

THE PROVERBS 31 MINISTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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THE PROVERBS 31 MINISTRY, INC.
YEARS ENDED DECEMBER 31, 2015 AND 2014

CONTENTS

Independent Auditor’s Report.....	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets.....	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10

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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, 2015 and 2014, and the related statements of activities and changes in net assets 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

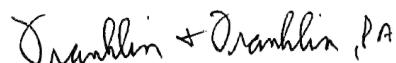
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 The Proverbs 31 Ministry, Inc. as of December 31, 2015 and 2014, 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

April 13, 2016

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 1,393,396	\$ 1,125,772
Accounts and other receivables	8,326	33,685
Receivable due from prior employee	-	14,065
Pledges receivable	50,000	40,000
Investments	202,204	-
Inventories	29,380	93,210
Prepaid expenses	28,779	5,637
TOTAL CURRENT ASSETS	1,712,085	1,312,369
OTHER ASSETS:		
Cash and cash equivalents - temporarily restricted	185,131	69,732
Pledges receivable, net of discount (\$2,768 in 2015 and \$2,768 in 2014)	17,232	27,232
Property and equipment, net	426,592	375,603
Building debt reduction (Note 8)	100,000	100,000
TOTAL OTHER ASSETS	728,955	572,567
TOTAL ASSETS	\$ 2,441,040	\$ 1,884,936
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 57,911	\$ 32,529
Accrued PTO liability	31,946	-
Employee 401(k) liability	10,688	-
Deferred revenue	54,795	114,278
TOTAL CURRENT LIABILITIES	155,340	146,807
LONG-TERM DEBT	-	-
	155,340	146,807
NET ASSETS:		
Unrestricted net assets	2,100,569	1,668,397
Temporarily restricted net assets	185,131	69,732
TOTAL NET ASSETS	2,285,700	1,738,129
TOTAL LIABILITIES AND NET ASSETS	\$ 2,441,040	\$ 1,884,936

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

CHANGES IN UNRESTRICTED NET ASSETS:	2015	2014
SUPPORT AND REVENUE:		
Contributions	\$ 1,535,756	\$ 1,311,972
Resource sales, net of cost of goods sold - \$1,060,849 for 2015 and \$974,708 for 2014.	786,997	629,062
Ministry training	649,111	585,192
Conference income	581,060	563,005
Speaking ministry income	105,643	47,409
Special projects	622	51,420
Loss on investments	(3,077)	-
Miscellaneous income (expense)	(10,100)	4,146
Net assets released from restrictions	234,749	50,000
TOTAL SUPPORT AND REVENUE	3,880,761	3,242,206
EXPENSES:		
Program Expenses:		
Compensation and benefits	1,492,530	755,498
Conferences	356,410	303,535
Ministry training	257,170	151,040
Consulting	117,664	2,307
Office expense	114,403	-
Other ministry expenses	92,949	50,008
Volunteer and staff expense	41,329	24,635
Travel expense	28,947	-
Radio expense	25,590	32,391
Ministry gifts	-	25,000
Depreciation	60,491	53,795
Total program expense	2,587,483	1,398,209
Supporting Services:		
Compensation and benefits	388,434	569,677
Travel expense	38,078	79,444
Online processing fees	62,961	44,750
Professional fees	34,243	34,735
Office expense	28,098	112,306
Marketing expense	18,245	19,576
Total supporting services expense	570,059	860,488
Fundraising:		
Compensation and benefits	213,561	157,230
Mid-year and year-end letter	56,256	30,828
Office expense	16,098	-
Fundraising - other	5,132	12,678
Total fundraising expense	291,047	200,736
TOTAL EXPENSES	3,448,589	2,459,433
CHANGE IN UNRESTRICTED NET ASSETS	432,172	782,773
TEMPORARILY RESTRICTED NET ASSETS:		
Restricted contributions	350,148	119,732
Net assets released from restrictions	(234,749)	(50,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	115,399	69,732
CHANGE IN NET ASSETS	547,571	852,505
NET ASSETS, BEGINNING OF YEAR	1,738,129	885,624
NET ASSETS, END OF YEAR	\$ 2,285,700	\$ 1,738,129

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 547,571	\$ 852,505
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,491	53,795
Changes in operating assets and liabilities:		
accounts and other receivables	25,359	(5,035)
receivable due from prior employee	14,065	3,700
pledges receivable	-	(67,232)
investments	(202,204)	-
inventories	63,830	(68,997)
prepaid expenses	(23,142)	1,637
building debt reduction	-	(100,000)
accounts payable	25,382	(12,612)
accrued PTO liability	31,946	-
employee 401(k) liability	10,688	-
deferred revenue	(59,483)	58,627
Net cash provided by operating activities	494,503	716,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(111,480)	(70,432)
Net cash used for investing activities	(111,480)	(70,432)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in cash	383,023	645,956
Cash and cash equivalents at beginning of year	1,195,504	549,548
Cash and cash equivalents at end of year	\$ 1,578,527	\$ 1,195,504
Cash and cash equivalents-unrestricted	\$ 1,393,396	\$ 1,125,772
Cash and cash equivalents- temporarily restricted	185,131	69,732
	\$ 1,578,527	\$ 1,195,504

No taxes were paid for 2015 and 2014.

