

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
AUDITED FINANCIAL STATEMENTS
For the year ended December 31, 2016**



Church Accounting Management & Stewardship

John W. Spann Jr.
Certified Public Accountant

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
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Year Ended December 31, 2016**

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Report of Independent Auditors

Board of Christian Education Audit Committee:
DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE AFRICAN METHODIST EPISCOPAL ZION CHURCH which comprise statements of financial position as of December 31, 2016 and the related statements of activities, and functional expenses for the year 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 DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE'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 DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE'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 DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE as of December 31, 2016, and related statement of activities, and functional expenses for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "John W. Spann Jr. C.P.A." The signature is written in a cursive style with a large initial 'J'.

CAMS Ministries
John W. Spann Jr. C.P.A.
Charlotte, North Carolina
June 23, 2017

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2016**

<u>ASSETS</u>	Christian Education Division	Literature Division	Total
Current Assets:			
Cash and cash equivalents (Note 3)	\$ 249,720	\$ 45,385	\$ 295,105
Account receivables, net (Note 4)	609	-	609
Prepayments and other assets	7,851	-	7,851
<u>Total Current Assets</u>	<u>258,180</u>	<u>45,385</u>	<u>303,565</u>
Property and Equipment, net (Note 5)	44,240	4,430	48,670
<u>TOTAL ASSETS</u>	<u>\$ 302,420</u>	<u>\$ 49,815</u>	<u>\$ 352,235</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable (Note 6)	\$ 175,325	\$ 10,935	\$ 186,260
Current portion capital lease (Note 7)	14,513	-	14,513
<u>Total Current Liabilities</u>	<u>189,838</u>	<u>10,935</u>	<u>200,773</u>
Long-Term Liabilities:			
Capital lease (Note 7)	24,856	-	24,856
<u>Total Liabilities</u>	<u>\$ 214,694</u>	<u>\$ 10,935</u>	<u>\$ 225,629</u>
Net Assets			
Unrestricted	28,415	38,880	67,295
Temporarily restricted (Note 8)	59,311	-	59,311
<u>Total Net Assets</u>	<u>87,726</u>	<u>38,880</u>	<u>126,606</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 302,420</u>	<u>\$ 49,815</u>	<u>\$ 352,235</u>

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

	Christian Education Division	Church School Literature Division	Total
SUPPORT AND REVENUE			
Christian Education Division			
Allocation-Connectional Budget Department	\$ 95,000	\$ 75,000	\$ 170,000
Allocation-Publishing House	-	6,250	6,250
Subscription revenue	-	94,550	94,550
Vision focus revenue	-	16,920	16,920
Rebate and other contractual items	29,709	-	29,709
Interest income	5	-	5
Christian Education Conferences revenues	277,901	-	277,901
Offerings	42,332	-	42,332
Literature revenue	7,698	-	7,698
Merchandise and other event revenues	14,930	-	14,930
Other Revenue	41,699	1,190	42,889
TOTAL	\$ 509,274	\$ 193,910	\$ 703,184
EXPENSES			
Program Services:			
CED Store	426	-	\$ 426
Connectional	11,097	-	11,097
Ecumenical	5,645	-	5,645
Educational Institution	14,241	-	14,241
Home and Church	1,275	-	1,275
Convention	346,603	-	346,603
Literature	-	179,849	179,849
Other CED departments	35,635	-	35,635
Support Services			
Management and General	93,056	8,835	101,891
TOTAL	\$ 507,978	\$ 188,684	\$ 696,662
CHANGE IN NET ASSETS	\$ 1,296	\$ 5,226	\$ 6,522
PRIOR PERIOD ADJUSTMENT	\$ 1,034	\$ (2,533)	\$ (1,499)
NET ASSETS, BEGINNING	\$ 85,396	\$ 36,187	121,583
NET ASSETS, ENDING	\$ 87,726	\$ 38,880	\$ 126,606

