

**ANDREW WOMMACK
MINISTRIES, INC.**

FINANCIAL STATEMENTS

September 30, 2015 and 2014



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, 2015 and 2014, 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, 2015 and 2014, 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
February 24, 2016

ANDREW WOMMACK MINISTRIES, INC.

Statements of Financial Position

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 2,965,662	\$ 2,941,132
Investments	76,725	658,025
Accounts receivable	306,017	325,311
Inventory	307,017	274,154
Deposits and prepaid expenses	206,955	321,332
Other assets	-	330,000
Cash restricted for capital improvements	3,894	2,874,746
Property and equipment, net	<u>57,629,529</u>	<u>43,057,330</u>
	<u>\$61,495,799</u>	<u>\$50,782,030</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,151,453	\$ 1,842,261
Accrued expenses	1,759,984	642,952
Deferred revenue	1,794,888	1,378,325
Lines of credit	13,562	-
Note payable	<u>2,376,214</u>	<u>2,534,387</u>
	<u>9,096,101</u>	<u>6,397,925</u>
Net assets:		
Unrestricted net assets	51,465,035	39,451,402
Temporarily restricted net assets	<u>934,663</u>	<u>4,932,703</u>
	<u>52,399,698</u>	<u>44,384,105</u>
	<u>\$61,495,799</u>	<u>\$50,782,030</u>

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statements of Activities

Years ended September 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Offerings	\$38,902,280	\$ 309,664	\$39,211,944	\$29,122,458	\$ 4,004,642	\$33,127,100
Meetings and conferences offerings	1,647,542	-	1,647,542	904,819	-	904,819
Product offerings	819,111	-	819,111	475,126	-	475,126
Bible colleges	6,010,079	-	6,010,079	5,996,670	-	5,996,670
Other revenue	277,913	-	277,913	330,552	-	330,552
Investment income (loss)	(4,199)	-	(4,199)	84,117	-	84,117
Net assets released from restrictions	4,307,704	(4,307,704)	-	196,018	(196,018)	-
Total support and revenue	51,960,430	(3,998,040)	47,962,390	37,109,760	3,808,624	40,918,384
Expenses:						
Program:						
Teaching ministry	24,262,506	-	24,262,506	21,245,209	-	21,245,209
Bible colleges	10,165,316	-	10,165,316	8,386,262	-	8,386,262
Total program	34,427,822	-	34,427,822	29,631,471	-	29,631,471
General and administrative	2,419,251	-	2,419,251	1,352,682	-	1,352,682
Fundraising	3,099,724	-	3,099,724	2,488,023	-	2,488,023
Total expenses	39,946,797	-	39,946,797	33,472,176	-	33,472,176
Change in net assets	12,013,633	(3,998,040)	8,015,593	3,637,584	3,808,624	7,446,208
Net assets, beginning of year	39,451,402	4,932,703	44,384,105	35,813,818	1,124,079	36,937,897
Net assets, end of year	\$51,465,035	\$ 934,663	\$52,399,698	\$39,451,402	\$ 4,932,703	\$44,384,105

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statement of Functional Expenses

Year ended September 30, 2015

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 4,927,526	\$ 3,190,250	\$ 8,117,776	\$ 1,943,195	\$ 884,135	\$ 10,945,106
Employee benefits	289,214	399,194	688,408	115,588	38,321	842,317
Payroll taxes	356,904	228,018	584,922	140,747	64,039	789,708
Total salaries and related expenses	5,573,644	3,817,462	9,391,106	2,199,530	986,495	12,577,131
Broadcast air time	10,441,943	-	10,441,943	-	1,150,596	11,592,539
Supplies	985,563	700,804	1,686,367	5,186	184,947	1,876,500
Travel	453,544	1,192,224	1,645,768	42,755	105,593	1,794,116
Contributions	1,465,244	21,792	1,487,036	-	-	1,487,036
Occupancy	158,669	1,173,686	1,332,355	18,667	9,333	1,360,355
Postage and shipping	924,879	154,827	1,079,706	4,125	155,730	1,239,561
Printing and publications	730,437	175,423	905,860	-	223,515	1,129,375
Honorariums	391,523	643,752	1,035,275	-	-	1,035,275
Conferences and events	753,998	246,163	1,000,161	-	-	1,000,161
Cost of multi-media materials	866,678	78,481	945,159	-	1,135	946,294
Equipment rental and maintenance	325,766	153,717	479,483	38,325	19,163	536,971
Mission outreach	183,374	324,603	507,977	-	-	507,977
Dues, fees and subscriptions	127,994	84,880	212,874	18,285	219,418	450,577
Consulting	254,043	71,381	325,424	-	-	325,424
Public relations	154,498	70,865	225,363	-	-	225,363
Professional fees	76,310	28,162	104,472	30,093	13,692	148,257
Insurance	28,218	59,367	87,585	3,320	1,660	92,565
Employee morale	33,076	36,342	69,418	13,044	5,935	88,397
Bad debt	-	77,558	77,558	-	-	77,558
Telephone	25,246	37,624	62,870	9,956	4,530	77,356
Education	2,158	816	2,974	-	-	2,974
Total expenses before depreciation	23,956,805	9,149,929	33,106,734	2,383,286	3,081,742	38,571,762
Depreciation and amortization	305,701	1,015,387	1,321,088	35,965	17,982	1,375,035
Total expenses	\$ 24,262,506	\$ 10,165,316	\$ 34,427,822	\$ 2,419,251	\$ 3,099,724	\$ 39,946,797
Functional expense percentages	61%	25%	86%	6%	8%	100%

