

**ANDREW WOMMACK
MINISTRIES, INC.**

FINANCIAL STATEMENTS

September 30, 2014 and 2013



ANDREW WOMMACK MINISTRIES, INC.

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



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, 2014 and 2013, 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, 2014 and 2013, 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.

Erickson, Brown & Kloster, P.C.

Colorado Springs, Colorado
March 4, 2015

ANDREW WOMMACK MINISTRIES, INC.
Statements of Financial Position
September 30, 2014 and 2013

	2014	2013
Assets		
Cash	\$ 2,941,132	\$ 8,709,435
Investments	658,025	1,889,750
Accounts receivable	325,311	289,611
Inventory	274,154	215,682
Deposits and prepaid expenses	321,332	457,321
Other assets	330,000	-
Cash restricted for capital improvements	2,874,746	448,156
Property and equipment, net	43,057,330	35,225,591
	\$ 50,782,030	\$ 47,235,546
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,842,261	\$ 5,319,331
Accrued expenses	642,952	817,449
Deferred revenue	1,378,325	1,000,102
Notes payable	2,534,387	3,160,767
	6,397,925	10,297,649
Net assets:		
Unrestricted net assets	39,451,402	35,813,818
Temporarily restricted net assets	4,932,703	1,124,079
	44,384,105	36,937,897
	\$ 50,782,030	\$ 47,235,546

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.
Statements of Activities
Years ended September 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Offerings	\$ 29,122,458	\$ 4,004,642	\$ 33,127,100	\$ 33,255,826	\$ 309,635	\$ 33,565,461
Meetings and conferences offerings	904,819	-	904,819	791,707	-	791,707
Product offerings	475,126	-	475,126	422,107	-	422,107
Bible colleges	5,996,670	-	5,996,670	5,019,716	-	5,019,716
Other revenue	330,552	-	330,552	281,142	-	281,142
Investment income (loss)	84,117	-	84,117	(47,317)	-	(47,317)
Net assets released from restrictions	196,018	(196,018)	-	7,773,415	(7,773,415)	-
Total support and revenue	37,109,760	3,808,624	40,918,384	47,496,596	(7,463,780)	40,032,816
Expenses:						
Program:						
Teaching ministry	21,245,209	-	21,245,209	19,175,432	-	19,175,432
Bible colleges	8,386,262	-	8,386,262	6,089,244	-	6,089,244
Total program	29,631,471	-	29,631,471	25,264,676	-	25,264,676
General and administrative	1,352,682	-	1,352,682	1,122,587	-	1,122,587
Fundraising	2,488,023	-	2,488,023	2,307,549	-	2,307,549
Total expenses	33,472,176	-	33,472,176	28,694,812	-	28,694,812
Change in net assets	3,637,584	3,808,624	7,446,208	18,801,784	(7,463,780)	11,338,004
Net assets, beginning of year,	35,813,818	1,124,079	36,937,897	16,633,383	8,966,510	25,599,893
Reclassification of net assets	-	-	-	378,651	(378,651)	-
Net assets, end of year	\$ 39,451,402	\$ 4,932,703	\$ 44,384,105	\$ 35,813,818	\$ 1,124,079	\$ 36,937,897

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.
Statement of Functional Expenses
Year ended September 30, 2014

