

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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

April 23, 2008

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 385,516	\$ 542,182
Accounts receivable	45,692	36,115
Prepaid expenses and deposits	11,835	5,660
Property and equipment, net	27,877	30,731
Investments	87,081,635	76,634,997
Assets held in charitable remainder trusts	<u>1,335,602</u>	<u>1,438,022</u>
 Total assets	 <u>\$ 88,888,157</u>	 <u>\$ 78,687,707</u>
 LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 3,645	\$ 9,126
Due to other Moravian Church supported entities	257	607
Note payable - bank	-	23,152
Charitable gift annuity liabilities:		
Annuity payment liabilities	681,073	750,990
Remainder interests due to Moravian Church entities	613,065	621,685
Charitable remainder trust liabilities:		
Liabilities under unitrust agreements	245,721	278,167
Remainder interests due to Moravian Church entities	376,858	372,033
Liabilities under perpetual trusts	430,126	437,833
Agency funds	<u>86,357,502</u>	<u>76,074,243</u>
 Total liabilities	 <u>\$ 88,708,247</u>	 <u>\$ 78,567,836</u>
 Unrestricted net assets	 <u>\$ 179,910</u>	 <u>\$ 119,871</u>
 Total liabilities and net assets	 <u>\$ 88,888,157</u>	 <u>\$ 78,687,707</u>

See accompanying notes to financial statements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
SUPPORT AND REVENUE:		
Provincial budget support	\$ 60,000	\$ 81,000
Trust management fees	403,015	338,226
Professional fees - campaign services and feasibility studies	47,000	17,500
Contributions and grants	570	210
Investment income	2,979	3,575
Net realized and unrealized gain on investments	307	2,820
Other	<u>240</u>	<u>240</u>
Total support and revenue	<u>\$ 514,111</u>	<u>\$ 443,571</u>
EXPENSES:		
Personnel - salaries, taxes, fringe benefits	\$ 298,883	\$ 275,085
Automobile	13,612	13,275
Office equipment lease	3,193	3,882
Travel and meetings - board members	6,823	9,250
Travel and meetings - staff	25,907	31,054
Insurance	3,293	3,250
Interest	998	1,820
Office supplies and maintenance	8,340	7,079
Payroll services	942	1,064
Postage	8,320	9,907
Printing	28,431	34,369
Professional services	7,600	6,760
Rent - office	15,250	15,000
Software contracts and fees	8,750	8,630
Telephone and internet	6,424	7,617
Website costs	165	180
Contribution to Northern and Southern Provinces	10,000	-
Depreciation	5,885	4,719
Miscellaneous	<u>1,256</u>	<u>1,907</u>
Total expenses	<u>\$ 454,072</u>	<u>\$ 434,848</u>
CHANGE IN NET ASSETS	\$ 60,039	\$ 8,723
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>119,871</u>	<u>111,148</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 179,910</u></u>	<u><u>\$ 119,871</u></u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 60,039	\$ 8,723
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	5,885	4,719
Net realized and unrealized (gain) on investments	(307)	(2,820)
(Increase) in accounts receivable	(9,577)	(2,544)
(Increase) decrease in prepaid expenses and deposits	(6,175)	105
(Decrease) in accounts payable	(5,481)	(1,946)
(Decrease) in due to other Moravian Church supported entities	(350)	(899)
Net receipts over payments of agency funds	9,649,932	2,737,306
Purchase of investments, net - agency funds	<u>(9,822,357)</u>	<u>(2,843,455)</u>
Net cash (used) by operating activities	<u>\$ (128,391)</u>	<u>\$ (100,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (2,091)	\$ (508)
Purchases of property and equipment	<u>(3,032)</u>	<u>(22,163)</u>
Net cash (used) by investing activities	<u>\$ (5,123)</u>	<u>\$ (22,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bank borrowing - note payable	<u>\$ (23,152)</u>	<u>\$ (4,848)</u>
Net cash (used) by financing activities	<u>\$ (23,152)</u>	<u>\$ (4,848)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (156,666)	\$ (128,330)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>542,182</u>	<u>670,512</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 385,516</u></u>	<u><u>\$ 542,182</u></u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2007 AND 2006

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 \$599,069 and \$531,219 for the years ended December 31, 2007 and 2006.

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, 2007, a total of \$308,729 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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are allocated as follows at December 31, 2007 and 2006:

	2007	2006
MMFA funds	\$ 69,208	\$ 53,448
Agency funds	<u>316,308</u>	<u>488,734</u>
	<u>\$ 385,516</u>	<u>\$ 542,182</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

A summary of property and equipment at December 31, 2007 and 2006 is as follows:

	2007	2006
Computer equipment	\$ 10,944	\$ 12,359
Furniture and equipment	<u>34,209</u>	<u>34,209</u>
	\$ 45,153	\$ 46,568
Less accumulated depreciation	<u>(17,276)</u>	<u>(15,837)</u>
Net property and equipment	<u>\$ 27,877</u>	<u>\$ 30,731</u>

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 6 - INVESTMENTS:

Investments, stated at fair value, consisted of the following at December 31, 2007 and 2006:

	2007	2006
TIAA-CREF:		
Fixed income securities mutual funds	\$ 24,811,500	\$ 21,489,991
Equity securities mutual funds	59,724,955	54,667,661
Corporate and foreign bonds	60,044	-
Common stocks	1,045	-
Short-term reserves and cash	<u>2,484,091</u>	<u>477,345</u>
Total	<u>\$ 87,081,635</u>	<u>\$ 76,634,997</u>

Investments are allocated as follows at December 31, 2007 and 2006:

	2007	2006
Moravian Common fund	\$ 85,441,613	\$ 74,844,508
Planned gifts:		
Charitable gift annuities - MMFA	1,294,138	1,372,675
Charitable gift annuities - Northern Province	247,292	313,048
Charitable gift annuities - Southern Province	<u>98,592</u>	<u>104,766</u>
	<u>\$ 87,081,635</u>	<u>\$ 76,634,997</u>

Investment return for 2007 and 2006 is summarized as follows:

2007:	Investment Income	Net Realized and Unrealized Gain (Loss)	Total
	<u> </u>	<u> </u>	<u> </u>
MMFA funds			
(statement of activities)	\$ 2,979	\$ 307	\$ 3,286
Agency funds	1,747,766	633,327	2,381,093
Charitable gift annuities	23,097	19,435	42,532
Charitable remainder trusts	12,761	5,991	18,752
Perpetual trusts	<u>8,924</u>	<u>5,612</u>	<u>14,536</u>
	<u>\$ 1,795,527</u>	<u>\$ 664,672</u>	<u>\$ 2,460,199</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 6 - INVESTMENTS: - (Continued)

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>

NOTE 7 - 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.

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, 2007 and 2006:

	2007	2006
Investments held by TIAA-CREF:		
Fixed income securities mutual funds	\$ 467,540	\$ 497,142
Equity securities mutual funds	713,299	760,886
Preferred equity securities	101,383	134,620
Mortgages and notes	27,261	36,437
Short-term reserves and cash	26,119	8,937
	<u>\$ 1,335,602</u>	<u>\$ 1,438,022</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 7 - SPLIT-INTEREST AGREEMENTS: - (Continued)

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.

Donated assets under such agreements are invested and an account balance maintained in the investment pool 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, 2007 and 2006, include \$1,640,022 and \$1,790,489, respectively attributable to charitable gift annuities (carried at fair market value). Of this amount, \$1,294,138 and \$1,372,675, respectively represent charitable gift annuities in which MMFA is a party to the contract, and \$345,884 and \$417,814, 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 8 - NOTE PAYABLE - BANK:

Long-term debt at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Note payable to Southern Community Bank and Trust, unsecured, payable in monthly installments of \$556, including interest at 7 percent per annum	\$ <u> -</u>	\$ <u> 23,152</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 9 - 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, 2007 and 2006 were as follows:

	2007	2006
Beginning balance	\$ 76,074,243	\$ 65,464,663
Receipts and transfers in	12,556,939	5,762,282
Investment income (net of fees)	1,747,766	1,532,818
Realized and unrealized gains on investments	633,327	7,872,275
Disbursements and transfers out	<u>(4,654,773)</u>	<u>(4,557,795)</u>
Ending balance	<u>\$ 86,357,502</u>	<u>\$ 76,074,243</u>

Agency fund receipts and transfers in include:

Additions to Common Fund	\$ 12,056,713	\$ 4,378,172
Contributions from individuals, trusts, and estates - MMFA transfer agent	175,583	861,493
Northern Province pension campaign	44,070	-
Laurel Ridge campaign	<u>280,573</u>	<u>522,617</u>
	<u>\$ 12,556,939</u>	<u>\$ 5,762,282</u>

Agency fund disbursements and transfers out include:

Disbursements from Common Fund	\$ 3,813,390	\$ 2,805,730
Northern Province gift annuity payments	75,808	43,540
Southern Province gift annuity payments	9,392	9,392
Northern Province charitable remainder trust payments	5,983	6,105
Southern Province charitable remainder trust payments	73,553	288,777
Distributions of individual contributions - MMFA transfer agent	194,535	740,744
Expenses paid to third parties	11,004	24,428
Other expenses - transfers to MMFA	-	2,019
Northern Province pension campaign	44,070	-
Laurel Ridge campaign	<u>427,038</u>	<u>637,060</u>
	<u>\$ 4,654,773</u>	<u>\$ 4,557,795</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 10 - 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 \$15,250 and \$15,000 for the years ended December 31, 2007 and 2006, respectively.

NOTE 11 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN:

MMFA maintains a retirement plan covering eligible employees. Expense under this plan totaled \$12,211 and \$11,332 for the years ended December 31, 2007 and 2006, respectively.

During 2007, MMFA also adopted a deferred compensation plan covering eligible employees. No employer contributions were made during 2007, as only employee salary deferrals were added to the plan.

NOTE 12 - OPERATING LEASES:

MMFA leases office equipment and a vehicle under operating lease arrangements. Rental expense for these leases totaled \$10,498 and \$11,034 for the years ended December 31, 2007 and 2006, respectively.

Future minimum lease payments under these operating leases as of December 31, 2007 are as follows:

Year ended December 31:	
2008	\$ 9,678
2009	9,678
2010	<u>1,903</u>
	<u>\$ 21,259</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - 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, 2007, MMFA met this requirement.

Unrestricted net assets, which constitutes MMFA's reserve, consisted of the following at December 31, 2007 and 2006:

	2007	2006
Assets:		
Cash	\$ 69,208	\$ 53,448
Accounts receivable	45,692	36,115
Prepaid expenses and deposits	11,835	5,660
Property and equipment, net	27,877	30,731
Investments	<u>29,200</u>	<u>26,802</u>
	\$ 183,812	\$ 152,756
Liabilities:		
Accounts payable	\$ (3,645)	\$ (9,126)
Due to other Moravian church-supported entities	(257)	(607)
Note payable - bank	<u>-</u>	<u>(23,152)</u>
	\$ 179,910	\$ 119,871