

The PROVERBS 31 MINISTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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THE PROVERBS 31 MINISTRY, INC.
YEARS ENDED DECEMBER 31, 2014 AND 2013

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Proverbs 31 Ministry, Inc.
Matthews, North Carolina

We have audited the accompanying financial statements of The Proverbs 31 Ministry, Inc. (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.

Auditors' 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 The Proverbs 31 Ministry, Inc. 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.



Franklin & Franklin, PA
Matthews, North Carolina

May 13, 2015

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 1,125,772	\$ 549,548
Accounts and other receivables	33,685	28,650
Receivable due from prior employee	14,065	17,765
Pledges receivable	40,000	-
Inventories	93,210	24,213
Prepaid expenses	5,637	7,274
TOTAL CURRENT ASSETS	1,312,369	627,450
OTHER ASSETS:		
Cash and cash equivalents - temporarily restricted	69,732	-
Pledges receivable, net of discount (\$2,768 in 2014 and \$0 in 2013)	27,232	-
Property and equipment, net	375,603	358,966
Building debt reduction (Note 4)	100,000	-
TOTAL OTHER ASSETS	572,567	358,966
TOTAL ASSETS	\$ 1,884,936	\$ 986,416
 LIABILITIES AND NET ASSETS:		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 32,529	\$ 45,141
Deferred revenue	114,278	55,651
TOTAL CURRENT LIABILITIES	146,807	100,792
LONG-TERM DEBT	-	-
	146,807	100,792
NET ASSETS:		
Unrestricted net assets	1,668,397	885,624
Temporarily restricted net assets	69,732	-
TOTAL NET ASSETS	1,738,129	885,624
TOTAL LIABILITIES AND NET ASSETS	\$ 1,884,936	\$ 986,416

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013

CHANGES IN UNRESTRICTED NET ASSETS:	2014	2013
SUPPORT AND REVENUE:		
Contributions	\$ 1,311,972	\$ 941,777
Speaking ministry income	47,409	52,871
Resource sales, net of cost of goods sold - \$974,708 for 2014 and \$545,834 for 2013.	629,062	404,661
Conference income	563,005	794,438
Ministry training	585,192	173,714
Special projects	51,420	62,880
Miscellaneous income (expense)	4,146	(2,313)
Net assets released from restrictions	50,000	-
TOTAL SUPPORT AND REVENUE	3,242,206	2,428,028
EXPENSES:		
Program Expenses:		
Ministry gifts	25,000	1,496
Newsletter expenses	-	50,522
Compensation and benefits	755,498	487,804
Radio expense	32,391	33,937
Conferences	303,535	528,894
Volunteer and staff expense	24,635	7,698
Ministry training	151,040	33,879
Other ministry expenses	50,008	35,835
Depreciation	53,795	28,855
Total program expense	1,395,902	1,208,920
Supporting Services:		
Office expense	101,016	172,467
Online processing fees	44,750	41,218
Office supplies	11,290	4,293
Marketing expense	21,883	6,407
Professional fees	34,735	53,714
Compensation and benefits	569,677	422,618
Travel expense	79,444	41,830
Total supporting services expense	862,795	742,547
Fundraising:		
Year end letter	30,828	27,739
Fundraising - other	12,678	-
Compensation and benefits	157,230	79,491
Total fundraising expense	200,736	107,230
TOTAL EXPENSES	2,459,433	2,058,697
CHANGE IN UNRESTRICTED NET ASSETS	782,773	369,331
TEMPORARILY RESTRICTED NET ASSETS:		
Restricted contributions	119,732	-
Net assets released from restrictions	(50,000)	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	69,732	-
CHANGE IN NET ASSETS	852,505	369,331
NET ASSETS, BEGINNING OF YEAR	885,624	516,293
NET ASSETS, END OF YEAR	\$ 1,738,129	\$ 885,624