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 4,379,199	\$ 2,531,385	\$ 6,910,584	\$ 1,069,647	\$ 500,130	\$ 8,480,361
Employee benefits	267,972	342,529	610,501	47,459	22,190	680,150
Payroll taxes	309,628	173,887	483,515	75,629	35,361	594,505
Total salaries and related expenses	4,956,799	3,047,801	8,004,600	1,192,735	557,681	9,755,016
Broadcast air time	9,903,513	-	9,903,513	-	1,083,346	10,986,859
Supplies	701,608	589,268	1,290,876	2,144	153,702	1,446,722
Travel	377,568	924,026	1,301,594	38,865	101,517	1,441,976
Contributions	1,311,325	35,064	1,346,389	-	-	1,346,389
Postage and shipping	960,113	155,295	1,115,408	2,936	195,747	1,314,091
Occupancy	130,976	1,025,172	1,156,148	15,409	7,704	1,179,261
Printing and publications	671,761	175,098	846,859	-	180,547	1,027,406
Honorariums	198,610	589,535	788,145	-	-	788,145
Cost of multi-media materials	579,605	87,396	667,001	-	6,055	673,056
Meeting rooms	415,888	233,003	648,891	-	-	648,891
Mission outreach	191,879	276,775	468,654	-	-	468,654
Dues, fees and subscriptions	92,789	75,313	168,102	13,256	159,066	340,424
Equipment rental and maintenance	169,853	136,729	306,582	19,983	9,991	336,556
Consulting	118,820	73,403	192,223	-	-	192,223
Public relations	16,317	114,739	131,056	-	-	131,056
Professional fees	71,179	23,257	94,436	17,386	8,129	119,951
Telephone	26,738	45,452	72,190	6,531	3,054	81,775
Insurance	22,256	53,858	76,114	2,618	1,309	80,041
Employee morale	29,616	18,161	47,777	7,234	3,382	58,393
Education	12,996	250	13,246	-	-	13,246
Interest	9,650	477	10,127	1,191	596	11,914
Bad debt	-	11,387	11,387	-	-	11,387
Total expenses before depreciation	20,969,859	7,691,459	28,661,318	1,320,288	2,471,826	32,453,432
Depreciation	275,350	694,803	970,153	32,394	16,197	1,018,744
Total expenses	\$ 21,245,209	\$ 8,386,262	\$ 29,631,471	\$ 1,352,682	\$ 2,488,023	\$ 33,472,176
Functional expense percentages	64%	25%	89%	4%	7%	100%

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	<u>\$ 19,175,432</u>	<u>\$ 6,089,244</u>	<u>\$ 25,264,676</u>	<u>\$ 1,122,587</u>	<u>\$ 2,307,549</u>	<u>\$ 28,694,812</u>
Functional expense percentages	67%	21%	88%	4%	8%	100%

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.
Statements of Cash Flows
Years ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 7,446,208	\$ 11,338,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,018,744	525,526
(Gain) loss on disposition of property and equipment	525	(11,801)
Net realized and unrealized		
(gain) loss on investments	(59,772)	187,946
Noncash contributions of investments	(112,228)	(189,185)
Noncash contributions of property and equipment	(13,095)	(130,800)
Contributions restricted for capital improvements	(9,878,836)	(9,329,011)
Decrease (increase) in assets:		
Accounts receivable	(35,700)	(149,221)
Inventory	(58,472)	(6,642)
Deposits and prepaid expenses	135,989	(177,172)
Other assets	(330,000)	-
Increase (decrease) in liabilities:		
Accounts payable	(4,160,248)	(624,114)
Accrued expenses	(357,150)	395,420
Deferred revenue	560,876	87,653
Net cash provided by (used in) operating activities	(5,843,159)	1,916,603
Cash flows from investing activities:		
Purchases of investments	(873,404)	(1,237,665)
Proceeds from sale of investments	2,277,129	2,093,749
Purchases of property and equipment	(8,157,735)	(17,218,320)
Proceeds from disposition of property and equipment	3,000	52,522
Decrease (increase) in cash restricted for capital improvements	(2,426,590)	7,554,817
Net cash used in investing activities	(9,177,600)	(8,754,897)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital improvements	9,878,836	9,329,011
Principal payments on notes payable	(626,380)	(694,013)
Net cash provided by financing activities	9,252,456	8,634,998
Net increase (decrease) in cash	(5,768,303)	1,796,704
Cash, beginning of year	8,709,435	6,912,731
Cash, end of year	\$ 2,941,132	\$ 8,709,435

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 located throughout the United States and the world. These colleges are a unique blend of the teaching of God's Word and practical on-the-job ministry training. The main Bible college campus is located in Woodland Park, Colorado. In addition, AWMI operates an online Bible college.

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, 2014 and 2013, AWMI had \$2,874,746 and \$448,156, 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 4 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.