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ending December 31, 2016**

	Program Services								Support Services		
	CED Store	Connectional	Ecumenical	Educational Institution	Home and Church	Convention	Literature	Other CED Departments	Total	Management and General	Total
Expenses:											
Salaries and related expenses	-	-	-	-	-	-	74,291	-	74,291	41,608	115,899
Contracted services	376	-	-	-	-	810	6,085	30	7,301	9,466	16,767
Materials and supplies	-	-	-	-	-	172	-	-	172	3,777	3,949
Facilities and equipment expenses	-	-	-	-	-	-	-	-	-	7,219	7,219
Business expenses	-	522	-	132	-	12,002	12,462	320	25,438	12,349	37,787
Travel	-	9,304	1,835	2,859	500	1,584	4,399	-	20,481	8,276	28,757
Staff retreat and development	-	-	-	-	-	-	-	6,653	6,653	-	6,653
Outreach	50	1,271	3,810	1,000	775	-	5,000	-	11,906	625	12,531
Depreciation expense	-	-	-	-	-	-	5,906	-	5,906	6,115	12,021
Departmental related expenses	-	-	-	-	-	-	-	28,632	28,632	-	28,632
Publishing consultant	-	-	-	-	-	-	16,335	-	16,335	-	16,335
Production and shipping	-	-	-	-	-	-	55,371	-	55,371	-	55,371
Event management (Note 9)	-	-	-	-	-	332,035	-	-	332,035	-	332,035
Other expenses	-	-	-	10,250	-	-	-	-	10,250	12,456	22,706
Total Expense	426	11,097	5,645	14,241	1,275	346,603	179,849	35,635	594,771	101,891	696,662

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 1- ORGANIZATION AND PURPOSE

Christian Education Division

The Christian Education Department (“the Department”), a non-profit organization, provides ministries and is dedicated to spreading the Gospel through effective educational programs to the people of African Methodist Episcopal Zion Church. The Department is a part of the African Methodist Episcopal Zion Church and is supported primarily through allocation from the general church and by educational conferences and conventions.

Literature Division

The Literature Division of the Church produces Sunday school lessons and children's ministry curriculum from toddlers to grade school, middle school, teens and adults. These lessons are Bible based and are used to develop your understanding and knowledge of the Bible. In addition to the Sunday school lesson, the Literature Division produces the Church School Herald, a teacher’s resource guide for the weekly lesson and quarterly overview. The Department receives subscription revenues for the Church School Herald. Subscription are collected by each non-overseas conferences of the AME Zion church and forwarded to the Department. The Quarterly Sunday School literature is sold by the AME Zion Publishing House. Subscription revenues in the 2016 financial statements are recognized when received. Effective January 1, 2017, Revenues from subscriptions are deferred and recognized ratably over the period of the subscription, generally one year.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

All divisions of the Department of Christian Education use the accrual basis of accounting. In 2016, the Literature Division of the Department was moved from the cash basis of accounting to the accrual basis of accounting. The Cash basis of accounting reports when cash goes in and goes out of the organization, whereas accrual accounting spreads costs and revenues over time and tries to report revenues when it is earned and expenses when they are incurred.

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

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial Statement Presentation - Continued

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 the Department or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Department. The Department had no permanently restricted net assets as of December 31, 2016.

The amount for each of these classes of net assets is presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For financial statement purposes, the Department considers all cash and all highly liquid investments, which have maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Department provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Department's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Department's estimate of the allowance for doubtful accounts will change. As of December 31, 2016, the Department considered all unpaid registration as uncollectable.

Events

The Department hosts one annual meeting for the sole purpose to educate all children, youth, young adult, women and men of the AME Zion Department. Registrations are recorded as revenue. In addition, the Department receives donations for Founder's Day and other ministries, which are reported 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH
NOTES TO THE FINANCIAL STATEMENTS**
For The Year Ending December 31, 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Property and Equipment

Equipment is carried at cost, or if contributed, at fair market value at date of a gift. Depreciable assets are depreciated using the straight-line method over their estimated useful lives ranging from 3 years to 40 years. Repairs and maintenance are charged to expense as incurred.