Cash paid for interest was \$-0- for 2015 and 2014.

See accompanying notes to financial statements.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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 Ministry 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.

Unrestricted net assets – Net assets that have not been restricted by donors and are available for any purpose at the Ministry's discretion.

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Ministry. The Ministry did not hold any permanently restricted net assets as of December 31, 2015 and 2014.

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, 2015 and 2014, the Ministry had an outstanding receivable from a former employee in the amount of \$-0- and \$14,065, respectively, and other receivables of \$8,326 and \$33,685, 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.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015, gross sales were \$1,847,846 less cost of goods sold of \$1,060,849, resulting in net sales of \$786,997. 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.

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.

Accrued PTO Liability

Effective January 1, 2015, employees may carry forward a limited amount of Personal Time Off (PTO) from one calendar year to another.

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.

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.

THE PROVERBS 31 MINISTRY, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014

Functional Allocation of Expenses

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

Reclassification

Some 2014 amounts were reclassified to conform to the 2015 presentation. Net assets and the change in net assets were not affected by these reclassifications.

2. 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:

	2015	2014
In one year or less	\$ 50,000	\$ 40,000
Between one year and five years	20,000	30,000
	70,000	70,000
Less:		
Allowance for uncollectible pledges	-	-
Discount, at 6%	(2,768)	(2,768)
	\$ 67,232	\$ 67,232

3. INVESTMENTS

As of December 31, 2015, the Ministry held mutual funds in the amount of \$202,204. These indexed mutual funds are carried at fair value based on quoted prices in active markets (Level 1 investments). The net loss on this investment account, \$3,077, is reflected in the statement of activities and changes in net assets for the year ended December 31, 2015.

4. PROPERTY AND EQUIPMENT

The organization records property at cost (fair value, if donated) 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, 2015 and 2014 is as follows:

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Furnishings and equipment	\$ 202,272	\$ 167,192
Leasehold improvements	319,746	319,746
Building CIP	72,655	-
	594,673	486,938
Less accumulated depreciation	(168,081)	(111,335)
Property, net	\$ 426,592	\$ 375,603

5. DEFINED CONTRIBUTION PENSION PLAN

Effective January 1, 2015, the Ministry maintains a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to participate after six months (1,000 hours) of service. The Ministry will match plan contributions up to 4% of wages, excluding bonuses, overtime, and commission. Employer contributions during the year ended December 31, 2015 were \$37,413.

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, 2015 and 2014 were \$2,094,525 and \$1,482,405, respectively. The Ministry allocated \$1,492,530 and \$755,498, respectively, to program expense, \$388,434 and \$569,677, respectively, to supporting services expense, and \$213,561 and \$157,230, respectively, to fundraising expense.

7. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2015 and 2014, temporarily restricted net assets are as follows:

	2015	2014
She Speaks	\$ -0-	\$ 12,500
Building Expansion Fund	26,216	57,232
First Five Mobile App	158,915	-0-
Total Temporarily Restricted Net Assets	\$ 185,131	\$ 69,732

8. OPERATING LEASES

The Ministry has non-cancelable operating leases, primarily for various forms of office equipment, their main office building, and a second, smaller, leased office space. 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 \$89,537 and \$57,982 for the years ended December 31, 2015 and 2014, respectively, and is included in office expense on the statement of activities and changes in net assets. The Ministry also signed a 12-month contract for software services in October 2015. A portion of this contract is payable in 2016.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Future minimum lease payments under operating leases as of December 31, 2015 are as follows:

Years Ending December 31:	
2016	\$103,416
2017	83,816
2018	66,816
2019	63,816
2020	63,816
2021 and beyond	116,996

Lease terms for the main 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, 2015, the Ministry has paid an additional \$100,000 towards the purchase of the building.

9. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Ministry to concentrations of credit risk, consist principally of cash, cash equivalents and mutual funds. The Ministry maintains its cash accounts 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, 2015, the Ministry had deposits in excess of FDIC limits in the amount of \$376,760. The mutual funds are held at an investment company that is protected under the Securities Investor Protection Corporation, which provides coverage up to \$500,000, including \$250,000 in cash. At December 31, 2015, the Ministry held \$700,005 of cash in the investment company account. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

10. CONCENTRATION OF PURCHASES

During the year 2015, an e-commerce company took over the processing and fulfillment of all resource sales and maintained all inventory. As a result, payments to this vendor increased significantly. Total disbursements to this e-commerce company totaled \$815,460 for the year ended December 31, 2015.

11. 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 2015 and 2014 were \$154,008 and \$185,440, respectively.

12. LINE OF CREDIT

The Ministry opened a line of credit in November 2015 in the amount of \$700,000, which is secured by cash and cash equivalents. As of December 31, 2015, the Ministry has not drawn on the line.

THE PROVERBS 31 MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

13. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through April 13, 2016, the date on which the financial statements were available to be issued. The Ministry purchased land on April 7, 2016 on which the new campus will be constructed. The purchase price of the land was \$740,000. The Ministry drew \$630,000 on their line of credit to finance the purchase.