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
Conferences and events	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.**Statements of Cash Flows****Years ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,015,593	\$ 7,446,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,375,035	1,018,744
Loss on disposition of property and equipment	26,099	525
Net realized and unrealized (gain) loss on investments	9,195	(54,769)
Noncash contributions of investments	(219,314)	(112,228)
Proceeds from sale of donated securities	219,130	107,118
Noncash contributions of property and equipment	-	(13,095)
Contributions restricted for capital improvements	(9,948,231)	(9,878,836)
Noncash change in accounts payable and accrued expenses related to cash purchases of property and equipment	(2,777,670)	3,512,364
Decrease (increase) in assets:		
Accounts receivable	19,294	(35,700)
Inventory	(32,863)	(58,472)
Deposits and prepaid expenses	114,377	135,989
Other assets	330,000	(330,000)
Increase (decrease) in liabilities:		
Accounts payable	1,309,192	(3,477,070)
Accrued expenses	1,117,032	(174,497)
Deferred revenue	1,151,936	560,876
Net cash provided by (used in) operating activities	<u>708,805</u>	<u>(1,352,843)</u>
Cash flows from investing activities:		
Purchases of investments	(11,226)	(878,407)
Proceeds from sale of investments	3,997	2,170,011
Proceeds from maturity of certificates of deposit	579,518	-
Purchases of property and equipment	(13,993,339)	(12,535,930)
Proceeds from disposition of property and equipment	62,303	3,000
Decrease (increase) in cash restricted for capital improvements	2,870,852	(2,426,590)
Net cash used in investing activities	<u>(10,487,895)</u>	<u>(13,667,916)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital improvements	9,948,231	9,878,836
Net borrowings on lines of credit	13,562	-
Principal payments on notes payable	(158,173)	(626,380)
Net cash provided by financing activities	<u>9,803,620</u>	<u>9,252,456</u>
Net increase (decrease) in cash	24,530	(5,768,303)
Cash, beginning of year	<u>2,941,132</u>	<u>8,709,435</u>
Cash, end of year	<u>\$ 2,965,662</u>	<u>\$ 2,941,132</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 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, 2015 and 2014, AWMI had \$3,894 and \$2,874,746, respectively, of cash which was restricted for the construction of the new Bible college 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 and amortization is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 Years
Furniture and equipment	5 - 10 Years
Software	5 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 statements 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 in the statements of financial position.

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. In addition, AWMI has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. There was no unrelated business income for the years ended September 31, 2015 and 2014. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Reclassifications

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

2. 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. In 2015, AWMI solicited donor contributions on behalf of Andrew Wommack Ministries (AWM) in Canada, Great Britain and Australia by providing donors the ability to contribute funds to the ministries through website links on the AWMI's website. In accordance with GAAP, solicitation of contributions on behalf of another organization creates an economic interest. AWMI also exercises control over these related organizations without a majority ownership, sole corporate membership or majority voting interest. As such, consolidation with these affiliated organizations is permitted but not required. The financial statements of Canada, Great Britain and Australia ministries have not been consolidated with those of AWMI; however, a summary of their unaudited financial data, provided by their management, is as follows:

AWM Canada (in Canadian dollars)

At December 31, 2015:

Total assets	\$ 1,383,064
Total liabilities	\$ 30,627
Total net assets	\$ 1,352,437

For the year ended December 31, 2015:

Total revenue	\$ 1,458,800
Total expenses	\$ 1,272,829

During the years ended September 30, 2015 and 2014, AWMI was reimbursed for Christian outreach materials totaling approximately \$82,000 and \$36,000, respectively, from its affiliated organization in Canada. At September 30, 2015 and 2014, the balance of reimbursements receivable from Canada was \$16,391 and \$1,842, respectively.

