

**ZION BENEFITS SERVICES, INC.
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

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
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J. Welton Spann Jr.
Certified Public Accountant

PO Box 16880 Charlotte, NC 28297
704.577.7341 Phone
866.838.4912 Fax

Report of Independent Auditors

**Connectional Trustees Board of
ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH**
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying statements of ZION BENEFITS SERVICES, INC. of the African Methodist Episcopal Zion Church (ZBS), which comprise statements of financial position as of December 31, 2016 and the related statements of activities, functional expenses and cash flows 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 ZBS'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 ZBS'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 ZBS's as of December 31, 2016, and related statement of activities, functional expenses and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "John W. Spann Jr. C.P.A." The signature is written in black ink and is positioned above the typed name and title.

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

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Statement of Financial Position
As of December 31, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	Note 3	\$	132,139
Insurance Premiums Receivable-Net	Note 4		11,834
Prepaid Insurance			711,357
Total Current Assets			855,330
Property and Equipment, net			8,681

TOTAL ASSETS **\$ 864,011**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable			2,020
Loan Payable			525,389
Total Current Liabilities			527,409
Total Liabilities			527,409

Net Assets

Unrestricted			336,602
Total Net Assets			336,602

TOTAL LIABILITIES AND NET ASSETS **\$ 864,011**

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

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Statement of Activities
Year Ended December 31, 2016

SUPPORT AND REVENUE

Allocations-Connectional Budget Department	\$ 760,321
Premium Revenue	1,608,652
401K Investements	21,715
Other Income	8,718
<i>TOTAL</i>	\$ 2,399,406

EXPENSES

Program Services:

Varick Insurance and Property Claim Loss Programs	\$ 1,439,895
Pastor's Retirement & Life Insurance	453,927
Ministerial Relief	291,950

Support Services

Management and General	9,125
<i>TOTAL</i>	\$ 2,194,897

<i>CHANGE IN NET ASSETS</i>	\$ 204,509
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<i>PRIOR PERIOD ADJUSTMENT</i>	\$ (179,087)
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<i>NET ASSETS, BEGINNING</i>	\$ 311,180
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<i>NET ASSETS, ENDING</i>	\$ 336,602
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The accompanying notes are an integral part of the financial statements.

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Statement of Functional Expenses
Year Ended December 31, 2016

	Insurance and Property Claim Loss Programs	Pastor's Retirement & Life Insurance	Ministerial Relief	Totals	Management and General	Totals
<u>PERSONNEL</u>						
Salaries	\$ 33,852	\$ 25,389	\$ 16,926	\$ 76,167	\$ 8,462	\$ 84,629
Payroll Taxes	2,650	1,988	1,325	5,963	663	6,626
<i>Total</i>	<i>\$ 36,502</i>	<i>\$ 27,377</i>	<i>\$ 18,251</i>	<i>\$ 82,130</i>	<i>\$ 9,125</i>	<i>\$ 91,255</i>
<u>OTHER EXPENSES</u>						
Information Technology	\$ 2,845	\$ 1,707	\$ 1,138	\$ 5,690	\$ -	\$ 5,690
Claims on Loss Fund	352,817	-	-	352,817	-	352,817
Property Insurance Premiums	898,086	-	-	898,086	-	898,086
401 K Premiums	-	21,715	-	21,715	-	21,715
Relief for Widows and Widowers	-	-	252,692	252,692	-	252,692
Retired Pastors Benefits	-	253,947	-	253,947	-	253,947
Life Insurance Premiums	-	116,973	-	116,973	-	116,973
Professional Fees	114,719	9,618	4,888	129,225	-	129,225
Bank and Service Charges	8,082	4,844	3,229	16,155	-	16,155
Federal Compliances Fees	-	3,652	3,652	7,304	-	7,304
Telecommunications	3,430	2,058	1,372	6,860	-	6,860
Bad Debt Expense	2,633	1,580	1,053	5,266	-	5,266
Travel and Lodging	3,211	1,927	1,285	6,423	-	6,423
Interest	6,596	-	-	6,596	-	6,596
Depreciation	759	2,400	303	3,462	-	3,462
Postage	1,311	786	524	2,621	-	2,621
Office Expense	4,534	2,721	1,814	9,069	-	9,069
Food	201	121	81	403	-	403
Charitable Contributions	1,104	662	442	2,208	-	2,208
Conference/Meetings	1,307	784	523	2,614	-	2,614
Advertising	339	204	136	679	-	679
Other Administrative	1,419	851	567	2,837	-	2,837
<i>Total</i>	<i>\$ 1,403,393</i>	<i>\$ 426,550</i>	<i>\$ 273,699</i>	<i>\$ 2,103,642</i>	<i>\$ -</i>	<i>\$ 2,103,642</i>
TOTAL EXPENSES	\$ 1,439,895	\$ 453,927	\$ 291,950	\$ 2,185,772	\$ 9,125	\$ 2,194,897