Donated Services

A substantial number of unpaid volunteers make significant contributions of their time to enhance the Department's programs and fundraising activities. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Tax Status

The Department is exempt from income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of the financial statements. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from these estimates.

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 3- CASH AND CASH EQUIVALENTS

Cash as of December 31, 2016 consisted of the following:

Christian Education Division

Principal bank accounts

Administrative	\$ 2,034
Conventions	20,499
Credit card	176,653
Christian education department foundation	700
Christian education department store	1,223
Capital One	0
Total principal bank accounts	<u>201,109</u>

Departmental accounts

Varick international Christian youth council	1,171
Varick children	77
Assembly of Christian educators	45,898
Young adult in Christian ministries	1,465
Total departmental account held in trust	<u>48,611</u>

Total cash and cash equivalents \$ 249,720

Literature Division \$ 45,385

Total Cash and cash equivalents \$ 295,105

NOTE 4 - ACCOUNTS RECEIVABLES

Accounts Receivable as of December 31, 2016 consisted of the following:

Dove profit share	\$ 300
Other	<u>309</u>
Total Account receivables	<u>\$ 609</u>

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment for years ending December 31, 2016 consisted of the following:

Christian Education Division

Capital Assets, being depreciated

Equipment	\$ 65,183
Less accumulated depreciation	<u>20,943</u>

Total capital assets, net \$ 44,240

Literature Division

Capital Assets, being depreciated

Equipment	\$ 10,336
Less accumulated depreciation	<u>5,906</u>

Total capital assets, net \$ 4,430

Total capital assets, net \$ 48,670

NOTE 6 - ACCOUNTS PAYABLES

Accounts Payable as of December 31, 2016 consisted of the following:

Christian Education Division

Marriot Hotel, DC Winter Meeting	\$ 118,473
Awarded Roosevelt Thompson Scholarship	9,000
Livingstone College Donation	10,000
Honoraria and other payables	<u>37,852</u>

Total christian education division \$ 175,325

Literature Division \$ 10,935

Total accounts payable \$ 186,260

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 7 - CAPITAL LEASES

The Department has entered into agreements to lease copiers. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The Department's liability on lease agreements with options to purchase is summarized below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 14,513	\$ 2,634	\$ 17,147
2018	11,384	1,739	13,123
2019	10,730	1,030	11,760
2020	2,742	293	3,035
	<u>\$ 39,369</u>	<u>\$ 5,696</u>	<u>\$ 45,065</u>

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS
RELEASED FROM RESTRICTION**

Temporarily restricted net assets at 2016 consisted of the following:

Livingstone College	\$ 10,000
Christian education department foundation	700
Departmental accounts	
Varick international christian youth council	1,171
Varick children	77
Assembly of christian educators	45,898
Young adult in christian ministries	<u>1,465</u>
Total departmental account held in trust by Christian Education Division	<u>\$ 59,311</u>

During 2016, net assets were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 8- SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2017, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

The accompanying notes are an integral part of the financial statements.

**DEPARTMENT OF CHRISTIAN EDUCATION AND LITERATURE OF THE
AFRICAN METHODIST EPISCOPAL ZION CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ending December 31, 2016

NOTE 9 - EVENT MANAGEMENT

The Department holds an annual Winter Meeting to train the children, youth, young adults and adults of the AME Zion Church. Comparative expenditures for the calendar years ending December 31, 2016 were:

Lodging	\$	48,060
Catering		79,384
Audio/visual		73,752
Honoraria		62,502
Merchandise		23,561
Scholarships		9,000
Convention management software		11,375
Other conference related expenses		<u>24,401</u>
Total event management expenditures	\$	<u>332,035</u>

The accompanying notes are an integral part of the financial statements.

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