

**MORAVIAN MINISTRIES  
FOUNDATION IN AMERICA**

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004

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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, 2005 and 2004, 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, 2005 and 2004, 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 1, 2006

**MORAVIAN MINISTRIES  
FOUNDATION IN AMERICA**

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2005 AND 2004

	<b>2005</b>	<b>2004</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 670,512	\$ 285,819
Accounts receivable	33,571	32,005
Due from other Moravian Church supported entities	-	12,073
Prepaid expenses and deposits	5,765	9,181
Property and equipment, net	13,287	6,160
Investments	65,704,283	57,007,669
Assets held in charitable remainder trusts	<u>1,696,748</u>	<u>1,971,480</u>
 Total assets	 <u>\$ 68,124,166</u>	 <u>\$ 59,324,387</u>
 <b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 11,072	\$ 3,741
Due to other Moravian Church supported entities	1,506	-
Note payable - bank	28,000	-
Charitable gift annuity liabilities:		
Annuity payment liabilities	857,680	871,182
Remainder interests due to Moravian Church entities	635,624	717,308
Charitable remainder trust liabilities:		
Liabilities under unitrust agreements	304,062	345,922
Remainder interests due to Moravian Church entities	355,056	352,229
Liabilities under perpetual trusts	355,355	313,568
Agency funds	<u>65,464,663</u>	<u>56,617,793</u>
 Total liabilities	 <u>\$ 68,013,018</u>	 <u>\$ 59,221,743</u>
 Unrestricted net assets	 <u>\$ 111,148</u>	 <u>\$ 102,644</u>
 Total liabilities and net assets	 <u>\$ 68,124,166</u>	 <u>\$ 59,324,387</u>

See accompanying notes to financial statements.

**MORAVIAN MINISTRIES  
FOUNDATION IN AMERICA**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<b>2005</b>	<b>2004</b>
<b>SUPPORT AND REVENUE:</b>		
Provincial budget support	\$ 96,000	\$ 108,000
Trust management fees	285,622	231,465
Professional fees - campaign services and feasibility studies	16,500	15,500
Common appeal - support	-	4,183
Laurel Ridge campaign - support	674	4,390
Contributions and grants	155	-
Investment income	2,618	1,545
Net realized and unrealized gain on investments	684	1,603
Loss on property and equipment	-	(369)
Other	240	240
Total support and revenue	<u>\$ 402,493</u>	<u>\$ 366,557</u>
<b>EXPENSES:</b>		
Personnel - salaries, taxes, fringe benefits	\$ 241,554	\$ 222,146
Automobile	11,008	11,005
Office equipment lease	4,344	4,484
Travel and meetings	31,554	32,503
Insurance	3,149	1,421
Office supplies and maintenance	10,828	9,479
Payroll services	919	941
Postage	9,652	13,932
Printing	30,710	19,941
Professional services	6,520	5,380
Rent - office	9,924	9,663
Software contracts and fees	9,206	8,354
Telephone	6,626	8,732
Website costs	-	375
Common Fund Investor summit	12,999	-
Common appeal - printing/postage	-	25
Common appeal - service fees	-	74
Depreciation	1,818	1,816
Miscellaneous	3,178	1,738
Total expenses	<u>\$ 393,989</u>	<u>\$ 352,009</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 8,504</b>	<b>\$ 14,548</b>
<b>UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>102,644</u>	<u>88,096</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 111,148</u>	<u>\$ 102,644</u>

See accompanying notes to financial statements.

**MORAVIAN MINISTRIES  
FOUNDATION IN AMERICA**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 8,504	\$ 14,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,818	1,816
Loss on property and equipment	-	369
Net realized and unrealized (gain) on investments	(684)	(1,603)
(Increase) decrease in accounts receivable	(1,566)	36,851
(Increase) decrease in due from other Moravian Church supported entities	12,073	(12,038)
(Increase) decrease in prepaid expenses and deposits	3,416	(7,139)
Increase (decrease) in accounts payable	7,331	(490)
Increase in due to other Moravian Church supported entities	1,506	-
(Decrease) in gift annuity death payout payable	-	(18,077)
Net receipts over payments of agency funds	7,197,293	22,176,913
Purchase of investments, net - agency funds	<u>(6,863,679)</u>	<u>(21,970,983)</u>
Net cash provided by operating activities	<u>\$ 366,012</u>	<u>\$ 220,167</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments	\$ -	\$ 274
Purchases of investments	(375)	(308)
Proceeds from sale of property and equipment	-	220
Purchases of property and equipment	<u>(8,944)</u>	<u>(2,521)</u>
Net cash (used) by investing activities	<u>\$ (9,319)</u>	<u>\$ (2,335)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds of bank borrowing - note payable	<u>\$ 28,000</u>	<u>\$ -</u>
Net cash provided by financing activities	<u>\$ 28,000</u>	<u>\$ -</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 384,693</b>	<b>\$ 217,832</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>285,819</u>	<u>67,987</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 670,512</u></u>	<u><u>\$ 285,819</u></u>

See accompanying notes to financial statements.

# MORAVIAN MINISTRIES FOUNDATION IN AMERICA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

### 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, 2005 AND 2004

### 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 \$456,142 and \$358,801 for the years ended December 31, 2005 and 2004.

#### **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, 2005, a total of \$559,060 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 U.S. Trust and TIAA-CREF. MMFA has not experienced any losses on its cash equivalents.

**MORAVIAN MINISTRIES  
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NOTES TO FINANCIAL STATEMENTS  
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**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, 2005 and 2004 is as follows:

	<b>2005</b>	<b>2004</b>
Computer equipment	\$ 12,058	\$ 8,969
Furniture and equipment	<u>12,347</u>	<u>6,492</u>
	\$ 24,405	\$ 15,461
Less accumulated depreciation	<u>(11,118)</u>	<u>(9,301)</u>
Net property and equipment	<u>\$ 13,287</u>	<u>\$ 6,160</u>

**NOTE 5 - INVESTMENTS:**

Investments, stated at fair value, consisted of the following at December 31, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Moravian Common Fund:		
Fixed income securities fund	\$ 19,236,869	\$ 17,657,841
Equity securities fund	44,392,999	36,519,371
U.S. bonds and obligations	-	399,936
Corporate bonds and obligations	-	250,300
Short-term reserves and cash	<u>132,168</u>	<u>56,405</u>
	<u>\$ 63,762,036</u>	<u>\$ 54,883,853</u>
Other investments:		
Bond funds	\$ 579,497	\$ 595,792
Equity funds	1,298,601	1,411,077
Equity securities	-	10,883
Short-term reserves and cash	<u>64,149</u>	<u>106,064</u>
	<u>\$ 1,942,247</u>	<u>\$ 2,123,816</u>
Total	<u>\$ 65,704,283</u>	<u>\$ 57,007,669</u>

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**NOTE 5 - INVESTMENTS: - (Continued)**

Investment return for 2005 and 2004 is summarized as follows:

<b>2005:</b>	<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>

<b>2004:</b>	<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	5,248	15,224	20,472
	<u>\$ 1,037,070</u>	<u>\$ 3,730,936</u>	<u>\$ 4,768,006</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.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**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, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Investments held by U.S. Trust	\$ 1,700,505	\$ 1,930,571
Other investments	-	44,555
Net due to beneficiaries	<u>(3,757)</u>	<u>(3,646)</u>
	<u>\$ 1,696,748</u>	<u>\$ 1,971,480</u>
Trusts under which MMFA is trustee	\$ 659,118	\$ 698,151
Trusts under which other Moravian entities are trustee	<u>1,037,630</u>	<u>1,273,329</u>
	<u>\$ 1,696,748</u>	<u>\$ 1,971,480</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.

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**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, 2005 and 2004, include \$1,939,065 and \$2,109,804, respectively attributable to charitable gift annuities (carried at fair market value.) Of this amount, \$1,493,304 and \$1,588,490, respectively represent charitable gift annuities in which MMFA is a party to the contract, and \$445,761 and \$521,314, 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, 2005 and 2004 consisted of the following:

	<b>2005</b>	<b>2004</b>
Note payable to Southern Community Bank and Trust, unsecured, payable in monthly installments of \$556, including interest at 7 percent per annum	<u>\$ 28,000</u>	<u>\$ -</u>

Aggregate maturities of long-term debt at December 31, 2005 were as follows:

2006	\$ 4,871
2007	5,215
2008	5,592
2009	5,996
2010	<u>6,326</u>
	<u>\$ 28,000</u>

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**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 year ended December 31, 2005 and 2004 were as follows:

	<b>2005</b>	<b>2004</b>
Beginning balance	\$ 56,617,793	\$ 30,871,312
Receipts and transfers in	9,861,683	23,680,230
Investment income (net of fees)	1,242,662	1,009,912
Realized and unrealized gains on investments	1,649,577	3,569,568
Disbursements and transfers out	<u>(3,907,052)</u>	<u>(2,513,229)</u>
 Ending balance	 <u>\$ 65,464,663</u>	 <u>\$ 56,617,793</u>

Agency fund receipts and transfers in include:

Additions to Common Fund	\$ 8,525,832	\$ 22,940,368
Contributions from individuals, trusts, and estates - MMFA transfer agent	826,857	260,245
On One Stem Growing campaign	200	1,675
Laurel Ridge campaign	<u>508,794</u>	<u>477,942</u>
	<u>\$ 9,861,683</u>	<u>\$ 23,680,230</u>

Agency fund disbursements and transfers out include:

Disbursements from Common Fund	\$ 2,561,955	\$ 1,733,924
Northern Province gift annuity payments	56,967	42,252
Southern Province gift annuity payments	9,392	9,392
Northern Province charitable remainder trust payments	6,463	6,508
Southern Province charitable remainder trust payments	86,484	97,511
Distributions of individual contributions - MMFA transfer agent	663,610	326,107
Expenses paid to third parties	26,487	-
Other expenses - transfers to MMFA	2,090	4,183
On One Stem Growing campaign	431	36,635
Laurel Ridge campaign	<u>493,173</u>	<u>256,717</u>
	<u>\$ 3,907,052</u>	<u>\$ 2,513,229</u>

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**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, with reasonable annual increases in rental amounts. Payments to Salem Congregation (which include maintenance and utilities) under this arrangement totaled \$9,924 and \$9,663 for the years ended December 31, 2005 and 2004, respectively.

**NOTE 10 - RETIREMENT PLAN:**

MMFA maintains a retirement plan covering eligible employees. Expense under this plan totaled \$10,435 and \$9,661 for the years ended December 31, 2005 and 2004, respectively.

**NOTE 11 - OPERATING LEASES:**

MMFA leases office equipment and a vehicle under operating lease arrangements. Rental expense for these leases totaled \$11,496 and \$12,104 for the years ended December 31, 2005 and 2004, respectively.

Future minimum lease payments under these operating leases as of December 31, 2005 are as follows:

Year ended December 31:		
2006	\$	9,623
2007		<u>1,192</u>
	\$	<u>10,815</u>

**NOTE 12 - 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, 2005, MMFA met this requirement.