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

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Statement of Cash Flows
Year Ended December 31, 2016

OPERATING ACTIVITIES

Change in Net Assets	\$	204,509
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation		3,462
Prior Year Adjustment		(179,087)
(Increase) Decrease in current assets:		
Premiums Receivable		150,253
Prepaid Insurance		(448)
Increase (Decrease) in current liabilities:		
Accounts Payable		1,020
<i>Net Cash Provided By Operating Activities</i>		<i>179,709</i>

INVESTING ACTIVITIES

Purchases of property and equipment		(6,475)
<i>Net Cash Provided By Investing Activities</i>		<i>(6,475)</i>

FINANCING ACTIVITIES

Principal payments on notes payable		(197,979)
<i>Net Cash Provided By Financing Activities</i>		<i>(197,979)</i>

CHANGE IN CASH \$ ***(24,745)***

CASH, BEGINNING \$ ***156,883***

CASH, ENDING \$ ***132,138***

SUPPLEMENTAL INFORMATION

Interest Paid ***6,596***

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

Note 1- Organization and Purpose

The ZION BENEFITS SERVICES, INC. (ZBS) is Department of the A.M.E. Zion church whose purpose is: (1) to provide retirement benefits and self-managed retirement plans for the pastors of African Methodist Episcopal Zion Church (the “Church”), (2) to provide death benefits for the pastors of the Church, (3) to provide relief for living spouses of deceased pastors of the Church and (4) to provide risk management and commercial insurance procurement services to protect the churches of the Church and its affiliated schools and institutions against property and casualty losses.

Note 2 – Summary of significant accounting policies

Basis of accounting – The financial statements of the ZBS have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United State of America.

Basis of presentation – The ZBS’s financial statement presentation follows the recommendations of Financial Accounting Standards Board in Accounting Standards Codification (FASB ASC) Topic 958-205, *Not-For-Profit Entities - Presentation of Financial Statements*. Under ASC 958-205, the ZBS 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. Net assets are defined as follows:

Unrestricted net assets – Unrestricted net assets include resources, which are available for the support of the ZBS’s operating activities.

Temporarily restricted net assets – Temporarily restricted net assets include resources that have been donated to the ZBS subject to restrictions as defined by the donor. These restrictions are met by the action of the ZBS and/or passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets consist of endowment and similar type funds in which the donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may be expended. The ZBS currently has no permanently restricted net assets.

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Notes to the Financial Statements
Year Ended December 31, 2016

Note 2 – Summary of significant accounting policies (continued)

Use of 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents includes balances on deposit in financial institutions, cash on hand and interest bearing money market accounts with an original maturity date of three months or less.

Functional allocation of expenses – The costs of providing the ZBS’s various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Certain costs have been allocated among the programs and supporting services benefited.

Program services – Comprises activities that contribute to the ZBS mission of providing insurance, retirement, relief and risk management for the Church.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the ZBS’s financial and budgetary functions.

Income tax status – The ZBS is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code and from state income taxes under similar provisions of North Carolina tax laws. Consequently, no provision for income taxes has been made in the accompanying statements.

Note 3 – Cash and cash equivalents

Cash and cash equivalents are comprised of the following at December 31, 2016:

Non-interest bearing checking accounts

Insurance Programs	\$	88,548
Retirement and Relief Programs		40,819
Operating		2,773
Total Cash & Cash Equivalents	\$	132,139

ZION BENEFITS SERVICES, INC.
AFRICAN METHODIST EPISCOPAL ZION CHURCH
Notes to the Financial Statements
Year Ended December 31, 2016

Note 4 –Premiums Receivable

Premiums receivable consist primarily of premium-related balances due from policyholders. The balance is shown net of the allowance for doubtful accounts. Receivables due from insured churches are written off when a determination has been made that a specific balance will not be collected based upon the collection efforts of Company personnel. An estimate of amounts that are likely to be written off is established as an allowance for doubtful accounts as of year end. The estimate is primarily comprised of specific balances that are considered probable to be written off after all collection efforts have ceased, as well as historical trends and an analysis of the aging of the receivables.

Insurance Premiums Receivable net of Doubtful premiums is comprised of the following at December 31, 2016:

Premiums Receivable	\$	185,773
Allowance for Doubtful Premiums		<u>(173,939)</u>
Premiums Receivable-Net	\$	<u><u>11,834</u></u>

Note 5- Subsequent Events

Management has evaluated subsequent events through June 20, 2017, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure