

**ANDREW WOMMACK
MINISTRIES, INC.**

FINANCIAL STATEMENTS

September 30, 2011



EB&K

Erickson, Brown & Kloster, P.C.
Certified Public Accountants

ANDREW WOMMACK MINISTRIES, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Andrew Wommack Ministries, Inc.
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of **Andrew Wommack Ministries, Inc.** (a not-for-profit organization) as of September 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Andrew Wommack Ministries, Inc.** as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Erickson, Brown & Kloster, P.C.

Colorado Springs, Colorado
January 10, 2012

ANDREW WOMMACK MINISTRIES, INC.
Statement of Financial Position
September 30, 2011

Assets

Cash	\$ 5,747,366
Investments	1,148,445
Accounts receivable	130,270
Inventory	232,329
Prepaid expenses	128,881
Cash restricted for capital improvements	3,110,112
Property and equipment, net	<u>12,726,884</u>
	<u><u>\$ 23,224,287</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 960,922
Accrued expenses	311,783
Deferred revenue	734,228
Notes payable	<u>4,508,913</u>
	<u>6,515,846</u>

Net assets:

Unrestricted net assets	12,855,889
Temporarily restricted net assets	<u>3,852,552</u>
	<u>16,708,441</u>
	<u><u>\$ 23,224,287</u></u>

See accompanying notes.

ANDREW WOMMACK MINISTRIES, INC.
Statement of Activities
Year ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Offerings	\$ 23,387,275	\$ 1,945,835	\$ 25,333,110
Meetings and conferences offerings	751,726	-	751,726
Product offerings	502,598	-	502,598
Bible colleges	3,008,249	-	3,008,249
Other revenue	130,730	-	130,730
Investment income	26,760	-	26,760
Net assets released from restrictions	20,964	(20,964)	-
Total support and revenue	<u>27,828,302</u>	<u>1,924,871</u>	<u>29,753,173</u>
Expenses:			
Program:			
Teaching ministry	16,990,810	-	16,990,810
Bible colleges	3,477,014	-	3,477,014
Total program	20,467,824	-	20,467,824
General and administrative	977,976	-	977,976
Fundraising	1,946,633	-	1,946,633
Total expenses	<u>23,392,433</u>	<u>-</u>	<u>23,392,433</u>
Change in net assets	4,435,869	1,924,871	6,360,740
Net assets, beginning of year, as previously reported	8,990,579	1,927,681	10,918,260
Less: prior period adjustment (note 11)	(570,559)	-	(570,559)
Net assets, end of year	<u>\$ 12,855,889</u>	<u>\$ 3,852,552</u>	<u>\$ 16,708,441</u>

See accompanying notes.

ANDREW WOMMACK MINISTRIES, INC.
Statement of Functional Expenses
Year ended September 30, 2011

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 3,722,179	\$ 1,118,408	\$ 4,840,587	\$ 742,141	\$ 329,157	\$ 5,911,885
Employee benefits	193,615	151,762	345,377	29,027	36,396	410,800
Payroll taxes	261,594	78,602	340,196	52,158	23,134	415,488
Total salaries and related expenses	4,177,388	1,348,772	5,526,160	823,326	388,687	6,738,173
Broadcast air time	7,996,370	-	7,996,370	-	878,865	8,875,235
Postage and shipping	770,874	58,517	829,391	5,937	145,254	980,582
Supplies	515,938	270,039	785,977	3,974	97,217	887,168
Printing and publications	622,422	39,744	662,166	-	183,893	846,059
Travel	257,185	588,938	846,123	3,690	8,126	857,939
Cost of multi-media materials	632,663	144,310	776,973	-	-	776,973
Contributions	711,578	-	711,578	-	-	711,578
Occupancy	100,269	314,721	414,990	11,796	5,898	432,684
Dues, fees and subscriptions	106,746	60,493	167,239	15,249	182,993	365,481
Interest	219,235	10,826	230,061	27,066	13,533	270,660
Honorariums	78,598	177,506	256,104	-	-	256,104
Mission outreach	-	254,161	254,161	-	-	254,161
Meeting rooms	124,713	44,436	169,149	-	-	169,149
Equipment rental and maintenance	108,013	36,897	144,910	12,707	6,354	163,971
Professional fees	53,136	15,967	69,103	10,594	4,699	84,396
Telephone	42,150	21,347	63,497	8,404	3,727	75,628
Public relations	46,608	25,626	72,234	-	-	72,234
Employee morale	20,465	6,227	26,692	4,080	1,810	32,582
Insurance	15,813	13,885	29,698	1,860	930	32,488
Consulting	5,097	8,356	13,453	-	-	13,453
Education	2,801	-	2,801	-	-	2,801
Total expenses before depreciation	16,608,062	3,440,768	20,048,830	928,683	1,921,986	22,899,499
Depreciation	382,748	36,246	418,994	49,293	24,647	492,934
Total expenses	<u>\$ 16,990,810</u>	<u>\$ 3,477,014</u>	<u>\$ 20,467,824</u>	<u>\$ 977,976</u>	<u>\$ 1,946,633</u>	<u>\$ 23,392,433</u>
Functional expense percentages	73%	15%	88%	4%	8%	100%

See accompanying notes.

ANDREW WOMMACK MINISTRIES, INC.
Statement of Cash Flows
Year ended September 30, 2011

Cash flows from operating activities:

Change in net assets	\$ 6,360,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	492,934
Loss on disposition of property and equipment	1,114
Net realized and unrealized loss on investments	41,119
Noncash contributions of investments	(420,946)
Decrease (increase) in assets:	
Accounts receivable	(51,328)
Inventory	(43,094)
Prepaid expenses	(106,091)
Increase (decrease) in liabilities:	
Accounts payable	232,782
Accrued expenses	18,788
Deferred revenue	62,377

Net cash provided by operating activities 6,588,395

Cash flows from investing activities:

Purchases of investments	(24,123)
Proceeds from sale of investments	13,662
Purchases of property and equipment	(1,269,825)
Increase in cash restricted for capital improvements	(1,690,468)

Net cash used in investing activities (2,970,754)

Cash flows from financing activities:

Principal payments on notes payable	(612,651)
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Net cash used in financing activities (612,651)

Net increase in cash 3,004,990

Cash, beginning of year 2,742,376

Cash, end of year \$ 5,747,366

See accompanying notes.

ANDREW WOMMACK MINISTRIES, INC.
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The vision of **Andrew Wommack Ministries, Inc.** (AWMI) is to take the life-changing truths that the Lord has shown Andrew Wommack to people around the world. This is done through radio, television, audio and video tapes, compact discs, books, the Internet, conferences, personal speaking engagements and support of other Christian ministries. Substantially all the revenue is generated through these activities by Andrew Wommack. AWMI is based in Colorado Springs, Colorado, but ministers to people around the world. AWMI also has bible colleges which are a unique blend of the teaching of God's word and practical on-the-job ministry training. The bible colleges are located in Colorado, Florida, Illinois, Georgia, Massachusetts, Missouri, Texas, Indiana, and Arizona. In addition, AWMI operates an online bible college. AWMI supports bible colleges in Russia, Belize, and Uganda through its world outreach activities.

Basis of accounting

The accounts of AWMI are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of presentation

Under U.S. generally accepted accounting principles (GAAP), AWMI 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.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, AWMI considers all undesignated and unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash restricted for capital improvements

In 2010, AWMI began a capital campaign to raise funds for the construction of a new larger bible college in Woodland Park, Colorado. AWMI has also raised funds for equipment purchases. At September 30, 2011, AWMI has received cash contributions of \$3,110,112 that are restricted for the construction of the new bible school and future purchases of equipment.

Accounts receivable

Accounts receivable are recorded at the amount AWMI expects to collect on balances outstanding at year-end. AWMI closely monitors outstanding balances and considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the income and gains are recognized.

Inventory

Inventory consists of a variety of multi-media Christian outreach materials which are provided to the public in exchange for a voluntary contribution. Inventory is recorded at average cost.

Property and equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 Years
Furniture and equipment	5 - 10 Years
Vehicles	5 Years

AWMI's policy is to capitalize acquisitions of property and equipment costing in excess of \$2,000 and having a useful life exceeding one year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted assets, depending on the existence and/or nature of any donor restrictions. Contributions which are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a 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. Donated assets are recorded at their fair market value on the date of donation.

Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist AWMI. However, these services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Bible colleges revenue

Revenue from student tuition is reported in the year when substantially earned. The prepaid portion of tuition which is to be recognized in future periods is reflected as deferred revenue on the statement of financial position.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

AWMI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable Colorado law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. For the year ended September 30, 2011, AWMI had no unrelated business income. Accordingly, no provision for income taxes has been recorded.

AWMI has evaluated all of its outstanding tax positions as of September 30, 2011 and determined that they meet the more-likely-than-not recognition threshold. Accordingly, AWMI has not recognized a liability or income tax expense for any unrecognized tax benefits in the accompanying financial statements.

AWMI is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. AWMI believes it is no longer subject to income tax examinations for the years prior to the year ending September 30, 2008.

2. INVESTMENTS

Investments consist of the following at September 30, 2011:

Cash and cash equivalents	\$ 16,023
Certificate of deposit	665,783
Mutual funds	4,859
Stock	378,680
Gold coins	83,100
	<u>\$1,148,445</u>

The following schedule summarizes the investment return for interest bearing cash accounts and investments for the year ended September 30, 2011.

Interest and dividends	\$ 67,879
Net realized and unrealized loss	<u>(41,119)</u>
	<u>\$ 26,760</u>

3. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board: Accounting Standards Codification (FASB ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AMWI has the ability to access.
- Level 2 Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2011.

Certificate of deposit: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Mutual funds: Valued at the net asset value (NAV) of shares held by AWMI at year end.

Stocks: Valued at the closing price reported in the active market in which the individual security is traded.

Gold coins: Valued at the closing price reported in the active market in which gold is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although AWMI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, of AWMI's assets at fair value measured, on a recurring basis, at September 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificate of deposit	\$ -	\$ 665,783	\$ 665,783
Mutual funds	4,859	-	4,859
Stocks	378,680	-	378,680
Gold coins	83,100	-	83,100
Total assets at fair value	<u>\$ 466,639</u>	<u>\$ 665,783</u>	<u>\$ 1,132,422</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 3,447,000
Buildings and improvements	8,610,678
Furniture and equipment	1,919,843
Vehicles	157,384
Construction in progress	<u>1,465,531</u>
	15,600,436
Less accumulated depreciation	<u>2,873,552</u>
	<u>\$12,726,884</u>

The construction in progress account consists primarily of engineering and architecture costs incurred for the new bible college.

5. NOTES PAYABLE

At September 30, 2011, notes payable consist of the following:

Note payable to a financial institution, payable in 59 consecutive monthly installments of \$14,017, including interest at 5.5% with a balloon payment of accrued interest and unpaid principal due on August 1, 2014. The note is secured by certain real property and all personal property of AWMI. \$ 1,677,362

Note payable to a financial institution, payable in initial 60 monthly installments of \$21,204 consisting of principal and fixed interest rate of 5.75%, followed by 180 monthly payments of \$21,204 consisting of principal and variable interest based on the Wall Street Journal Prime Rate (but at no less than a minimum rate of 5.75%). All unpaid principal and accrued interest due September 21, 2029. The note is secured by all current and future real and personal property owned by AWMI. 2,831,551

\$ 4,508,913

The following schedule outlines principal amounts due on the notes:

2012	\$ 194,266
2013	180,985
2014	1,593,875
2015	109,290
2016	115,443
Thereafter	2,315,054
	<u>\$ 4,508,913</u>

Interest expense was \$270,660 for the year ended September 30, 2011.

6. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2011, temporarily restricted net assets are restricted for the following purposes:

Capital improvements – Woodland Park	\$ 2,899,802
Capital improvements - equipment	210,310
Programs	742,440
	<u>\$ 3,852,552</u>

Temporarily restricted net assets released from restrictions during the year ended September 30, 2011 were comprised of the following:

Capital improvements – equipment	\$ 17,403
Programs	3,561
	<u>\$ 20,964</u>

7. LEASES

AWMI leases classroom space and office equipment under operating leases. The following is a schedule by years of future minimum rental payments required under these leases as of September 30, 2011:

2012	\$ 250,160
2013	135,134
2014	<u>18,960</u>
	<u>\$ 404,254</u>

Total rent expense under these operating leases was approximately \$287,000 for the year ended September 30, 2011.

8. JOINT COSTS

For the year ended September 30, 2011, AWMI has allocated joint costs (for broadcasting and informational materials that include fundraising appeals) among program, general and administrative and fundraising as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Broadcast air time	\$7,996,370	\$ -	\$ 878,865	\$ 8,875,235
Printing and publications	662,166	-	183,893	846,059
Postage and shipping	<u>829,391</u>	<u>5,937</u>	<u>145,254</u>	<u>980,582</u>
	<u>\$9,457,927</u>	<u>\$ 5,937</u>	<u>\$ 1,208,012</u>	<u>\$ 10,671,876</u>

9. RETIREMENT PLAN

AWMI sponsors a 403(b) retirement plan covering eligible employees which allows participants to make elective salary deferral contributions. Participant contributions vest immediately. AWMI did not make any contributions to the 403(b) retirement plan during the year ended September 30, 2011.

10. CONCENTRATION OF CREDIT RISK

Cash balances and a certificate of deposit held at financial institutions may, from time to time, exceed federally insured limits. AWMI has not experienced any losses in its accounts and management believes AWMI is not exposed to any significant credit risk on cash.

AWMI has significant investments in stock donated to the Organization. AWMI's investments are subject to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

11. PRIOR PERIOD ADJUSTMENT

During the current year, AWMI discovered that the prior year financial statements did not include \$570,559 of deferred tuition revenue for the bible college located in Colorado Springs, Colorado. Unrestricted net assets at the beginning of the year ended September 30, 2011 have been reduced by the \$570,559 understatement of deferred revenue.

12. CASH FLOW STATEMENT DISCLOSURES

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest (none capitalized)	<u>\$ 280,713</u>
Income taxes	<u>\$ -</u>

Supplemental disclosure of noncash investing and financing activities:

For the year ended September 30, 2011, noncash contributions of investments received by AWMI totaled \$420,946.

13. COMMITMENTS AND CONTINGENCIES

AWMI has radio and television airtime contracts extending through the next fiscal year. These contracts may be terminated with a four week notification. The average monthly cost of these contracts is approximately \$700,000.

At September 30, 2011, AWMI had a signed contract for the purchase and implementation of new software for its bible school operations. The total cost of the software including implementation, is approximately \$208,000. As of September 30, 2011, AWMI had paid \$117,000 of the total cost as a deposit to the software vendor. This deposit is included in prepaid expenses in the statement of financial position.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the attached auditors' report, the date which the financial statements were available for issue. There were no subsequent events that provided evidence about conditions that did not exist as of September 30, 2011 that required disclosure in the notes in order to keep the financial statements from being misleading. There were no material subsequent events that existed as of September 30, 2011 that were not reflected in the accompanying financial statements.