

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 4, 2009

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS:		
Cash and cash equivalents	\$ 442,003	\$ 385,516
Accounts receivable	36,809	45,692
Prepaid expenses and deposits	10,075	11,835
Property and equipment, net	25,845	27,877
Investments	59,821,985	87,081,635
Assets held in charitable remainder trusts	<u>901,435</u>	<u>1,335,602</u>
 Total assets	 <u>\$ 61,238,152</u>	 <u>\$ 88,888,157</u>
 LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 6,064	\$ 3,645
Due to other Moravian Church supported entities	748	257
Deferred revenue	41,250	-
Charitable gift annuity liabilities:		
Annuity payment liabilities	641,898	681,073
Remainder interests due to Moravian Church entities	230,163	613,065
Charitable remainder trust liabilities:		
Liabilities under unitrust agreements	146,832	245,721
Remainder interests due to Moravian Church entities	270,717	376,858
Liabilities under perpetual trusts	289,578	430,126
Agency funds	<u>59,494,562</u>	<u>86,357,502</u>
 Total liabilities	 <u>\$ 61,121,812</u>	 <u>\$ 88,708,247</u>
 Unrestricted net assets	 <u>\$ 116,340</u>	 <u>\$ 179,910</u>
 Total liabilities and net assets	 <u>\$ 61,238,152</u>	 <u>\$ 88,888,157</u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
SUPPORT AND REVENUE:		
Provincial budget support	\$ 60,000	\$ 60,000
Trust management fees	337,468	403,015
Professional fees - campaign services and feasibility studies	26,750	47,000
Contributions and grants	378	570
Investment income	2,511	2,979
Net realized and unrealized gain (loss) on investments	(9,561)	307
Other	<u>1,053</u>	<u>240</u>
Total support and revenue	<u>\$ 418,599</u>	<u>\$ 514,111</u>
EXPENSES:		
Personnel - salaries, taxes, fringe benefits	\$ 311,966	\$ 298,883
Automobile	14,194	13,612
Office equipment lease	2,856	3,193
Travel and meetings - board members	6,957	6,823
Travel and meetings - staff	26,387	25,907
Insurance	3,293	3,293
Interest	-	998
Marketing	1,190	-
Office supplies and maintenance	9,336	8,340
Payroll services	820	942
Postage	9,163	8,320
Printing	15,618	28,431
Professional services	7,820	7,600
Remainder trust tax services	3,755	-
Rent - office	15,000	15,250
Software contracts and fees	8,810	8,750
Telephone and internet	7,736	6,424
Website costs	6,871	165
Common Fund Investor Summit	23,378	-
Contribution to Northern and Southern Provinces	-	10,000
Depreciation	5,296	5,885
Miscellaneous	<u>1,723</u>	<u>1,256</u>
Total expenses	<u>\$ 482,169</u>	<u>\$ 454,072</u>
CHANGE IN NET ASSETS	\$ (63,570)	\$ 60,039
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>179,910</u>	<u>119,871</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 116,340</u></u>	<u><u>\$ 179,910</u></u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (63,570)	\$ 60,039
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,296	5,885
Net realized and unrealized (gain) loss on investments	9,561	(307)
(Increase) decrease in accounts receivable	8,883	(9,577)
(Increase) decrease in prepaid expenses and deposits	1,760	(6,175)
Increase (decrease) in accounts payable	2,419	(5,481)
Increase (decrease) in due to other Moravian Church supported entities	491	(350)
Increase in deferred revenue	41,250	-
Net receipts over payments of agency funds	138,452	9,649,932
Purchase of investments, net - agency funds	<u>(84,111)</u>	<u>(9,822,357)</u>
 Net cash provided (used) by operating activities	 <u>\$ 60,431</u>	 <u>\$ (128,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (680)	\$ (2,091)
Purchases of property and equipment	<u>(3,264)</u>	<u>(3,032)</u>
 Net cash (used) by investing activities	 <u>\$ (3,944)</u>	 <u>\$ (5,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bank borrowing - note payable	<u>\$ -</u>	<u>\$ (23,152)</u>
 Net cash (used) by financing activities	 <u>\$ -</u>	 <u>\$ (23,152)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 56,487	 \$ (156,666)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>385,516</u>	<u>542,182</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 442,003</u>	<u>\$ 385,516</u>

See accompanying notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 AND 2007

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 \$533,018 and \$599,069 for the years ended December 31, 2008 and 2007.

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, 2008, a total of \$166,641 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, 2008 AND 2007

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, 2008 and 2007:

	2008	2007
MMFA funds	\$ 71,355	\$ 69,208
Agency funds	<u>370,648</u>	<u>316,308</u>
	<u>\$ 442,003</u>	<u>\$ 385,516</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

A summary of property and equipment at December 31, 2008 and 2007 is as follows:

	2008	2007
Computer equipment	\$ 14,208	\$ 10,944
Furniture and equipment	<u>34,209</u>	<u>34,209</u>
	\$ 48,417	\$ 45,153
Less accumulated depreciation	<u>(22,572)</u>	<u>(17,276)</u>
Net property and equipment	<u>\$ 25,845</u>	<u>\$ 27,877</u>

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 - INVESTMENTS:

Investments, stated at fair value, consisted of the following at December 31, 2008 and 2007:

	2008	2007
TIAA-CREF:		
Fixed income securities mutual funds	\$ 18,573,161	\$ 24,811,500
Equity securities mutual funds	40,897,315	59,724,955
Corporate and foreign bonds	-	60,044
Common stocks	-	1,045
Short-term reserves and cash	<u>351,509</u>	<u>2,484,091</u>
Total	<u>\$ 59,821,985</u>	<u>\$ 87,081,635</u>

Investments are allocated as follows at December 31, 2008 and 2007:

	2008	2007
Moravian Common fund	\$ 58,739,910	\$ 85,441,613
Planned gifts:		
Charitable gift annuities - MMFA	872,061	1,294,138
Charitable gift annuities - Northern Province	150,190	247,292
Charitable gift annuities - Southern Province	<u>59,824</u>	<u>98,592</u>
	<u>\$ 59,821,985</u>	<u>\$ 87,081,635</u>

Investment return for 2008 and 2007 is summarized as follows:

2008:	Investment Income	Net Realized and Unrealized Gain (Loss)	Total
MMFA funds			
(statement of activities)	\$ 2,511	\$ (9,561)	\$ (7,050)
Agency funds	2,029,366	(27,001,392)	(24,972,026)
Charitable gift annuities	24,112	(351,632)	(327,520)
Charitable remainder trusts	14,415	(175,091)	(160,676)
Perpetual trusts	<u>9,797</u>	<u>(139,464)</u>	<u>(129,667)</u>
	<u>\$ 2,080,201</u>	<u>\$ (27,677,140)</u>	<u>\$ (25,596,939)</u>

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 - INVESTMENTS: - (Continued)

2007:	<u>Investment Income</u>	<u>Net Realized and Unrealized Gain (Loss)</u>	<u>Total</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	8,924	5,612	14,536
	<u>\$ 1,795,527</u>	<u>\$ 664,672</u>	<u>\$ 2,460,199</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, 2008 and 2007:

	2008	2007
Investments held by TIAA-CREF:		
Fixed income securities mutual funds	\$ 297,993	\$ 467,540
Equity securities mutual funds	466,241	713,299
Preferred equity securities	76,360	101,383
Mortgages and notes	17,324	27,261
Short-term reserves and cash	43,517	26,119
	<u>\$ 901,435</u>	<u>\$ 1,335,602</u>

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 2007, include \$1,082,075 and \$1,640,022, respectively attributable to charitable gift annuities (carried at fair market value). Of this amount, \$872,061 and \$1,294,138, respectively represent charitable gift annuities in which MMFA is a party to the contract, and \$210,014 and \$345,884, 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 - DEFERRED REVENUE:

In May, 2007 MMFA entered into a contract to conduct, for a total of \$75,000, capital campaign management services for the Northern Province Ministers' Pension Trust endowment campaign. As of December 31, 2008, all contract funds had been received, as follows:

Received in 2007	\$ 30,000
Received in 2008	<u>45,000</u>
Total funds received	<u>\$ 75,000</u>

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 8 - DEFERRED REVENUE: (cont'd)

Management estimates that, at December 31, 2008, approximately 45% of the services for this campaign had been performed. As a result, 55% of the total funds received (\$41,250) have been classified as deferred revenue at December 31, 2008, representing the portion for which the earning process has not yet been completed.

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, 2008 and 2007 were as follows:

	2008	2007
Beginning balance	\$ 86,357,502	\$ 76,074,243
Receipts and transfers in	2,743,469	12,556,939
Investment income (net of fees)	2,029,366	1,747,766
Realized and unrealized losses on investments	(27,001,392)	633,327
Disbursements and transfers out	<u>(4,634,383)</u>	<u>(4,654,773)</u>
Ending balance	<u>\$ 59,494,562</u>	<u>\$ 86,357,502</u>

Agency fund receipts and transfers in include:

Additions to Common Fund	\$ 2,549,241	\$ 12,056,713
Contributions from individuals, trusts, and estates -		
MMFA transfer agent	102,588	175,583
Northern Province pension campaign	-	44,070
Laurel Ridge campaign	9,590	280,573
Home Church capital campaign	<u>82,050</u>	<u>-</u>
	<u>\$ 2,743,469</u>	<u>\$ 12,556,939</u>

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 9 - AGENCY FUNDS: (cont'd)

Agency fund disbursements and transfers out include:

Disbursements from Common Fund	\$ 4,359,576	\$ 3,813,390
Northern Province gift annuity payments	39,853	75,808
Southern Province gift annuity payments	15,037	9,392
Northern Province charitable remainder trust payments	5,736	5,983
Southern Province charitable remainder trust payments	71,742	73,553
Distributions of individual contributions - MMFA transfer agent	124,902	194,535
Expenses paid to third parties	-	11,004
Northern Province pension campaign	-	44,070
Laurel Ridge campaign	17,537	427,038
	<u>\$ 4,634,383</u>	<u>\$ 4,654,773</u>

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 \$15,000 and \$15,250 for the years ended December 31, 2008 and 2007, respectively.

NOTE 11 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN:

MMFA maintains a retirement plan covering eligible employees. Expense under this plan totaled \$14,501 and \$12,211 for the years ended December 31, 2008 and 2007, respectively.

During 2007, MMFA also adopted a deferred compensation plan covering eligible employees. No employer contributions were made during 2008 or 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 \$10,242 and \$10,498 for the years ended December 31, 2008 and 2007, respectively.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 12 - OPERATING LEASES: (cont'd)

Future minimum lease payments under these operating leases as of December 31, 2008 are as follows:

Year ended December 31:			
	2009	\$	9,678
	2010		<u>1,903</u>
		\$	<u>11,581</u>

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, 2008, MMFA met this requirement.

Unrestricted net assets, which constitutes MMFA's reserve, consisted of the following at December 31, 2008 and 2007:

	2008	2007
Assets:		
Cash	\$ 71,355	\$ 69,208
Accounts receivable	36,809	45,692
Prepaid expenses and deposits	10,075	11,835
Property and equipment, net	25,845	27,877
Investments	<u>20,318</u>	<u>29,200</u>
	\$ 164,402	\$ 183,812
Liabilities:		
Accounts payable	\$ (6,064)	\$ (3,645)
Due to other Moravian church-supported entities	(748)	(257)
Deferred revenue	<u>(41,250)</u>	<u>-</u>
	<u>\$ 116,340</u>	<u>\$ 179,910</u>