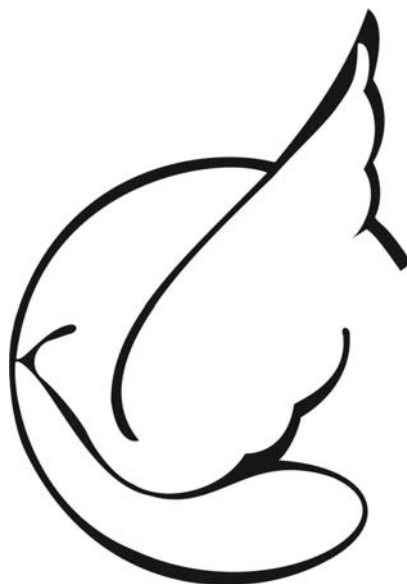


**ANDREW WOMMACK  
MINISTRIES, INC.**

**FINANCIAL STATEMENTS**

**September 30, 2012 and 2011**



**EB&K**

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

# **ANDREW WOMMACK MINISTRIES, INC.**

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

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## ***INDEPENDENT AUDITORS' REPORT***

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

We have audited the accompanying statements of financial position of **Andrew Wommack Ministries, Inc.** (a not-for-profit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Erickson, Brown & Kloster, P.C.***

Colorado Springs, Colorado  
January 28, 2013

**ANDREW WOMMACK MINISTRIES, INC.**  
**Statements of Financial Position**  
**September 30, 2012 and 2011**

	2012	2011
<b>Assets</b>		
Cash	\$ 6,912,731	\$ 5,747,366
Investments	2,744,595	1,148,445
Accounts receivable	140,390	130,270
Inventory	209,040	232,329
Deposits and other assets	280,149	128,881
Cash restricted for capital improvements	8,002,973	3,110,112
Property and equipment, net	14,064,523	12,726,884
	\$ 32,354,401	\$ 23,224,287
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,565,250	\$ 960,922
Accrued expenses	422,029	311,783
Deferred revenue	912,449	734,228
Notes payable	3,854,780	4,508,913
	6,754,508	6,515,846
<b>Net assets:</b>		
Unrestricted net assets	16,633,383	12,855,889
Temporarily restricted net assets	8,966,510	3,852,552
	25,599,893	16,708,441
	\$ 32,354,401	\$ 23,224,287

See accompanying notes.

## ANDREW WOMMACK MINISTRIES, INC.

### Statements of Activities

Years ended September 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>						
Offerings	\$ 23,952,682	\$ 5,146,081	\$ 29,098,763	\$ 23,387,275	\$ 1,945,835	\$ 25,333,110
Meetings and conferences offerings	834,256	-	834,256	751,726	-	751,726
Product offerings	457,006	-	457,006	502,598	-	502,598
Bible colleges	3,596,647	-	3,596,647	3,008,249	-	3,008,249
Other revenue	146,771	-	146,771	130,730	-	130,730
Investment income	308,978	-	308,978	26,760	-	26,760
Net assets released from restrictions	32,123	(32,123)	-	20,964	(20,964)	-
<b>Total support and revenue</b>	<b>29,328,463</b>	<b>5,113,958</b>	<b>34,442,421</b>	<b>27,828,302</b>	<b>1,924,871</b>	<b>29,753,173</b>
<b>Expenses:</b>						
<b>Program:</b>						
Teaching ministry	18,122,487	-	18,122,487	16,990,810	-	16,990,810
Bible colleges	4,313,531	-	4,313,531	3,477,014	-	3,477,014
<b>Total program</b>	<b>22,436,018</b>	<b>-</b>	<b>22,436,018</b>	<b>20,467,824</b>	<b>-</b>	<b>20,467,824</b>
General and administrative	1,050,757	-	1,050,757	977,976	-	977,976
Fundraising	2,064,194	-	2,064,194	1,946,633	-	1,946,633
<b>Total expenses</b>	<b>25,550,969</b>	<b>-</b>	<b>25,550,969</b>	<b>23,392,433</b>	<b>-</b>	<b>23,392,433</b>
<b>Change in net assets</b>	<b>3,777,494</b>	<b>5,113,958</b>	<b>8,891,452</b>	<b>4,435,869</b>	<b>1,924,871</b>	<b>6,360,740</b>
<b>Net assets, beginning of year, as previously reported</b>	<b>12,855,889</b>	<b>3,852,552</b>	<b>16,708,441</b>	<b>8,990,579</b>	<b>1,927,681</b>	<b>10,918,260</b>
<b>Less: prior period adjustment (note 11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(570,559)</b>	<b>-</b>	<b>(570,559)</b>
<b>Net assets, end of year</b>	<b>\$ 16,633,383</b>	<b>\$ 8,966,510</b>	<b>\$ 25,599,893</b>	<b>\$ 12,855,889</b>	<b>\$ 3,852,552</b>	<b>\$ 16,708,441</b>

See accompanying notes.