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. 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. For the year ended September 30, 2014, the two largest of the affiliated organizations of AWMI were the organizations in Great Britain and Australia. During the year ended September 30, 2014, AWMI was reimbursed for Christian outreach materials totaling approximately \$68,000 and \$40,000 from its affiliated organizations in Great Britain and Australia, respectively. At September 30, 2014, the balance of reimbursements receivable from Great Britain and Australia was \$15,538 and \$31,722, respectively. For the year ended September 30, 2013, the two largest of the affiliated organizations of AWMI were the organizations in Great Britain and Canada. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2014 and 2013, 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, 2014 and 2013, 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 in progress for any tax periods. AWMI believes it is no longer subject to income tax examinations for the years prior to the year ending September 30, 2011.

Reclassifications

Certain reclassification have been made to the prior year balances to conform to the current year presentation.

2. INVESTMENTS

Investments consist of the following at September 30, 2014 and 2013:

	2014	2013
Cash and cash equivalents	\$ 585,606	\$1,110,269
Mutual funds	-	6,643
Stocks	-	695,756
Gold coins	72,419	77,082
	<u>\$ 658,025</u>	<u>\$1,889,750</u>

Investment income (loss) on interest bearing cash accounts and investments for the years ended September 30, 2014 and 2013 consists of the following:

	2014	2013
Interest and dividends	\$ 36,030	\$ 140,629
Investment fees	(6,682)	(3,915)
Net realized and unrealized gains (loss)	54,769	(184,031)
	<u>\$ 84,117</u>	<u>\$ (47,317)</u>

3. OTHER ASSETS

In 2014, AWMI obtained a warranty deed on a parcel of real estate which was owned by an employee in order to facilitate the employee's relocation. At September 30, 2014, other assets consists of \$330,000 paid by AWMI to obtain the warranty deed on the real estate. The property was listed for sale at September 30, 2014.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value under GAAP 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology include 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. For level 3 assets, the AWMI's management which reports to the Board, determines the fair value measurement valuation policies and procedures. Management determines, at least annually, if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements as needed.

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, 2014 and 2013.

4. FAIR VALUE MEASUREMENTS (continued)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by AWMI are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by AWMI are deemed to be actively traded.

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 describes the composition of AWMI's assets at fair value measured on a recurring basis at September 30, 2014 and 2013. All of the assets were level 1 assets.

September 30, 2014:

Gold coins	<u>\$ 72,419</u>
------------	------------------

September 30, 2013:

Mutual funds	\$ 6,643
Stocks	695,756
Gold coins	<u>77,082</u>
Total assets at fair value	<u><u>\$ 779,481</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 3,447,000	\$ 3,447,000
Buildings and improvements	31,601,691	8,842,988
Furniture and equipment	3,449,545	2,582,470
Vehicles	526,887	230,374
Construction in progress	<u>8,650,769</u>	<u>23,723,552</u>
	47,675,892	38,826,384
Less accumulated depreciation	<u>4,618,562</u>	<u>3,600,793</u>
	<u><u>\$ 43,057,330</u></u>	<u><u>\$ 35,225,591</u></u>

5. PROPERTY AND EQUIPMENT (continued)

At September 30, 2014 and 2013, the construction in progress account consisted primarily of engineering, architectural design and construction costs related to the construction of the new Bible college in Woodland Park, Colorado. The construction began in August 2012 and the first phase of the construction was completed in November, 2014.

6. NOTES PAYABLE

At September 30, 2014 and 2013, notes payable consisted of the following:

	<u>2014</u>	<u>2013</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 was secured by certain real property and all personal property of AWMI.	\$ -	\$ 525,719
Note payable to a financial institution, payable in 60 monthly payments of \$20,421 consisting of principal and fixed interest at 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%). Following a change in terms effective May 6, 2014, the note is payable on demand. If no demand is made, the note is payable in 60 monthly payments of \$15,670 consisting of principal and a fixed annual interest rate of 4%, followed by 124 monthly payments of \$19,961 consisting of principal and variable interest based on the Wall Street Journal Prime Rate (3.25% on September 30, 2014). All unpaid principal and accrued interest is due September 21, 2029. The note is secured by all current and future real and personal property owned by AWMI except for the AWMI headquarters real estate located in Colorado Springs, Colorado.	<u>2,534,387</u>	<u>2,635,048</u>
	<u>\$ 2,534,387</u>	<u>\$ 3,160,767</u>

6. NOTES PAYABLE (continued)

The following schedule outlines principal amounts due on the notes:

2015	\$ 90,987
2016	91,981
2017	95,729
2018	99,628
2019	130,463
Thereafter	<u>2,025,599</u>
	<u>\$ 2,534,387</u>

For the year ended September 30, 2014, AWMI incurred \$137,302 of interest expense of which \$125,388 was capitalized. For the year ended September 30, 2013, AWMI incurred \$189,453 of interest expense of which \$143,155 was capitalized.

7. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital improvements – Woodland Park	\$ 2,715,251	\$ 246,309
Capital improvements - equipment	159,495	201,847
Programs	<u>2,057,957</u>	<u>675,923</u>
	<u>\$ 4,932,703</u>	<u>\$ 1,124,079</u>

Temporarily restricted net assets released from restrictions during the years ended September 30, 2014 and 2013 were comprised of the following:

2014:

Capital improvements – equipment	\$ 42,352
Programs	<u>153,666</u>
	<u>\$ 196,018</u>

2013:

Capital improvements – Woodland Park	\$ 7,547,871
Capital improvements – equipment	6,946
Programs	<u>218,598</u>
	<u>\$ 7,773,415</u>

During the normal course of business, the Organization receives and records contributions from the best information available. From time to time, additional information becomes available or the donor will change their initial restriction resulting in a reclassification of net assets. The beginning balance of the 2013 net assets reflects a \$378,651 reclassification from temporarily restricted to unrestricted net assets as a result of clarifying the nature of funds obtained from sources which were not donor restricted.

8. LEASES

AWMI leases Bible college classroom and office space as well as various office equipment under operating leases. The following is a schedule by years of future minimum rental payments required under AWMI's long term operating leases as of September 30, 2014:

2015	\$	539,186
2016		198,612
2017		121,681
2018		13,804
		<u>873,283</u>
	\$	<u>873,283</u>

Total rent expense under long term operating leases was approximately \$630,000 and \$500,000 for the years ended September 30, 2014 and 2013.

9. JOINT COSTS

For the years ended September 30, 2014 and 2013, 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>
2014:				
Broadcast air time	\$ 9,903,513	\$ -	\$ 1,083,346	\$ 10,986,859
Postage and shipping	1,115,408	2,936	195,747	1,314,091
Printing and publications	846,859	-	180,547	1,027,406
	<u>\$11,865,780</u>	<u>\$ 2,936</u>	<u>\$ 1,459,640</u>	<u>\$ 13,328,356</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	717,404	-	185,137	902,541
	<u>\$11,149,481</u>	<u>\$ 3,118</u>	<u>\$ 1,409,680</u>	<u>\$ 12,562,279</u>

10. 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, 2014 and 2013.

11. 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.

12. CASH FLOW STATEMENTS DISCLOSURES

Supplemental disclosures of cash flow information:

Interest paid during the years ended September 30, 2014 and 2013 (net of capitalized interest of \$125,388 and \$143,155) amounted to \$11,914 and \$46,298, respectively.

AWMI paid no income taxes for the years ended September 30, 2014 and 2013.

Supplemental disclosure of noncash investing and financing activities:

For the years ended September 30, 2014 and 2013, noncash contributions of investments received by AWMI totaled \$112,228 and \$189,185, respectively. For the years ended September 30, 2014 and 2013, AWMI received contributions of property and equipment of \$13,095 and \$130,800, respectively. AWMI funded \$683,178 and \$2,861,683 of additions to the construction in progress for the Woodland Park expansion through the assumption of accounts payable at September 30, 2014 and 2013, 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 \$925,000 during the year ended September 30, 2014.

Since the beginning of the construction of the new Bible college in Woodland Park, Colorado, in October 2012, AWMI has entered into several construction contracts. As of September 30, 2014, AWMI has committed to a guaranteed maximum of approximately \$27,737,000 related to these contracts. At September 30, 2014, the remaining commitment under these construction contracts is approximately \$2,204,906.

14. EVALUATION OF 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. Management believes there were no significant subsequent events.