

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

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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, 2004 and 2003, 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, 2004 and 2003, 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 11, 2005

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS:		
Cash and cash equivalents	\$ 285,819	\$ 67,987
Accounts receivable	32,005	68,856
Due from other Moravian Church supported entities	12,073	35
Prepaid expenses	9,181	2,042
Property and equipment, net	6,160	6,043
Investments	57,007,669	31,199,156
Assets held in charitable remainder trusts	<u>1,971,480</u>	<u>2,189,163</u>
 Total assets	 <u>\$ 59,324,387</u>	 <u>\$ 33,533,282</u>
 LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 3,741	\$ 4,231
Charitable gift annuity liabilities:		
Annuity payment liabilities	871,182	929,407
Remainder interests due to Moravian Church entities	717,308	629,667
Charitable remainder trust liabilities:		
Liabilities under unitrust agreements	345,922	386,831
Remainder interests due to Moravian Church entities	352,229	443,586
Liabilities under perpetual trusts	313,568	180,152
Agency funds	<u>56,617,793</u>	<u>30,871,312</u>
 Total liabilities	 <u>\$ 59,221,743</u>	 <u>\$ 33,445,186</u>
 Unrestricted net assets	 <u>\$ 102,644</u>	 <u>\$ 88,096</u>
 Total liabilities and net assets	 <u>\$ 59,324,387</u>	 <u>\$ 33,533,282</u>

See accompany notes to financial statements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
SUPPORT AND REVENUE:		
Provincial budget support	\$ 108,000	\$ 120,000
Trust management fees	231,465	191,251
Professional fees - campaign services and feasibility studies	15,500	29,000
Common appeal - support	4,183	5,538
Contributions - common appeal	-	21,508
Laurel Ridge campaign - support	4,390	-
Contributions and grants	-	2,800
Investment income	1,545	1,051
Net realized and unrealized gain on investments	1,603	4,437
Loss on property and equipment	(369)	-
Other	240	-
	<u>\$ 366,557</u>	<u>\$ 375,585</u>
EXPENSES:		
Personnel - salaries, taxes, fringe benefits	\$ 222,146	\$ 205,003
Automobile	11,005	11,756
Office equipment lease	4,484	2,282
Travel and meetings	32,503	39,961
Insurance	1,421	1,331
Office supplies and maintenance	9,479	5,772
Payroll services	941	945
Postage	13,932	11,513
Printing	19,941	29,863
Professional services	5,380	5,395
Rent - office	9,663	8,163
Software contracts and fees	8,354	8,354
Telephone	8,732	9,741
Website costs	375	440
Training and education	-	2,075
Common appeal - printing/postage	25	21,356
Common appeal - service fees	74	152
Depreciation	1,816	2,016
Miscellaneous	1,738	1,429
	<u>\$ 352,009</u>	<u>\$ 367,547</u>
CHANGE IN NET ASSETS	\$ 14,548	\$ 8,038
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>88,096</u>	<u>80,058</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 102,644</u>	<u>\$ 88,096</u>

See accompany notes to financial statements.

**MORAVIAN MINISTRIES
FOUNDATION IN AMERICA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 14,548	\$ 8,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,816	2,016
Loss on property and equipment	369	-
Net realized and unrealized (gain) on investments	(1,603)	(4,437)
(Increase) decrease in accounts receivable	36,851	(26,798)
(Increase) in due from other Moravian Church supported entities	(12,038)	(35)
(Increase) decrease in prepaid expenses	(7,139)	2,331
Increase (decrease) in accounts payable	(490)	182
(Decrease) in due to other Moravian Church supported entities	-	(454)
Increase (decrease) in gift annuity death payout payable	(18,077)	18,077
Net receipts over payments of agency funds	22,176,913	3,672,105
Purchase of investments, net - agency funds	<u>(21,970,983)</u>	<u>(3,667,469)</u>
Net cash provided by operating activities	<u>\$ 220,167</u>	<u>\$ 3,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments	\$ 274	\$ 17,000
Purchases of investments	(308)	(560)
Proceeds from sale of property and equipment	220	-
Purchases of property and equipment	<u>(2,521)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ (2,335)</u>	<u>\$ 16,440</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 217,832	\$ 19,996
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>67,987</u>	<u>47,991</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 285,819</u></u>	<u><u>\$ 67,987</u></u>

See accompany notes to financial statements.

MORAVIAN MINISTRIES FOUNDATION IN AMERICA

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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, 2004 AND 2003

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. During the year ended December 31, 2004, MMFA changed investment managers for the Common Fund from State Street Global Advisors to TIAA-CREF.

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 \$358,801 and \$227,421 for the years ended December 31, 2004 and 2003.

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 all of its bank deposits with one financial institution. At December 31, 2004, a total of \$208,507 on deposit with this institution exceeded federally insured limits. MMFA has not experienced any losses in such accounts.