**ANDREW WOMMACK MINISTRIES, INC.**  
**Statement of Functional Expenses**  
**Year ended September 30, 2012**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Functional Expenses</u>
	<u>Teaching Ministry</u>	<u>Bible Colleges</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 4,011,043	\$ 1,299,622	\$ 5,310,665	\$ 794,279	\$ 375,870	\$ 6,480,814
Employee benefits	191,912	192,203	384,115	28,634	37,136	449,885
Payroll taxes	281,357	91,163	372,520	55,715	26,366	454,601
<b>Total salaries and related expenses</b>	4,484,312	1,582,988	6,067,300	878,628	439,372	7,385,300
Broadcast air time	8,523,733	-	8,523,733	-	930,057	9,453,790
Postage and shipping	882,323	99,671	981,994	3,791	146,359	1,132,144
Travel	324,916	677,035	1,001,951	48,063	23,135	1,073,149
Supplies	496,507	321,073	817,580	2,133	82,360	902,073
Cost of multi-media materials	705,268	135,876	841,144	-	-	841,144
Printing and publications	578,351	17,514	595,865	-	223,100	818,965
Contributions	798,552	-	798,552	-	-	798,552
Occupancy	97,203	380,717	477,920	11,436	5,718	495,074
Honorariums	78,977	389,654	468,631	-	-	468,631
Dues, fees and subscriptions	98,302	45,146	143,448	14,043	168,519	326,010
Meeting rooms	246,935	76,325	323,260	-	-	323,260
Mission outreach	-	308,185	308,185	-	-	308,185
Equipment rental and maintenance	145,150	71,150	216,300	17,077	8,538	241,915
Public relations	78,274	60,712	138,986	-	-	138,986
Professional fees	74,212	24,045	98,257	14,696	6,954	119,907
Telephone	39,622	31,847	71,469	7,846	3,713	83,028
Interest	63,903	3,156	67,059	7,889	3,945	78,893
Employee morale	20,692	15,959	36,651	4,097	1,939	42,687
Consulting	34,472	4,581	39,053	-	-	39,053
Insurance	18,870	14,041	32,911	2,220	1,110	36,241
Education	1,634	-	1,634	-	-	1,634
<b>Total expenses before depreciation</b>	17,792,208	4,259,675	22,051,883	1,011,919	2,044,819	25,108,621
Depreciation	330,279	53,856	384,135	38,838	19,375	442,348
<b>Total expenses</b>	<b>\$ 18,122,487</b>	<b>\$ 4,313,531</b>	<b>\$ 22,436,018</b>	<b>\$ 1,050,757</b>	<b>\$ 2,064,194</b>	<b>\$ 25,550,969</b>
<b>Functional expense percentages</b>	71%	17%	88%	4%	8%	100%

See accompanying notes.

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

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Functional Expenses</u>
	<u>Teaching Ministry</u>	<u>Bible Colleges</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
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
<b>Total salaries and related expenses</b>	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
<b>Total expenses before depreciation</b>	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
<b>Total expenses</b>	<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>
<b>Functional expense percentages</b>	73%	15%	88%	4%	8%	100%

See accompanying notes.

**ANDREW WOMMACK MINISTRIES, INC.**  
**Statements of Cash Flows**  
**Years ended September 30, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,891,452	\$ 6,360,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	442,348	492,934
Loss on disposition of property and equipment	-	1,114
Net realized and unrealized (gain) loss on investments	(138,504)	41,119
Noncash contributions of investments	(194,807)	(420,946)
Contributions restricted for capital improvements	(6,138,315)	(3,207,262)
Decrease (increase) in assets:		
Accounts receivable	(10,120)	(51,328)
Inventory	23,289	(43,094)
Deposits and other assets	(151,268)	(106,091)
Increase in liabilities:		
Accounts payable	604,328	232,782
Accrued expenses	110,246	18,788
Deferred revenue	178,221	62,377
<b>Net cash provided by operating activities</b>	<b>3,616,870</b>	<b>3,381,133</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(2,765,132)	(24,123)
Proceeds from sale of investments	1,502,293	13,662
Purchases of property and equipment	(1,779,987)	(1,269,825)
Increase in cash restricted for capital improvements	(4,892,861)	(1,690,468)
<b>Net cash used in investing activities</b>	<b>(7,935,687)</b>	<b>(2,970,754)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for capital improvements	6,138,315	3,207,262
Principal payments on notes payable	(654,133)	(612,651)
<b>Net cash provided by financing activities</b>	<b>5,484,182</b>	<b>2,594,611</b>
<b>Net increase in cash</b>	1,165,365	3,004,990
<b>Cash, beginning of year</b>	5,747,366	2,742,376
<b>Cash, end of year</b>	<b>\$ 6,912,731</b>	<b>\$ 5,747,366</b>

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 media, 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, Arizona, California, Florida, Georgia, Illinois, Indiana, Kansas, Massachusetts, Minnesota, North Carolina, and Texas. In addition, AWMI operates an online Bible college. AWMI supports Bible colleges in Argentina, Belize, India, Russia 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.

