

**ANDREW WOMMACK
MINISTRIES, INC.**

FINANCIAL STATEMENTS

September 30, 2013 and 2012



EB&K

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

ANDREW WOMMACK MINISTRIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Andrew Wommack Ministries, Inc.

We have audited the accompanying financial statements of ***Andrew Wommack Ministries, Inc.*** (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 ***Andrew Wommack Ministries, Inc.*** as of September 30, 2013 and 2012, 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.

ANDREW WOMMACK MINISTRIES, INC.
Statements of Financial Position
September 30, 2013 and 2012

	2013	2012
Assets		
Cash	\$ 8,709,435	\$ 6,912,731
Investments	1,889,750	2,744,595
Accounts receivable	289,611	140,390
Inventory	215,682	209,040
Deposits and other assets	457,321	280,149
Cash restricted for capital improvements	448,156	8,002,973
Property and equipment, net	35,225,591	14,064,523
	\$ 47,235,546	\$ 32,354,401
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 5,319,331	\$ 1,565,250
Accrued expenses	817,449	422,029
Deferred revenue	1,000,102	912,449
Notes payable	3,160,767	3,854,780
	10,297,649	6,754,508
Net assets:		
Unrestricted net assets	35,813,818	16,633,383
Temporarily restricted net assets	1,124,079	8,966,510
	36,937,897	25,599,893
	\$ 47,235,546	\$ 32,354,401

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.
Statements of Activities
Years ended September 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Offerings	\$ 33,255,826	\$ 309,635	\$ 33,565,461	\$ 23,952,682	\$ 5,146,081	\$ 29,098,763
Meetings and conferences offerings	791,707	-	791,707	834,256	-	834,256
Product offerings	422,107	-	422,107	457,006	-	457,006
Bible colleges	5,019,716	-	5,019,716	3,596,646	-	3,596,646
Other revenue	281,142	-	281,142	146,771	-	146,771
Investment income (loss)	(47,317)	-	(47,317)	308,978	-	308,978
Net assets released from restrictions	7,773,415	(7,773,415)	-	32,123	(32,123)	-
Total support and revenue	47,496,596	(7,463,780)	40,032,816	29,328,463	5,113,958	34,442,421
Expenses:						
Program:						
Teaching ministry	19,175,432	-	19,175,432	18,122,487	-	18,122,487
Bible colleges	6,089,244	-	6,089,244	4,313,531	-	4,313,531
Total program	25,264,676	-	25,264,676	22,436,018	-	22,436,018
General and administrative	1,122,587	-	1,122,587	1,050,757	-	1,050,757
Fundraising	2,307,549	-	2,307,549	2,064,194	-	2,064,194
Total expenses	28,694,812	-	28,694,812	25,550,969	-	25,550,969
Change in net assets	18,801,784	(7,463,780)	11,338,004	3,777,494	5,113,958	8,891,452
Net assets, beginning of year,	16,633,383	8,966,510	25,599,893	12,855,889	3,852,552	16,708,441
Reclassification of net assets	378,651	(378,651)	-	-	-	-
Net assets, end of year	\$ 35,813,818	\$ 1,124,079	\$ 36,937,897	\$ 16,633,383	\$ 8,966,510	\$ 25,599,893

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statement of Functional Expenses

Year ended September 30, 2013

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 3,949,895	\$ 1,881,598	\$ 5,831,493	\$ 887,649	\$ 404,333	\$ 7,123,475
Employee benefits	213,022	262,528	475,550	37,118	17,521	530,189
Payroll taxes	288,751	137,551	426,302	64,890	29,558	520,750
Total salaries and related expenses	4,451,668	2,281,677	6,733,345	989,657	451,412	8,174,414
Broadcast air time	9,413,363	-	9,413,363	-	1,036,309	10,449,672
Supplies	631,356	464,204	1,095,560	2,215	133,739	1,231,514
Postage and shipping	888,615	130,099	1,018,714	3,118	188,234	1,210,066
Travel	242,837	783,377	1,026,214	-	85,915	1,112,129
Contributions	884,005	40,876	924,881	-	-	924,881
Printing and publications	535,020	182,384	717,404	-	185,137	902,541
Occupancy	198,739	606,987	805,726	23,381	11,691	840,798
Cost of multi-media materials	556,705	162,728	719,433	-	2,463	721,896
Honorariums	75,686	456,585	532,271	-	-	532,271
Mission outreach	114,548	369,887	484,435	-	-	484,435
Meeting rooms	312,077	133,513	445,590	-	-	445,590
Dues, fees and subscriptions	98,324	58,720	157,044	14,046	168,556	339,646
Equipment rental and maintenance	173,149	71,578	244,727	20,371	10,185	275,283
Public relations	43,366	106,519	149,885	-	-	149,885
Professional fees	56,366	26,851	83,217	12,667	5,770	101,654
Telephone	28,433	41,628	70,061	6,390	2,911	79,362
Consulting	53,076	4,582	57,658	-	-	57,658
Employee morale	14,369	28,834	43,203	3,229	1,471	47,903
Interest	37,501	1,852	39,353	4,630	2,315	46,298
Insurance	8,991	27,573	36,564	1,058	529	38,151
Education	1,728	-	1,728	-	-	1,728
Bad debt	-	1,511	1,511	-	-	1,511
Total expenses before depreciation	18,819,922	5,981,965	24,801,887	1,080,762	2,286,637	28,169,286
Depreciation	355,510	107,279	462,789	41,825	20,912	525,526
Total expenses	\$ 19,175,432	\$ 6,089,244	\$ 25,264,676	\$ 1,122,587	\$ 2,307,549	\$ 28,694,812
Functional expense percentages	67%	21%	88%	4%	8%	100%

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statement of Functional Expenses

Year ended September 30, 2012

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
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
Total salaries and related expenses	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
Total expenses before depreciation	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
Total expenses	\$ 18,122,487	\$ 4,313,531	\$ 22,436,018	\$ 1,050,757	\$ 2,064,194	\$ 25,550,969
Functional expense percentages	71%	17%	88%	4%	8%	100%

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.
Statements of Cash Flows
Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,338,004	\$ 8,891,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	525,526	442,348
Gain on disposition of property and equipment	(11,801)	-
Net realized and unrealized (gain) loss on investments	187,946	(138,504)
Noncash contributions of investments	(189,185)	(194,807)
Noncash contributions of property and equipment	(130,800)	-
Contributions restricted for capital improvements	(9,329,011)	(6,138,315)
Decrease (increase) in assets:		
Accounts receivable	(149,221)	(10,120)
Inventory	(6,642)	23,289
Deposits and other assets	(177,172)	(151,268)
Increase (decrease) in liabilities:		
Accounts payable	(624,114)	604,328
Accrued expenses	395,420	110,246
Deferred revenue	87,653	178,221
Net cash provided by operating activities	<u>1,916,603</u>	<u>3,616,870</u>
Cash flows from investing activities:		
Purchases of investments	(1,237,665)	(2,765,132)
Proceeds from sale of investments	2,093,749	1,502,293
Purchases of property and equipment	(17,218,320)	(1,779,987)
Proceeds from disposition of property and equipment	52,522	-
Decrease (increase) in cash restricted for capital improvements	7,554,817	(4,892,861)
Net cash used in investing activities	<u>(8,754,897)</u>	<u>(7,935,687)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital improvements	9,329,011	6,138,315
Principal payments on notes payable	(694,013)	(654,133)
Net cash provided by financing activities	<u>8,634,998</u>	<u>5,484,182</u>
Net increase in cash	1,796,703	1,165,365
Cash, beginning of year	<u>6,912,731</u>	<u>5,747,366</u>
Cash, end of year	<u>\$ 8,709,435</u>	<u>\$ 6,912,731</u>

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, Texas, and Washington DC. In addition, AWMI operates an online Bible college. AWMI supports Bible colleges in numerous countries around the world 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, 2013 and 2012, AWMI had \$448,156 and \$8,002,973, 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 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.

Net gain or loss on the disposition of property and equipment is included in other revenue in the statement of activities.

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, 2013, AWMI was reimbursed for Christian outreach materials totaling approximately \$77,000 and \$30,000 from its affiliated organizations in Great Britain and Canada, respectively. At September 30, 2013, the balance of reimbursements receivable from Great Britain and Canada was \$1,792 and \$2,148, respectively. 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.

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, 2013 and 2012, 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, 2013 and 2012, 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, 2010.

2. INVESTMENTS

Investments consist of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 35,581	\$ 778,101
Certificate of deposit	1,074,688	468,506
Mutual funds	6,643	5,643
Stocks	695,756	667,682
Corporate bonds	-	721,945
Gold coins	77,082	102,718
	<u>\$1,889,750</u>	<u>\$ 2,744,595</u>

Investment income on interest bearing cash accounts and investments for the years ended September 30, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 140,629	\$ 170,474
Net realized and unrealized gains (loss)	(187,946)	138,504
	<u>\$ (47,317)</u>	<u>\$ 308,978</u>

3. FAIR VALUE MEASUREMENTS

FASB ASC *Fair Value Measurement* establishes a 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 under GAAP 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
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3. FAIR VALUE MEASUREMENTS (continued)

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 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, significant to the fair value measurement and may include AWM's own assumptions in determining the fair value of investments.

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, 2013 and 2012.

Mutual funds: Valued at the net asset value of shares held by AWM 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.

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 AWM 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.

3. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, AWMI's assets at fair value measured on a recurring basis at September 30, 2013 and 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
September 30, 2013:			
Mutual funds	\$ 6,643	\$ -	\$ 6,643
Stocks	695,756	-	695,756
Gold coins	<u>77,082</u>	-	<u>77,082</u>
Total assets at fair value	<u>\$ 779,481</u>	<u>\$ -</u>	<u>\$ 779,481</u>
September 30, 2012:			
Mutual funds	\$ 5,643	\$ -	\$ 5,643
Stocks	667,682	-	667,682
Corporate bonds	-	721,945	721,945
Gold coins	<u>102,718</u>	-	<u>102,718</u>
Total assets at fair value	<u>\$ 776,043</u>	<u>\$ 721,945</u>	<u>\$ 1,497,988</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,447,000	\$ 3,447,000
Buildings and improvements	8,842,988	8,631,577
Furniture and equipment	2,582,470	2,340,839
Vehicles	230,374	237,774
Construction in progress	<u>23,723,552</u>	<u>2,723,233</u>
	38,826,384	17,380,423
Less accumulated depreciation	<u>3,600,793</u>	<u>3,315,900</u>
	<u>\$ 35,225,591</u>	<u>\$ 14,064,523</u>

At September 30, 2013 and 2012, the construction in progress account consisted primarily of engineering, architectural design and construction 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 early 2014.

5. NOTES PAYABLE

At September 30, 2013 and 2012, notes payable consisted of the following:

	<u>2013</u>	<u>2012</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.	\$ 525,719	\$ 1,117,837
Note payable to a financial institution, 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.	<u>2,635,048</u>	<u>2,736,943</u>
	<u>\$ 3,160,767</u>	<u>\$ 3,854,780</u>

The following schedule outlines principal amounts due on the notes:

2014	\$ 630,760
2015	114,700
2016	120,531
2017	127,379
2018	134,244
Thereafter	<u>2,033,153</u>
	<u>\$ 3,160,767</u>

For the year ended September 30, 2013, AWMI incurred \$189,453 of interest expense of which \$143,155 was capitalized. For the year ended September 30, 2012, AWMI incurred \$233,254 of interest expense of which \$154,361 was capitalized.

6. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2013 and 2012, temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Capital improvements – Woodland Park	\$ 246,309	\$ 7,794,180
Capital improvements - equipment	201,847	208,793
Programs	<u>675,923</u>	<u>963,537</u>
	<u>\$ 1,124,079</u>	<u>\$ 8,966,510</u>

6. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restrictions during the years ended September 30, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Capital improvements – Woodland Park	\$ 7,547,871	\$ -
Capital improvements – equipment	6,946	1,517
Programs	<u>218,598</u>	<u>30,606</u>
	<u>\$ 7,773,415</u>	<u>\$ 32,123</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, 2013:

2014	\$ 543,955
2015	415,839
2016	114,449
2017	62,651
2018	<u>4,564</u>
	<u>\$ 1,141,458</u>

Total rent expense under these operating leases was approximately \$500,000 and \$288,000 for the years ended September 30, 2013 and 2012.

8. JOINT COSTS

For the years ended September 30, 2013 and 2012, 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>
2013:				
Broadcast air time	\$ 9,413,363	\$ -	\$ 1,036,309	\$ 10,449,672
Postage and shipping	1,018,714	3,118	188,234	1,210,066
Printing and publications	<u>717,404</u>	<u>-</u>	<u>185,137</u>	<u>902,541</u>
	<u>\$11,149,481</u>	<u>\$ 3,118</u>	<u>\$ 1,409,680</u>	<u>\$ 12,562,279</u>
2012:				
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>

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, 2013 and 2012.

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 mutual funds, stocks and gold coins. 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. CASH FLOW STATEMENTS DISCLOSURES

Supplemental disclosures of cash flow information:

Interest paid during the years ended September 30, 2013 and 2012 (net of capitalized interest of \$143,155 and \$154,361) amounted to \$46,298 and \$78,893, respectively.

AWMI paid no income taxes for the years ended September 30, 2013 and 2012.

Supplemental disclosure of noncash investing and financing activities:

For the years ended September 30, 2013 and 2012, noncash contributions of investments received by AWMI totaled \$189,185 and \$194,807, respectively. For the years ended September 30, 2013 and 2012, AWMI received contributions of property and equipment of \$130,800 and \$0, respectively. At September 30, 2013, AWMI funded \$2,861,683 of additions to the construction in progress for the Woodland Park expansion through the assumption of trade accounts payable.

12. 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 \$885,000 during the year ended September 30, 2013.

In October 2012, AWMI entered into a \$24 million contract for the construction of the first phase of the new Bible college in Woodland Park, Colorado. As of September 30, 2013, AWMI has committed to a guaranteed maximum of \$24,680,882, including change orders of \$680,882. The first phase of the construction is scheduled to be completed in early 2014. At September 30, 2013, the remaining commitment under this construction contract is \$5,059,076.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2013, additional change orders in the amount of approximately \$141,000 were committed to by AWMJ under the construction contract for the new Bible college in Woodland Park. 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 additional change orders to the construction contract, there were no subsequent events that provided evidence about conditions that did not exist as of September 30, 2013 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, 2013 that were not reflected in the accompanying financial statements.