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 852,505	\$ 369,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,795	28,855
Changes in operating assets and liabilities:		
investments	-	16,726
accounts and other receivables	(5,035)	(23,457)
receivable due from prior employee	3,700	7,235
pledges receivable	(67,232)	-
inventories	(68,997)	8,382
prepaid expenses	1,637	2,086
building debt reduction	(100,000)	-
accounts payable	(12,612)	23,702
deferred revenue	58,627	(128,879)
Net cash provided (used) by operating activities	716,388	303,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(70,432)	(301,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net change in cash	645,956	2,166
Cash and cash equivalents at beginning of year	549,548	547,382
Cash and cash equivalents at end of year	\$ 1,195,504	\$ 549,548
Cash and cash equivalents-unrestricted	\$ 1,125,772	\$ 549,548
Cash and cash equivalents- temporarily restricted	69,732	-
	\$ 1,195,504	\$ 549,548

No taxes were paid for 2014 and 2013.

Cash paid for interest was \$-0- for 2014 and 2013.

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Proverbs 31 Ministry, Inc. (the “Ministry”) was incorporated as a charitable organization in North Carolina in 1996. The Ministry is a nonprofit organization dedicated to glorifying God. The Ministry uses daily devotions, radio programs, speaking events, conferences, resources, on-line communities and other services to help women grow in Christ.

Basis of Financial Statement Preparation

The financial statements of the Ministry have been prepared using the accrual basis of accounting.

Financial Statement Presentation—In accordance with Financial Accounting Standards Board ASC Topic 958, *Financial Statements for Not-For-Profit Entities*, and the Organization 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.

Cash and cash equivalents

The Ministry considers all highly liquid investments purchased with a maturity of three months or less, to be cash equivalents.

Accounts and Other Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts if necessary. At December 31, 2014 and 2013, the Ministry had an outstanding receivable from a former employee in the amount of \$14,065 and \$17,765, respectively, and other receivables of \$33,685 and \$39,535, respectively.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property and equipment acquisitions are capitalized if they are in excess of \$500. Depreciation, including depreciation of assets under capital leases, is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of property and equipment sold or retired and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in revenue or expense.

Resource Sales

Resource sales are recorded at the time the order is received and reflects the sales of ministry resources. For the year ended December 31, 2014, gross sales were \$1,603,770 less cost of goods sold of \$974,708, resulting in net sales of \$629,062. For the year ended December 31, 2013, gross sales were \$950,496 less cost of goods sold of \$545,834, resulting in net sales of \$404,662.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Inventories

Inventories consist primarily of books, audio and video resources, and jewelry and are stated at the lower of cost or market determined by the first-in, first-out method.

Restricted and Unrestricted Revenue

Under ASC Topic 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Included in temporarily net assets at December 31, 2012 of \$223,315, which was held for a new building, was expended in 2013.

Donated Services

Donated services are provided by volunteers but not reflected herein inasmuch as the amount of the services is indeterminable.

Deferred Revenue

Deferred revenue consists of amounts received as speaker deposits and conference deposits for events to be held in the following year, and deposits received at year end for resources shipped after year end.

Income Taxes

The Ministry has received a determination letter from the Internal Revenue Service stating that the Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Freight

Freight expense is expensed as incurred.

Advertising

Advertising costs are expensed as incurred.

Reclassification

Certain 2013 amounts have been reclassified to conform to the 2014 financial statement presentation. These reclassifications have no effect on the change in net assets for the year ended December 31, 2013.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

2. PROPERTY AND EQUIPMENT

The organization records property at cost and provides for depreciation using the straight-line method over the estimated useful life of the asset (furniture and fixtures and office equipment; five—ten years). Maintenance and repairs are expensed as paid; major renewals or betterments are capitalized. A summary of property at December 31, 2014 and 2013 is as follows:

	2014	2013
Furnishings and equipment	\$ 167,192	\$ 104,684
Leasehold improvements	319,746	319,746
	486,938	424,430
Less accumulated depreciation	(111,335)	(65,464)
Property, net	\$ 375,603	\$ 358,966

3. EXPENSE ALLOCATION

The cost of providing various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on estimates made by the Ministry's management.