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, 2012 and 2011, AWMI had \$8,002,973 and \$3,110,112, respectively, of cash which was restricted for the construction of the new Bible school and future purchases of equipment.

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

### ***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.

### ***Intentions to give***

Numerous donors sign up to make monthly gifts for an indefinite period of time to support AWMI, its programs and the capital campaign. Such gifts can be rescinded by a donor at any time and it is not practicable to estimate the amount of future gifts at year-end. The communication from a donor to provide future monthly support is therefore considered to be an intention to give, rather than an unconditional promise, and it is not recorded as a promise to give at year-end. AWMI recognizes such gifts as revenue in the period the funds are received.

### ***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. Certificates of deposit which are valued based on original cost plus accrued interest, which approximates fair value. 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 statements 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 statements of financial position.

### ***Affiliated organizations***

AWMI provides multi-media Christian outreach materials to ministries in countries around the world. The two largest of those are affiliated organizations of AWMI in Great Britain and Canada. These organizations are incorporated in their countries of domicile and they account for their program, fundraising and administrative activities separately from AWMI. Although the affiliated organizations and AWMI share certain board members, AWMI does not have control through a majority voting interest nor does it have an economic interest in these entities. As such, consolidation with the affiliated entities is precluded by GAAP. During the year ended September 30, 2012, AWMI was reimbursed for Christian outreach materials totaling approximately \$105,000 and \$39,000 from its affiliated organizations in Great Britain and Canada, respectively. At September 30, 2012, the balance of reimbursements receivable from Great Britain and Canada was \$8,000 and \$10,217, respectively. During the year ended September 30, 2011, AWMI was reimbursed for Christian outreach materials totaling approximately \$65,000 and \$21,000 from its affiliated organizations in Great Britain and Canada, respectively. At September 30, 2011, the balance of reimbursements receivable from Great Britain and Canada was \$4,127 and \$0, respectively.

### ***Expense allocation***

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

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

### *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 years ended September 30, 2012 and 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, 2012 and 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, 2009.

## 2. INVESTMENTS

Investments consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 778,101	\$ 16,023
Certificate of deposit	468,506	665,783
Mutual funds	5,643	4,859
Stock	667,682	378,680
Corporate bonds	721,945	-
Gold coins	102,718	83,100
	<u>\$ 2,744,595</u>	<u>\$ 1,148,445</u>

Investment income on interest bearing cash accounts and investments for the years ended September 30, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 170,474	\$ 67,879
Net realized and unrealized gain (loss)	138,504	(41,119)
	<u>\$ 308,978</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 <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>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.</p> |
| 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.

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, 2012 and 2011.

*Mutual funds:* Valued at the net asset value 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.

*Corporate bonds:* Valued at quoted prices for similar assets in active markets.

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

### 3. FAIR VALUE MEASUREMENTS (continued)

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, 2012 and 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>September 30, 2012:</b>			
Mutual funds	\$ 5,643	\$ -	\$ 5,643
Stocks	667,682	-	667,682
Corporate bonds	-	721,945	721,945
Gold coins	<u>102,718</u>	<u>-</u>	<u>102,718</u>
Total assets at fair value	<u>\$ 776,043</u>	<u>\$ 721,945</u>	<u>\$ 1,497,988</u>
<b>September 30, 2011:</b>			
Mutual funds	\$ 4,859	\$ -	\$ 4,859
Stocks	378,680	-	378,680
Gold coins	<u>83,100</u>	<u>-</u>	<u>83,100</u>
Total assets at fair value	<u>\$ 466,639</u>	<u>\$ -</u>	<u>\$ 466,639</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 3,447,000	\$ 3,447,000
Buildings and improvements	8,631,577	8,610,678
Furniture and equipment	2,340,839	1,919,843
Vehicles	237,774	157,384
Construction in progress	<u>2,723,233</u>	<u>1,465,531</u>
	17,380,423	15,600,436
Less accumulated depreciation	<u>3,315,900</u>	<u>2,873,552</u>
	<u>\$14,064,523</u>	<u>\$12,726,884</u>

At September 30, 2012 and 2011, the construction in progress account consists primarily of engineering and architecture costs related to the building of the new Bible college in Woodland Park, Colorado. The construction of the new Bible college began in August 2012 and the first phase of the construction is expected to be completed in late 2013.

