

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2013 AND JUNE 30, 2012**

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH**

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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees and Deacons of  
Thirteenth Episcopal District of the African Methodist Episcopal Church  
Nashville, Tennessee

We have audited the accompanying financial statements of Thirteenth Episcopal District of the African Methodist Episcopal Church (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2013, and 2012 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 audits 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 Thirteenth Episcopal District of the African Methodist Episcopal Church as of June 30, 2013, and 2012, 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.

A handwritten signature in blue ink that reads "Hoskins & Company". The signature is written in a cursive style with a small ampersand between the words.

Hoskins & Company

June 16, 2014

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013 AND JUNE 30, 2012**

<b>Assets</b>	<u>2013</u>	<u>2012</u>
<b>Current assets</b>		
Cash	\$ 597,309	\$ 534,325
Due from Presiding Elder Districts (Note 2)	-	67,658
Due from The Anvil (Note 6)	-	20,815
Due from Believe, Inc. (Note 6)	-	946
Total current assets	<u>597,309</u>	<u>623,744</u>
<b>Noncurrent assets</b>		
Property and equipment, net of accumulated depreciation (Note 3)	<u>207,057</u>	<u>223,427</u>
Total noncurrent assets	<u>207,057</u>	<u>223,427</u>
<b>Total assets</b>	<u><u>\$ 804,366</u></u>	<u><u>\$ 847,171</u></u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,350	\$ 127,686
Accrued liabilities	7,675	6,749
Due to AME, Inc. (Note 6)	43,109	38,789
Due To Life Account (Note 6)	14,971	32,760
General Conference Funds (Note 7)	<u>283,808</u>	<u>199,045</u>
Total current liabilities	<u>352,913</u>	<u>405,029</u>
<b>Net assets</b>		
Unrestricted	<u>451,453</u>	<u>442,142</u>
Total net assets	<u>451,453</u>	<u>442,142</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 804,366</u></u>	<u><u>\$ 847,171</u></u>

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

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

<b>Revenue and support</b>	<u>2013</u>	<u>2012</u>
Thirteenth Episcopal District budget	\$ 159,398	\$ 197,617
Thirteenth Episcopal District project	80,601	112,727
Mid-Year	20,295	42,575
Missions	22,759	26,129
Founder's Day	12,795	6,580
Youth Congress	84,576	50,897
Meeting support	10,500	31,758
Donations	-	33,785
Other revenue	<u>123,207</u>	<u>213,128</u>
Total unrestricted revenues and support	<u>514,131</u>	<u>715,196</u>
 <b>Expenses</b>		
District Project	29,200	23,078
District Residence	13,877	15,737
General Conference travel	6,385	13,843
Mid-Year	21,140	65,547
Missions	30,500	18,721
Founder's Day	5,830	16,833
Youth Congress	61,744	43,238
Camp Primm Simmons	253	273
Planning Meeting	16,512	25,606
Donations	14,249	7,170
General & administrative	<u>305,130</u>	<u>442,829</u>
Total expenses	<u>504,820</u>	<u>672,875</u>
Increase in net assets	9,311	42,321
Net assets at beginning of year	<u>442,142</u>	<u>399,821</u>
Net assets at end of year	<u>\$ 451,453</u>	<u>\$ 442,142</u>

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

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

<b>Cash flows from operating activities:</b>	<u>2013</u>	<u>2012</u>
Increase in net assets	\$ 9,311	\$ 42,321
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	16,370	6,840
Prior year net assets adjustments	-	(35,481)
Decrease (increase) in due from Presiding Elder Districts	67,658	41,571
Increase in due from Anvil	20,815	(20,815)
Increase in due from Believe, Inc.	946	(946)
Decrease in prepaid expense	-	5,752
Increase (decrease) in accounts payable	(124,336)	82,799
Increase in accrued liabilities	926	2,127
Decrease in due to The Anvil	-	(9,257)
Increase (decrease) in due to Believe, Inc.	-	(55)
(Decrease) increase in General Conference Funds	84,763	(49,054)
Increase (decrease) in due to AME, Inc.	4,320	13,373
Increase (decrease) in due to Life Account	(17,789)	32,760
Net cash provided by operating activities	<u>62,984</u>	<u>111,935</u>
<b>Cash flows from investing activities:</b>	-	-
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	-	(96,155)
Net cash used in financing activities		<u>(96,155)</u>
Net increase in cash equivalents	62,984	15,780
Cash and cash equivalents, beginning of year	534,325	518,545
<b>Cash and cash equivalents, end of year</b>	<u>\$ 597,309</u>	<u>\$ 534,325</u>
Interest Paid	<u>\$ -</u>	<u>\$ 5,711</u>

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

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Thirteenth Episcopal District of the African Methodist Episcopal Church (the "Organization") is a not-for-profit subsidiary entity of the AME Church denomination, operating as a geographically contiguous grouping of Annual Conferences in Kentucky and Tennessee that work together as administrative subdivisions of the Organization, superintended by one bishop.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Basis of Presentation

The financial statements of the organization have been prepared on the accrual basis of accounting, and accordingly, revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Accounting Standard Codification (FASB ASC 958). Under FASB ASC 958, 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.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor's stipulation that require the asset be invested in perpetuity.