Cash equivalents are maintained primarily at U.S. Trust and 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, 2004 AND 2003

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

MMFA's investments are held primarily by U.S. Trust and 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, 2004 and 2003 is as follows:

	2004	2003
Computer equipment	\$ 8,969	\$ 7,262
Furniture and equipment	<u>6,492</u>	<u>6,492</u>
	\$ 15,461	\$ 13,754
Less accumulated depreciation	<u>(9,301)</u>	<u>(7,711)</u>
Net property and equipment	<u>\$ 6,160</u>	<u>\$ 6,043</u>

NOTE 5 - INVESTMENTS:

Investments, stated at fair value, consisted of the following at December 31, 2004 and 2003:

	2004	2003
Moravian Common Fund:		
Fixed income securities fund	\$ 17,657,841	\$ 8,080,671
Equity securities fund	36,519,371	20,247,402
U.S. bonds and obligations	399,936	-
Corporate bonds and obligations	250,300	-
Short-term reserves and cash	<u>56,405</u>	<u>748,713</u>
	<u>\$ 54,883,853</u>	<u>\$ 29,076,786</u>
Other investments:		
Bond funds	\$ 595,792	\$ 612,509
Equity funds	1,411,077	1,386,116
Equity securities	10,883	23,552
Mutual funds	-	276
Short-term reserves and cash	<u>106,064</u>	<u>99,917</u>
	<u>\$ 2,123,816</u>	<u>\$ 2,122,370</u>
Total	<u>\$ 57,007,669</u>	<u>\$ 31,199,156</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 5 - INVESTMENTS: - (Continued)

Investment return for 2004 and 2003 is summarized as follows:

2004:	<u>Investment Income</u>	<u>Net Realized and Unrealized Gain (Loss)</u>	<u>Total</u>
MMFA funds (statement of activities)	\$ 1,545	\$ 1,603	\$ 3,148
Agency funds	1,009,912	3,569,568	4,579,480
Charitable gift annuities	14,231	101,470	115,701
Charitable remainder trusts	6,134	43,071	49,205
Perpetual trusts	<u>5,248</u>	<u>15,224</u>	<u>20,472</u>
	<u>\$ 1,037,070</u>	<u>\$ 3,730,936</u>	<u>\$ 4,768,006</u>

2003:	<u>Investment Income</u>	<u>Net Realized and Unrealized Gain (Loss)</u>	<u>Total</u>
MMFA funds (statement of activities)	\$ 1,051	\$ 4,437	\$ 5,488
Agency funds	383,901	4,165,626	4,549,527
Charitable gift annuities	17,884	205,710	223,594
Charitable remainder trusts	10,656	101,256	111,912
Perpetual trusts	<u>2,887</u>	<u>18,262</u>	<u>21,149</u>
	<u>\$ 416,379</u>	<u>\$ 4,495,291</u>	<u>\$ 4,911,670</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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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, 2004 and 2003:

	2004	2003
Investments held by U.S. Trust	\$ 1,930,571	\$ 2,147,468
Other investments	44,555	43,074
Net due to beneficiaries	<u>(3,646)</u>	<u>(1,379)</u>
	<u>\$ 1,971,480</u>	<u>\$ 2,189,163</u>
Trusts under which MMFA is trustee	\$ 698,151	\$ 830,417
Trusts under which other Moravian entities are trustee	<u>1,273,329</u>	<u>1,358,746</u>
	<u>\$ 1,971,480</u>	<u>\$ 2,189,163</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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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, 2004 and 2003, include \$2,109,804 and \$2,095,667, respectively attributable to charitable gift annuities (carried at fair market value.) Of this amount, \$1,588,490 and \$1,540,998, respectively represent charitable gift annuities in which MMFA is a party to the contract, and \$521,314 and \$554,669, 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 - 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 year ended December 31, 2004 and 2003 were as follows:

	2004	2003
Beginning balance	\$ 30,871,312	\$ 23,033,581
Receipts and transfers in	23,680,230	3,921,826
Investment income (net of fees)	1,009,912	383,901
Realized and unrealized gains on investments	3,569,568	4,165,626
Disbursements and transfers out	<u>(2,513,229)</u>	<u>(633,622)</u>
Ending balance	<u>\$ 56,617,793</u>	<u>\$ 30,871,312</u>

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - AGENCY FUNDS: - (Continued)

Agency fund receipts and transfers in include:

	2004	2003
Additions to Common Fund	\$ 22,940,368	\$ 3,792,154
Contributions from individuals and trusts - MMFA transfer agent	260,245	66,227
Contributions to charitable remainder trusts	-	13,000
On One Stem Growing campaign	1,675	50,445
Laurel Ridge campaign	477,942	-
	<u>\$ 23,680,230</u>	<u>\$ 3,921,826</u>

Agency fund disbursements and transfers out include:

Disbursements from Common Fund	\$ 1,733,924	\$ 372,142
Northern Province gift annuity payments	42,252	54,852
Southern Province gift annuity payments	9,392	11,102
Northern Province charitable remainder trust payments	6,508	5,804
Southern Province charitable remainder trust payments	97,511	101,733
Distributions of individual contributions - MMFA transfer agent	326,107	66,481
Other expenses - transfer to MMFA for On One Stem Growing campaign	4,183	21,508
On One Stem Growing campaign	36,635	-
Laurel Ridge campaign	256,717	-
	<u>\$ 2,513,229</u>	<u>\$ 633,622</u>

NOTE 8 - 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, with reasonable annual increases in rental amounts. Payments to Salem Congregation (which include maintenance and utilities) under this arrangement totaled \$9,663 and \$8,163 for the years ended December 31, 2004 and 2003, respectively.

NOTE 9 - RETIREMENT PLAN:

MMFA maintains a retirement plan covering eligible employees. Expense under this plan totaled \$9,661 and \$8,864 for the years ended December 31, 2004 and 2003, respectively.

**MORAVIAN MINISTRIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 10 - OPERATING LEASES:

MMFA leases office equipment and a vehicle under operating lease arrangements. Rental expense for these leases totaled \$12,104 and \$11,403 for the years ended December 31, 2004 and 2003, respectively.

Future minimum lease payments under these operating leases as of December 31, 2004 are as follows:

Year ended December 31:	
2005	\$ 10,529
2006	9,623
2007	<u>1,192</u>
	<u>\$ 21,344</u>

NOTE 11 - 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, 2004, MMFA met this requirement.