4. OPERATING LEASES

The Ministry has non-cancelable operating leases, primarily for various forms of equipment that expire on various dates as well as the office building. Those leases generally contain renewal options and require the Ministry to pay all executory costs such as taxes, maintenance and insurance. Rental expenses amounted to \$57,982 and \$62,601 for the years ended December 31, 2014 and 2013, respectively, and is included in office expense.

Minimum lease payments under operating leases as of December 31, 2014 are as follows:

Years Ending December 31:	
2014	\$63,023
2015	62,708
2016	69,816
2017	69,816
2018	66,816

Lease terms for the office building provide for a ten year lease with two additional five year extensions with current monthly payments of \$4,000 which is reflected above. Terms provide for an option to purchase the building for an amount provided by the contract which is adjusted annually. As of February 2015, the purchase price was \$574,167 and will adjust annually with a rate of 5.5% applied to the outstanding balance. As of December 31, 2014, the Ministry has paid and additional \$100,000 towards the purchase of the building.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
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5. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Ministry to concentrations of credit risk, consist principally of cash, cash equivalents and member receivables. The Ministry maintains its cash and cash equivalents with a federally insured financial institution located in North Carolina. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the Ministry had deposits in excess of FDIC limits in the amount of \$788,586. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

6. JOINT COSTS

The Ministry incurs compensation and benefits expense for employees that affects program expense, supporting expense, and fundraising expense. Total compensation and benefits expense for the years ended December 31, 2014 and 2013 were \$1,482,405 and \$989,912, respectively. The Ministry allocated \$755,498 and \$487,804, respectively, to program expense, \$569,677 and \$422,618, respectively, to supporting services expense, and \$157,230 and \$79,491, respectively, to fundraising expense.

7. RELATED PARTY TRANSACTIONS

The Ministry reimbursed a company owned by a related party of the president for actual pilot and fuel expenses for an airplane used for ministry purposes. The amount paid to this company is considered at market or below market price. Speaking fees and expenses received by and paid by the president are not reflected in these statements.

The Ministry receives contributions from members of the Executive Team and Board of Directors. Total contributions from these individuals in 2014 and 2013 were \$185,440 and \$110,755, respectively.

8. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Ministry distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Pledges are expected to be realized in the following periods:

	<u>2014</u>
In one year or less	\$ 40,000
Between one year and five years	<u>30,000</u>
	70,000
Less:	
Allowance for uncollectible pledges	-
Discount, at 6%	<u>(2,768)</u>
	<u>\$ 67,232</u>

9. PRIOR PERIOD ADJUSTMENT

Upon review of sales tax receivable as of December 31, 2014, the Ministry discovered that sales tax receivable had been overstated. Certain amounts were originally recorded as receivable, but actually were not receivable by the Ministry. The amounts should have been expensed. Accordingly, the

THE PROVERBS 31 MINISTRY, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

Ministry restated its results for the affected year.

The effect of the restatement on the change in unrestricted net assets and financial position as of and for the year ended December 31, 2013 is as follows:

	2013	
	As previously reported	Restated
Total conference expense	\$ 527,058	\$ 528,894
Change in net assets	371,167	369,331
Sales tax receivable	39,535	28,650
Net assets	896,509	885,624

\$9,049 of the prior period adjustment to sales tax receivable applies to the year ended December 31, 2012. For the year ended December 31, 2012, total conference expense was understated by \$9,049, sales tax receivable was overstated by \$9,049, and net assets as of December 31, 2012 were overstated by \$9,049.

10. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through May 13, 2015, the date on which the financial statements were available to be issued. The only subsequent event identified by management is the purchase of land in Charlotte, North Carolina, that is for the purpose of building a new office and moving out of the current building that the Ministry has been leasing (see Note 4). As of May 13, 2015, earnest money of \$25,000 has been paid. The purchase price of the land is \$740,000.