

ZOE MINISTRY
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

ZOE MINISTRY

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Independent Auditor's Report

The Board of Directors of
ZOE Ministry
Garner, North Carolina

We have audited the accompanying financial statements of ZOE Ministry (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZOE Ministry as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note A to the financial statements, certain errors resulting in overstatement of amounts previously reported for contributions receivables and contributions and donations as of December 31, 2013, were discovered by management of ZOE during the current year. Accordingly, amounts reported for contributions receivable and contributions and donations have been restated in the 2013 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2013, to correct the error. Our opinion is not modified with respect to that matter.

Crosslin + Associates, P.C.

Nashville, Tennessee
June 3, 2015

ZOE MINISTRY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
<u>ASSETS</u>		
Cash	\$ 818,476	\$ 739,111
Investments (Note B)	504,396	423,021
Contributions receivable (Note C)	1,444,272	1,110,087
Prepaid expenses	8,310	-
Other accounts receivable	590	1,874
 Total assets	 \$ 2,776,044	 \$ 2,274,093
<u>LIABILITIES</u>		
Accrued vacation	\$ 9,919	\$ -
 Total liabilities	 9,919	 -
<u>NET ASSETS</u>		
Unrestricted	333,406	259,196
Temporarily restricted (Note E)	2,432,719	2,014,897
 Total net assets	 2,766,125	 2,274,093
 Total liabilities and net assets	 \$ 2,776,044	 \$ 2,274,093

See accompanying notes to financial statements.

ZOE MINISTRY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and donations	\$ 1,277,248	\$ 2,117,636	\$ 3,394,884
Interest and other income	-	1,799	1,799
Registration fees	-	-	-
Other	7,095	-	7,095
	<u>1,284,343</u>	<u>2,119,435</u>	<u>3,403,778</u>
 Total support and revenue	 <u>1,284,343</u>	 <u>2,119,435</u>	 <u>3,403,778</u>
 Net assets released from restrictions	 <u>1,701,613</u>	 <u>(1,701,613)</u>	 <u>-</u>
 Expenses:			
Program services:			
Rwanda	749,420	-	749,420
Kenya-Maua	567,891	-	567,891
Kenya-NGO	230,876	-	230,876
Malawi	129,518	-	129,518
Zimbabwe	316,351	-	316,351
Liberia	131,990	-	131,990
Guatemala	42,874	-	42,874
India-Chennai	87,911	-	87,911
General	257,198	-	257,198
	<u>2,514,029</u>	<u>-</u>	<u>2,514,029</u>
 Total program expenses	 <u>2,514,029</u>	 <u>-</u>	 <u>2,514,029</u>
 Supporting services:			
Administrative expenses	401,867	-	401,867
	<u>401,867</u>	<u>-</u>	<u>401,867</u>
 Total expenses	 <u>2,915,896</u>	 <u>-</u>	 <u>2,915,896</u>
 Increase in net assets from operating activities	 <u>70,060</u>	 <u>417,822</u>	 <u>487,882</u>
 Nonoperating:			
Unrealized appreciation on investments	4,150	-	4,150
	<u>4,150</u>	<u>-</u>	<u>4,150</u>
 Net increase in net assets	 74,210	 417,822	 492,032
 Net assets at beginning of year (as restated)	 259,196	 2,014,897	 2,274,093
Net assets at end of year	<u>\$ 333,406</u>	<u>\$ 2,432,719</u>	<u>\$ 2,766,125</u>

See accompanying notes to financial statements.