AWM Great Britain (in British Pounds)

At June 30, 2015:

Total assets	£ 1,696,665
Total liabilities	£ 376,413
Total net assets	£ 1,320,252

For the year ended June 30, 2015:

Total revenue	£ 2,480,519
Total expenses	£ 2,525,047

2. AFFILIATED ORGANIZATIONS (continued)

During the years ended September 30, 2015 and 2014, AWMI was reimbursed for Christian outreach materials totaling approximately \$38,000 and \$68,000, respectively, from its affiliated organization in Great Britain. At September 30, 2015 and 2014, the balance of reimbursements receivable from Great Britain was \$21,009 and \$15,538.

AWM Australia (in Australian dollars)

At December 31, 2015:

Total assets	\$	223,759
Total liabilities	\$	21,267
Total net assets	\$	202,492

For the year ended December 31, 2015:

Total revenue	\$	534,704
Total expenses	\$	525,519

During the years ended September 30, 2015 and 2014, AWMI was reimbursed for Christian outreach materials totaling approximately \$14,000 and \$40,000, respectively, from its affiliated organization in Australia. At September 30, 2015 and 2014, the balance of reimbursements receivable from Australia was \$25,325 and \$31,722, respectively.

3. INVESTMENTS

Investments consist of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,091	\$ 585,606
Gold and silver coins	<u>74,634</u>	<u>72,419</u>
	<u>\$ 76,725</u>	<u>\$ 658,025</u>

Investment income (loss) on interest bearing cash accounts and investments for the years ended September 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 5,126	\$ 36,030
Investment fees	(130)	(6,682)
Net realized and unrealized gains (loss)	<u>(9,195)</u>	<u>54,769</u>
	<u>\$ (4,199)</u>	<u>\$ 84,117</u>

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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, 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, 2015 and 2014.

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

Investments in gold and silver coins, totaling \$74,634 and \$72,419 for the years ended September 30, 2015 and 2014, respectively, were valued using level 1 inputs.

5. 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 real estate was sold in May 2015.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2015 and 2014:

	2015	2014
Land	\$ 3,447,000	\$ 3,447,000
Buildings and improvements	40,268,170	31,601,690
Furniture and equipment	3,788,216	3,449,546
Vehicles	466,645	526,887
Software	708,112	-
Construction in progress	14,920,688	8,650,769
	63,598,831	47,675,892
Less accumulated depreciation	5,969,302	4,618,562
	<u>\$57,629,529</u>	<u>\$43,057,330</u>

At September 30, 2015 and 2014, the construction in progress account consisted primarily of construction costs related to the construction of the Bible college in Woodland Park, Colorado. The construction began in August 2012 and the first phase of the construction was completed in November, 2014. At September 30, 2015, AWMI is continuing with the second phase of the construction.

7. LINES OF CREDIT

In July 2015, AWMI entered into two construction line of credit agreements with First State Bank of Colorado Springs (First State Bank). The \$2.5 million and \$800,000 nonrevolving lines of credit bear fixed interest rates of 4.5% and mature in July 2016. The lines of credit are secured by all current and future real property, improvements and fixtures located at AWMI's Bible school in Woodland Park, Colorado. At September 30, 2015, AWMI had a \$13,562 balance outstanding on these lines of credit. Subsequent to year end, the line of credit agreements were amended whereby both became revolving lines of credit.

8. NOTE PAYABLE

First State Bank note payable

At September 30, 2014, AWMI had a note payable to First State Bank. The note was 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 was due September 21, 2029. The note was secured by all current and future real and personal property owned by AWMI

8. NOTE PAYABLE (continued)

First State Bank note payable (continued)

except for the AWMI headquarters real estate located in Colorado Springs, Colorado. The balance of this note at September 30, 2014 was \$2,534,387. In January 2015, AWMI refinanced the note payable with a \$2.5 million note payable to UMB Bank, N.A. (UMB Bank).