**THIRTEENTH EPISCOPAL DISTRICT OF THE  
AFRICAN METHODIST EPISCOPAL CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Support and Expenses

The Organization's primary source of support is from the Presiding Elder Districts. Contributions are recognized as support when cash or property is received. Contributions received are measured at their fair value and reported as an increase in net assets. The Organization 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, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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

Cash and cash equivalents consist of cash held in checking and savings accounts. At year-end and throughout the year, the Organization's cash balances were deposited in three banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Income Taxes

The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Accordingly no provisions for income taxes are applicable.

Depreciation

Fixed assets are recorded at cost at the date of purchase or fair value at the date of donation. Capital purchases and donations over \$1,000 with an extended useful life are included as fixed assets. Depreciation is taken on a straight-line basis over the estimated useful life of the assets. The estimated useful lives are as follows:

Buildings	25 years
Leasehold improvements	20 years
Furniture and fixtures	5-7 years

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 2---DUE FROM PRESIDING ELDERS DISTRICTS**

Due from Presiding Elders Districts are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is determined based on management's estimate of the uncollectible amount. In 2013, this amount was written down to zero by management. Accounts receivable as of June 30, 2013 and 2012 were as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Due from Presiding Elders Districts	\$ -	\$ 69,750
Less: Allowance for doubtful accounts		2,092
Net Presiding Elder accounts receivable	<u>\$ -</u>	<u>\$ 67,658</u>

**NOTE 3---CAPITAL ASSETS**

The Organization has capital assets recorded at cost at the time of acquisition or at the fair market value at the time of donation. These assets include:

- Land includes two parking lots located in Memphis, Tennessee
- Furniture and Fixtures include office furniture, computers and peripherals
- Buildings include a single family home located in Brentwood, Tennessee
- Construction in progress includes stabilization of church property in Memphis, Tennessee

Depreciation expense as of June 30, 2013 and 2012 was \$16,370 and \$6,840, respectively. A summary of property and equipment as of June 30, 2013 and 2012 were as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 15,000	\$ 15,000
Building	4,324	4,324
Fixture and equipment	196,000	196,000
Construction in progress	142,957	142,957
Less: accumulated depreciation	(151,244)	(134,854)
Total	<u>\$ 207,057</u>	<u>\$ 223,427</u>

**NOTE 4---CONCENTRATION OF REVENUE**

The Organization obtained more than 90% of its revenue from the seven Presiding Elder Districts comprised to make up the Thirteenth Episcopal District of the AME Church. Any change in resources surrounding the Elder Districts will significantly affect the Organization's revenue.

**THIRTEENTH EPISCOPAL DISTRICT OF THE  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NOTE 5---OPERATING LEASES**

There are no minimum lease payments for the 2013 fiscal year.

**NOTE 6---RELATED PARTY TRANSACTIONS**

Effective April 1, 2009, the Organization leased office space under an informal lease agreement with an affiliated organization. The lease was renewed for one year effective August 1, 2012. Lease expense as of June 30, 2013 and 2012 were \$12,600.

The future minimum lease payment is as follows:

2014	\$ 12,600
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The Organization records loans and advances among affiliated church organizations as due to and due from related parties. As of June 30, 2013, and 2012 due from The Anvil was \$0 and \$20,815, and due from Believe, Inc. was \$0 and \$946.

As of June 30, 2013, and 2012 due to AME, Inc. was \$43,10 and \$38,789, and due to Life Account participants was \$14,971 and \$32,760, respectively.

**NOTE 7---GENERAL CONFERENCE FUND**

The Organization created a General Conference Fund account to support the Organization's participation in the General Conference of the African Methodist Episcopal Church. This general Conference is held every four years. The Organization considers the General Conference account a deferred revenue account and the balance as of June 30, 2013 and 2012 was \$283,808 and \$199,045, respectively.

**NOTE 9---SUBSEQUENT EVENTS**

There were no other subsequent events requiring disclosure as of June 16, 2014 the date management evaluated such events. The financial statements were available to be issued on June 16, 2014.