ZOE MINISTRY
STATEMENT OF ACTIVITIES (RESTATED)
YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and donations	\$ 715,520	\$ 2,160,388	\$ 2,875,908
Interest and other income	-	1,877	1,877
Registration fees	3,250	-	3,250
Other	5,903	-	5,903
	<u>724,673</u>	<u>2,162,265</u>	<u>2,886,938</u>
 Total support and revenue			
Net assets released from restrictions	<u>1,330,456</u>	<u>(1,330,456)</u>	<u>-</u>
Expenses:			
Program services:			
Rwanda	675,773	-	675,773
Kenya-Maua	591,401	-	591,401
Malawi	67,724	-	67,724
Zimbabwe	390,333	-	390,333
Liberia	25,254	-	25,254
General	179,854	-	179,854
	<u>1,930,339</u>	<u>-</u>	<u>1,930,339</u>
 Total program expenses			
Supporting services:			
Administrative expenses	<u>319,057</u>	<u>-</u>	<u>319,057</u>
Total expenses	<u>2,249,396</u>	<u>-</u>	<u>2,249,396</u>
(Decrease) increase in net assets from operating activities	<u>(194,267)</u>	<u>831,809</u>	<u>637,542</u>
Nonoperating:			
Unrealized appreciation on investments	<u>15,141</u>	<u>-</u>	<u>15,141</u>
Net (decrease) increase in net assets	(179,126)	831,809	652,683
Net assets at beginning of year	<u>438,322</u>	<u>1,183,088</u>	<u>1,621,410</u>
Net assets at end of year (as restated)	<u>\$ 259,196</u>	<u>\$ 2,014,897</u>	<u>\$ 2,274,093</u>

See accompanying notes to financial statements.

ZOE MINISTRY
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
Cash flows from operating activities:		
Increase in net assets	\$ 492,032	\$ 652,683
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Reinvested earnings on investments	(2,225)	(2,125)
Unrealized appreciation on investments	(4,150)	(15,141)
Increase in contributions receivable	(334,185)	(631,970)
Increase in prepaid expenses	(8,310)	-
Decrease in other accounts receivable	1,284	21,672
Increase (decrease) in liabilities	9,919	(400)
Net cash provided by operating activities	154,365	24,719
Cash flows from investing activities		
Purchases of investments	(75,000)	-
Net cash used in investing activities	(75,000)	-
Net increase in cash	79,365	24,719
Cash, beginning of year	739,111	714,392
Cash, end of year	\$ 818,476	\$ 739,111

See accompanying notes to financial statements.

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ZOE Ministry (“ZOE”) is a tax-exempt, not-for-profit organization, incorporated in the State of North Carolina. ZOE was established to provide a three-year empowerment program for orphan children in Africa and other poverty-stricken countries. This empowerment program teaches children essential life skills, how to grow their own food, start small business, and grow in their faith. ZOE is currently active in seven countries (Rwanda, Kenya, Zimbabwe, Malawi, Liberia, India and Guatemala).

The transactions of ZOE are consolidated into the financial statements of the North Carolina Conference, Southeastern Jurisdiction, of the United Methodist Church, Inc. (the “Conference”).

Basis of Presentation

The financial statements of ZOE are prepared on the accrual basis of accounting.

On the 2013 Statement of Activities, net assets at end of year have been restated to reflect corrections principally related to an overstatement of amounts previously reported for contributions receivables and contributions and donations as of December 31, 2013, which was discovered by management of ZOE during the current year. Accordingly, the impact of the adjustment was a decrease in contributions receivable and a corresponding decrease in temporarily restricted contributions and donations of \$193,802.

Net Assets

ZOE classifies its support, revenue, expenses, gains and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of ZOE and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ZOE and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations requiring that the assets be maintained permanently by ZOE. Generally, the donors of these assets permit ZOE to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets are displayed in the statements of financial position and the amount of change in each class of net assets is displayed in the statements of activities. There were no permanently restricted net assets at December 31, 2014 and 2013.

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

In preparing its financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the statement of financial position and the reported amounts of revenues and expenses in the statements of activities for the reporting period. Actual results could differ from those estimates.

Contributions

ZOE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year, if applicable. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received. ZOE has determined that all contributions received in 2014 and 2013 are unconditional promises to give.

Cash

ZOE deposits its cash in large commercial financial institutions. At times, such balances may exceed the Federal depository insurance limits but ZOE believes such amounts do not represent a significant credit risk.

Financial Instruments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value, with fair value measured as described in Note G. Changes in fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statements of activities. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

ZOE Ministry is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision for taxes has been made in the financial statements.

ZOE accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for ZOE include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, ZOE has determined that such tax positions do not result in an uncertainty requiring recognition.

Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

B. INVESTMENTS

Investments at December 31, 2014 and 2013, represent pooled fund investments held by The United Methodist Foundation, Inc. (the “Foundation”) on behalf of ZOE.

Market Risk

Market risk arises primarily from changes in the market value of financial instruments. Theoretically, ZOE’s exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease ZOE’s overall exposure to market risk. The Foundation attempts to control exposure to market risk through various analytical monitoring techniques.

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
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B. INVESTMENTS - Continued

Concentrations of Credit Risk

ZOE's investment portfolio is impacted by various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, ZOE may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument.

In the normal course of business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, the investor. The maximum exposure under these agreements is unknown, as this may involve future claims that could be made against the investor and have not yet occurred. ZOE expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications related to its held with the Foundation.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Hope Companion pledges	\$ 1,526,111	\$ 1,191,500
Less: Discount for present value	<u>(81,839)</u>	<u>(81,413)</u>
Present value of contributions receivable	<u>\$ 1,444,272</u>	<u>\$ 1,110,087</u>

Maturities of contributions receivable at December 31, 2014 and 2013 are expected to be as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2015	\$ 676,793
2016	689,330
2017	<u>159,988</u>
Total expected contributions	<u>\$1,526,111</u>

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
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D. RELATED PARTY TRANSACTIONS

The Conference provides all accounting and payroll services to ZOE at no cost. The expense associated with the accounting functions is not material, and as a result, is not recognized in the accompanying financial statements. ZOE paid the Conference \$7,390 and \$7,040 in 2014 and 2013, respectively, for office space.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 are available for use in Rwanda, Kenya, Zimbabwe, Malawi, Liberia, India and Guatemala and are restricted as follows:

	2014	2013
Use restriction (cash collected)	\$ 988,447	\$ 904,810
Time restriction (cash not yet collected)	1,444,272	1,110,087
	\$2,432,719	\$2,014,897

F. NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended December 31, 2014 and 2013 net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

	2014	2013
Kenya	\$ 617,700	\$ 502,354
Rwanda	553,866	540,669
Zimbabwe	245,251	201,150
Zambia	-	20,209
Malawi	83,456	57,468
Liberia	101,462	-
Guatemala	33,238	-
India	66,640	-
Medical supplies	-	8,606
	\$1,701,613	\$1,330,456

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

G. FAIR VALUE MEASUREMENTS

Guidance provided by the Financial Accounting Standards Board (“FASB”) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ZOE utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities would be an example of the type of investments included in Level 1. As required by the guidance provided by the FASB, ZOE does not adjust the quoted price for these investments, even in situations where the ZOE holds a large position and a sale could reasonably impact the quoted price. ZOE does not have any Level 1 financial investments as of December 31, 2014 or 2013.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments within this category would generally include corporate bonds and loans, less liquid and restricted equity securities, pooled funds and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments within this category would generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, certain funds of hedge funds and distressed debt. ZOE does not have any Level 3 financial instruments as of December 31, 2014 or 2013.

ZOE MINISTRY
NOTES TO FINANCIAL STATEMENTS
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G. FAIR VALUE MEASUREMENTS - Continued

The tables below present the balances of financial assets measured at fair value on a recurring basis by level at December 31, 2014 and 2013.

	<u>Total</u>	Quoted Prices in Active Markets for identical Assets (<u>Level 1</u>)	Significant Other Observable inputs (<u>Level 2</u>)	Significant Unobservable inputs (<u>Level 3</u>)
2014:				
Financial assets				
Investments in pooled funds:				
United Methodist Foundation, Inc.	<u>\$504,396</u>	\$ -	<u>\$504,396</u>	\$ -
Total financial assets	<u>\$504,396</u>	<u>\$ -</u>	<u>\$504,396</u>	<u>\$ -</u>
2013:				
Financial assets				
Investments in pooled funds:				
United Methodist Foundation, Inc.	<u>\$423,021</u>	\$ -	<u>\$423,021</u>	\$ -
Total financial assets	<u>\$423,021</u>	<u>\$ -</u>	<u>\$423,021</u>	<u>\$ -</u>

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 3, 2015, which is the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.