UMB Bank note payable

The note payable to UMB Bank is payable in 59 monthly payments of \$24,781, consisting of principal and a fixed annual interest rate of 3.5%. All unpaid principal and accrued interest is due on January 31, 2020. The balance of this note at September 30, 2015 was \$2,376,215. The note is secured by AWMI's headquarters real estate located in Colorado Springs, Colorado.

The note payable requires AWMI to meet certain financial and reporting covenants. As of the date of the attached independent auditors' report, AWMI was out of compliance with a certain reporting covenant and has received a waiver of compliance with this covenant from UMB Bank.

The following schedule outlines principal amounts due on the note payable to UMB Bank:

2016	\$ 217,349
2017	225,314
2018	233,339
2019	241,650
2020	<u>1,458,562</u>
	<u>\$ 2,376,214</u>

For the year ended September 30, 2015, AWMI incurred \$87,872 of interest expense, all of which was capitalized. For the year ended September 30, 2014, AWMI incurred \$137,302 of interest expense, of which \$125,388 was capitalized.

9. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Capital improvements - Woodland Park	\$ -	\$ 2,715,251
Capital improvements - equipment	3,894	159,495
Programs	<u>930,769</u>	<u>2,057,957</u>
	<u>\$ 934,663</u>	<u>\$ 4,932,703</u>

9. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restrictions during the years ended September 30, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Capital improvements - Woodland Park	\$ 2,715,251	\$ -
Capital improvements - equipment	155,601	42,352
Programs	<u>1,436,852</u>	<u>153,666</u>
	<u>\$ 4,307,704</u>	<u>\$ 196,018</u>

10. 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, 2015:

2016	\$ 581,994
2017	277,266
2018	163,504
2019	59,695
2020	<u>55,409</u>
	<u>\$ 1,137,868</u>

Total rent expense under long term operating leases was approximately \$764,000 and \$630,000 for the years ended September 30, 2015 and 2014.

11. 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, 2015 and 2014.

12. JOINT COSTS

For the years ended September 30, 2015 and 2014, AWMI has allocated joint costs (for broadcasting and informational materials that include fundraising appeals) among program, general and administrative and fundraising as follows:

	2015:			Total
	Program	General and Administrative	Fundraising	
Broadcast air time	\$10,441,943	\$ -	\$ 1,150,596	\$ 11,592,539
Postage and shipping	1,079,706	4,125	155,730	1,239,561
Printing and publications	<u>905,860</u>	<u>-</u>	<u>223,515</u>	<u>1,129,375</u>
	<u>\$12,427,509</u>	<u>\$ 4,125</u>	<u>\$ 1,529,841</u>	<u>\$ 13,961,475</u>

12. JOINT COSTS (continued)

2014:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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>

13. CONCENTRATION OF CREDIT RISK

Cash balances held at a financial institution exceed federally insured limits. AWMI has not experienced any losses in its cash accounts and management believes AWMI is not exposed to any significant credit risk on cash.

14. CASH FLOW STATEMENTS DISCLOSURES

Supplemental disclosures of cash flow information:

Interest paid during the year ended September 30, 2015 was \$87,872, all of which was capitalized. Interest paid during the year ended September 30, 2014 (net of capitalized interest of \$125,388) amounted to \$11,914.

AWMI paid no income taxes for the years ended September 30, 2015 and 2014.

Supplemental disclosure of noncash investing and financing activities:

For the years ended September 30, 2015 and 2014, noncash contributions of investments received by AWMI totaled \$219,314 and \$112,228, respectively. For the year ended September 30, 2014, AWMI received contributions of property and equipment of \$13,095. In January 2015, AWMI refinanced its note payable to First State Bank with a \$2.5 million note payable to UMB Bank.

AWMI funded \$2,725,475 and \$683,178 of additions to property and equipment through the assumption of accounts payable and accrued expenses at September 30, 2015 and 2014, respectively.

15. 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 \$975,000 during the year ended September 30, 2015.

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, 2015, AWMI has committed to a guaranteed maximum of approximately \$50,550,000 related to these contracts. At September 30, 2015, the remaining commitment under these construction contracts is approximately \$12,750,000.

16. 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 other than the line of credit agreements being amended as described in Note 7.