## 5. NOTES PAYABLE

At September 30, 2012 and 2011, notes payable consisted of the following:

	<u>2012</u>	<u>2011</u>
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.	\$ 1,117,837	\$ 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. Following a change in terms effective February 10, 2012, the note is payable in 60 monthly payments of \$20,421 consisting of principal and fixed interest rate of 5.25%, followed by 152 monthly payments of \$20,421 consisting of principal and variable interest based on the Wall Street Journal Prime Rate (but at no less than a minimum rate of 5.25%). 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.	2,736,943	2,831,551
	<u>\$ 3,854,780</u>	<u>\$ 4,508,913</u>

The following schedule outlines principal amounts due on the notes:

2013	\$ 238,723
2014	1,095,283
2015	115,198
2016	121,057
2017	127,932
Thereafter	<u>2,156,587</u>
	<u>\$ 3,854,780</u>

For the year ended September 30, 2012, AWMI incurred \$ 233,254 of interest expense of which \$154,361 was capitalized. Interest expense was \$270,660 for the year ended September 30, 2011.

## 6. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	<u>2012</u>	<u>2011</u>
Capital improvements – Woodland Park	\$ 7,794,180	\$ 2,899,802
Capital improvements - equipment	208,793	210,310
Programs	<u>963,537</u>	<u>742,440</u>
	<u>\$ 8,966,510</u>	<u>\$ 3,852,552</u>

Temporarily restricted net assets released from restrictions during the years ended September 30, 2012 and 2011 were comprised of the following:

	<u>2012</u>	<u>2011</u>
Capital improvements – equipment	\$ 1,517	\$ 17,403
Programs	<u>30,606</u>	<u>3,561</u>
	<u>\$ 32,123</u>	<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, 2012:

2013	\$ 368,176
2014	242,987
2015	183,013
2016	<u>7,328</u>
	<u>\$ 801,504</u>

Total rent expense under these operating leases was approximately \$288,000 and \$287,000 for the years ended September 30, 2012 and 2011.

## 8. JOINT COSTS

For the years ended September 30, 2012 and 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>
<b>2012:</b>				
Broadcast air time	\$ 8,523,733	\$ -	\$ 930,057	\$ 9,453,790
Postage and shipping	981,994	3,791	146,359	1,132,144
Printing and publications	<u>595,865</u>	<u>-</u>	<u>223,100</u>	<u>818,965</u>
	<u>\$10,101,592</u>	<u>\$ 3,791</u>	<u>\$ 1,299,516</u>	<u>\$ 11,404,899</u>



## 8. JOINT COSTS (continued)

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>2011:</b>				
Broadcast air time	\$7,996,370	\$ -	\$ 878,865	\$ 8,875,235
Postage and shipping	829,391	5,937	145,254	980,582
Printing and publications	662,166	-	183,893	846,059
	<u>\$9,487,927</u>	<u>\$ 5,937</u>	<u>\$ 1,208,012</u>	<u>\$ 10,701,876</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 years ended September 30, 2012 and 2011.

## 10. CONCENTRATION OF CREDIT RISK

Cash balances and a certificate of deposit held at financial institutions 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 corporate bonds and stock. 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

In 2011, AWMI discovered that the financial statements for the year ended September 30, 2010 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 STATEMENTS DISCLOSURES

### ***Supplemental disclosures of cash flow information:***

Interest paid during the years ended September 30, 2012 and 2011 (net of capitalized interest of \$154,361 in 2012) amounted to \$78,893 and \$280,713, respectively.

AWMI paid no income taxes for the years ended September 30, 2012 and 2011.

### ***Supplemental disclosure of noncash investing and financing activities:***

For the years ended September 30, 2012 and 2011, noncash contributions of investments received by AWMI totaled \$194,807 and \$420,946, respectively.

### **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 was approximately \$800,000 during the year ended September 30, 2012.

In August 2012, AWMI entered into a \$5,370,052 contract for the construction of a portion of the first phase of the new Bible college in Woodland Park, Colorado. At September 30, 2012, the remaining commitment under this construction contract is \$4,852,852.

### **14. SUBSEQUENT EVENTS**

In October 2012, AWMI amended the August 2012 construction contract to include the entire construction of the first phase of the new Bible college in Woodland Park, Colorado. Under the amended contract, AWMI has committed to a guaranteed maximum of \$24,000,000 for the first phase.

Management has evaluated subsequent events through the date of the attached auditors' report, the date which the financial statements were available for issue. Other than the amended construction contract, there were no subsequent events that provided evidence about conditions that did not exist as of September 30, 2012 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, 2012 that were not reflected in the accompanying financial statements.