 and 2005:

	2006	2005
TIAA-CREF:		
Fixed income securities fund	\$ 21,489,991	\$ 19,236,869
Equity securities fund	54,667,661	44,392,999
Short-term reserves and cash	<u>477,345</u>	<u>132,168</u>
	<u>\$ 76,634,997</u>	<u>\$ 63,762,036</u>
Other investments:		
Bond funds	\$ -	\$ 579,497
Equity funds	-	1,298,601
Short-term reserves and cash	<u>-</u>	<u>64,149</u>
	<u>\$ -</u>	<u>\$ 1,942,247</u>
Total	<u>\$ 76,634,997</u>	<u>\$ 65,704,283</u>

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 5 - INVESTMENTS: - (Continued)

Investment return for 2006 and 2005 is summarized as follows:

2006:	<u>Investment Income</u>	<u>Net Realized and Unrealized Gain (Loss)</u>	<u>Total</u>
MMFA funds			
(statement of activities)	\$ 3,575	\$ 2,820	\$ 6,395
Agency funds	1,532,818	7,872,275	9,405,093
Charitable gift annuities	31,326	52,023	83,349
Charitable remainder trusts	12,775	25,424	38,199
Perpetual trusts	8,353	47,448	55,801
	<u>\$ 1,588,847</u>	<u>\$ 7,999,990</u>	<u>\$ 9,588,837</u>

2005:	<u>Investment Income</u>	<u>Net Realized and Unrealized Gain (Loss)</u>	<u>Total</u>
MMFA funds			
(statement of activities)	\$ 2,618	\$ 684	\$ 3,302
Agency funds	1,242,662	1,649,577	2,892,239
Charitable gift annuities	20,871	3,500	24,371
Charitable remainder trusts	9,339	1,599	10,938
Perpetual trusts	6,288	10,463	16,751
	<u>\$ 1,281,778</u>	<u>\$ 1,665,823</u>	<u>\$ 2,947,601</u>

NOTE 6 - SPLIT-INTEREST AGREEMENTS:

Charitable Remainder Trusts

MMFA administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. The terms of all charitable remainder trusts administered by MMFA are the lifetimes of the respective distribution recipients. At the end of the respective trusts' terms, the remaining assets are available for use by other Moravian Church entities as specified in the trust agreements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 6 - SPLIT-INTEREST AGREEMENTS: - (Continued)

Assets held in charitable remainder trusts, as reported on the statement of financial position, represent those assets contributed by individuals to establish charitable remainder trusts (as adjusted for investment return and distributions). These assets are carried at fair market value, and consisted of the following at December 31, 2006 and 2005:

	2006	2005
Investments held by TIAA-CREF	\$ 1,438,022	\$ -
Investments held by U.S. Trust	-	1,700,505
Net due to beneficiaries	-	(3,757)
	<u>\$ 1,438,022</u>	<u>\$ 1,696,748</u>
Trusts under which MMFA is trustee	\$ 650,200	\$ 659,118
Trusts under which other Moravian entities are trustee	787,822	1,037,630
	<u>\$ 1,438,022</u>	<u>\$ 1,696,748</u>

Upon receipt of irrevocable interests in charitable remainder trusts in which MMFA is trustee, the present value of future payments to lifetime distribution recipients and the present value of future payments of remainder interests due to other Moravian Church entities are recognized as liabilities. On an annual basis, MMFA revalues the trust liabilities and remainder interests based on federal discount and actuarial assumptions.

Charitable Gift Annuities:

MMFA is also the recipient of various charitable gift annuities. A charitable gift annuity agreement provides that, in exchange for a contribution to the general assets of MMFA, the donor will receive a fixed periodic annuity over a specified period of time. The terms of all charitable gift annuities administered by MMFA are the lifetimes of the respective donor/ annuitants.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 6 - SPLIT-INTEREST AGREEMENTS: - (Continued)

It is the policy of MMFA to maintain a separate account for assets donated under such agreements. Donated assets are invested and an account balance maintained for each charitable gift annuity until the death of the donor/annuitant, with adjustments for investment return and distributions. Investments, as reported on the statement of financial position at December 31, 2006 and 2005, include \$1,790,489 and \$1,939,065, respectively attributable to charitable gift annuities (carried at fair market value.) Of this amount, \$1,372,675 and \$1,493,304, respectively represent charitable gift annuities in which MMFA is a party to the contract, and \$417,814 and \$445,761, respectively represent charitable gift annuities in which MMFA is acting as agent for the Northern or Southern Province.

Upon receipt of charitable gift annuities in which MMFA is a party to the contract, the present value of future payments to donor/annuitants and the present value of future payments of remainder interests due to other Moravian Church entities are recognized as liabilities. On an annual basis, MMFA revalues the gift annuity liabilities and remainder interests based on federal discount and actuarial assumptions.

NOTE 7 - NOTE PAYABLE - BANK:

Long-term debt at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Note payable to Southern Community Bank and Trust, unsecured, payable in monthly installments of \$556, including interest at 7 percent per annum	<u>\$ 23,152</u>	<u>\$ 28,000</u>

Aggregate maturities of long-term debt at December 31, 2006 were as follows:

2007	\$ 5,215
2008	5,592
2009	5,996
2010	<u>6,349</u>
	<u>\$ 23,152</u>

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 8 - AGENCY FUNDS:

MMFA acts as an agent, or custodian, for certain assets owned by churches, the Northern and Southern provinces and other Moravian church-related entities by receiving, investing, and disbursing funds on their behalf. Changes in agency funds for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
Beginning balance	\$ 65,464,663	\$ 56,617,793
Receipts and transfers in	5,762,282	9,861,683
Investment income (net of fees)	1,532,818	1,242,662
Realized and unrealized gains on investments	7,872,275	1,649,577
Disbursements and transfers out	<u>(4,557,795)</u>	<u>(3,907,052)</u>
Ending balance	<u>\$ 76,074,243</u>	<u>\$ 65,464,663</u>

Agency fund receipts and transfers in include:

Additions to Common Fund	\$ 4,378,172	\$ 8,525,832
Contributions from individuals, trusts, and estates - MMFA transfer agent	861,493	826,857
On One Stem Growing campaign	-	200
Laurel Ridge campaign	<u>522,617</u>	<u>508,794</u>
	<u>\$ 5,762,282</u>	<u>\$ 9,861,683</u>

Agency fund disbursements and transfers out include:

Disbursements from Common Fund	\$ 2,805,730	\$ 2,561,955
Northern Province gift annuity payments	43,540	56,967
Southern Province gift annuity payments	9,392	9,392
Northern Province charitable remainder trust payments	6,105	6,463
Southern Province charitable remainder trust payments	288,777	86,484
Distributions of individual contributions - MMFA transfer agent	740,744	663,610
Expenses paid to third parties	24,428	26,487
Other expenses - transfers to MMFA	2,019	2,090
On One Stem Growing campaign	-	431
Laurel Ridge campaign	<u>637,060</u>	<u>493,173</u>
	<u>\$ 4,557,795</u>	<u>\$ 3,907,052</u>

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 9 - OFFICE RENT:

MMFA rents office space from Salem Congregation in the "Old Salem" area of Winston-Salem, North Carolina. This space is rented on a year-to-year basis. Payments to Salem Congregation (which include maintenance and utilities) under this arrangement totaled \$15,000 and \$9,924 for the years ended December 31, 2006 and 2005, respectively.

NOTE 10 - RETIREMENT PLAN:

MMFA maintains a retirement plan covering eligible employees. Expense under this plan totaled \$11,332 and \$10,435 for the years ended December 31, 2006 and 2005, respectively.

NOTE 11 - OPERATING LEASES:

MMFA leases office equipment and a vehicle under operating lease arrangements. Rental expense for these leases totaled \$11,034 and \$11,496 for the years ended December 31, 2006 and 2005, respectively.

Future minimum lease payments under these operating leases as of December 31, 2006 are as follows:

Year ended December 31:	
2007	\$ 2,536
2008	1,344
2009	1,344
2010	<u>672</u>
	<u>\$ 5,896</u>

NOTE 12 - NORTH CAROLINA RESERVE REQUIREMENTS:

North Carolina law requires MMFA, as a party to charitable gift annuities, to establish and maintain a reserve totalling at least \$100,000. At December 31, 2006, MMFA met this requirement.