

**ANDREW WOMMACK
MINISTRIES, INC.**

FINANCIAL STATEMENTS

September 30, 2016 and 2015



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 nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, 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, 2016 and 2015, 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
January 31, 2017

ANDREW WOMMACK MINISTRIES, INC.

Statements of Financial Position

September 30, 2016 and 2015

	2016	2015
Assets		
Cash	\$ 1,965,364	\$ 2,965,662
Investments	16,336	76,725
Accounts receivable	361,101	306,017
Inventory	318,731	307,017
Deposits and prepaid expenses	422,203	206,955
Cash restricted for capital improvements	-	3,894
Investments held for endowment purposes	34,021	-
Property and equipment, net	68,629,093	57,629,529
	<u>\$71,746,849</u>	<u>\$61,495,799</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,768,470	\$ 3,151,453
Accrued expenses	2,175,813	1,759,984
Deferred revenue	2,043,667	1,794,888
Lines of credit	2,000,000	13,562
Note payable	1,754,641	2,376,214
	<u>10,742,591</u>	<u>9,096,101</u>
Net assets:		
Unrestricted net assets	60,181,587	51,465,035
Temporarily restricted net assets	789,606	934,663
Permanently restricted net assets	33,065	-
	<u>61,004,258</u>	<u>52,399,698</u>
	<u>\$71,746,849</u>	<u>\$61,495,799</u>

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statements of Activities

Years Ended September 30, 2016 and 2015

	2016			2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:							
Offerings	\$41,538,451	\$ 60,976	\$ 33,065	\$41,632,492	\$38,902,280	\$ 309,664	\$39,211,944
Meetings and conferences offerings	1,077,148	-	-	1,077,148	1,647,542	-	1,647,542
Product offerings and sales	2,193,434	-	-	2,193,434	819,111	-	819,111
Bible colleges, net	7,037,916	-	-	7,037,916	6,010,079	-	6,010,079
Other program revenue	771,320	-	-	771,320	277,913	-	277,913
Investment income (loss)	17,973	-	-	17,973	(4,199)	-	(4,199)
Net assets released from restrictions	206,033	(206,033)	-	-	4,307,704	(4,307,704)	-
Total support and revenue	52,842,275	(145,057)	33,065	52,730,283	51,960,430	(3,998,040)	47,962,390
Expenses:							
Program:							
Teaching ministry	25,397,913	-	-	25,397,913	24,560,295	-	24,560,295
Bible colleges	11,968,019	-	-	11,968,019	9,867,527	-	9,867,527
Total program	37,365,932	-	-	37,365,932	34,427,822	-	34,427,822
General and administrative	3,357,782	-	-	3,357,782	2,419,251	-	2,419,251
Fundraising	3,402,009	-	-	3,402,009	3,099,724	-	3,099,724
Total expenses	44,125,723	-	-	44,125,723	39,946,797	-	39,946,797
Change in net assets	8,716,552	(145,057)	33,065	8,604,560	12,013,633	(3,998,040)	8,015,593
Net assets, beginning of year	51,465,035	934,663	-	52,399,698	39,451,402	4,932,703	44,384,105
Net assets, end of year	\$60,181,587	\$ 789,606	\$ 33,065	\$61,004,258	\$51,465,035	\$ 934,663	\$52,399,698

See accompanying notes

ANDREW WOMMACK MINISTRIES, INC.

Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services			Supporting Services		Total Functional Expenses
	Teaching Ministry	Bible Colleges	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 5,629,818	\$ 4,436,914	\$ 10,066,732	\$ 2,710,879	\$ 1,041,243	\$ 13,818,854
Employee benefits	299,443	426,381	725,824	119,120	33,957	878,901
Payroll taxes	414,941	319,907	734,848	199,803	76,744	1,011,395
Total salaries and related expenses	6,344,202	5,183,202	11,527,404	3,029,802	1,151,944	15,709,150
Broadcast air time	10,609,656	-	10,609,656	-	1,169,211	11,778,867
Contributions	1,816,885	224,843	2,041,728	-	-	2,041,728
Supplies	933,941	781,497	1,715,438	11,800	227,498	1,954,736
Travel	386,462	1,374,291	1,760,753	36,988	77,870	1,875,611
Occupancy	120,683	1,341,614	1,462,297	14,198	7,099	1,483,594
Printing and publications	816,707	258,452	1,075,159	-	186,249	1,261,408
Postage and shipping	873,664	108,429	982,093	11,039	202,335	1,195,467
Cost of multi-media materials	940,160	71,833	1,011,993	-	-	1,011,993
Professional fees	234,556	494,168	728,724	112,944	43,382	885,050
Conferences and events	604,725	155,498	760,223	-	-	760,223
Public relations	483,179	89,644	572,823	-	-	572,823
Dues, fees and subscriptions	163,814	104,014	267,828	23,402	280,823	572,053
Equipment rental and maintenance	306,819	156,672	463,491	36,096	18,048	517,635
Mission outreach	184,338	274,028	458,366	-	-	458,366
Insurance	31,464	68,845	100,309	3,702	1,851	105,862
Consulting	50,491	52,777	103,268	-	-	103,268
Employee morale	37,926	35,627	73,553	18,262	7,014	98,829
Telephone	19,509	46,162	65,671	9,394	3,608	78,673
Honorariums	7,902	25,976	33,878	-	-	33,878
Education	4,516	11,130	15,646	-	-	15,646
Bad debt	-	2,262	2,262	-	-	2,262
Total expenses before depreciation and amortization	24,971,599	10,860,964	35,832,563	3,307,627	3,376,932	42,517,122
Depreciation and amortization	426,314	1,107,055	1,533,369	50,155	25,077	1,608,601
Total expenses	\$ 25,397,913	\$ 11,968,019	\$ 37,365,932	\$ 3,357,782	\$ 3,402,009	\$ 44,125,723
Functional expense percentages	57%	27%	84%	8%	8%	100%

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
Contributions	1,819,689	21,792	1,841,481	-	-	1,841,481
Travel	453,544	1,192,224	1,645,768	42,755	105,593	1,794,116
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
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
Professional fees	401,448	353,300	754,747	30,093	13,692	798,532
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
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
Honorariums	9,729	20,826	30,555	-	-	30,555
Education	2,158	816	2,974	-	-	2,974
Total expenses before depreciation and amortization	24,254,594	8,852,140	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	\$ 24,560,295	\$ 9,867,527	\$ 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.
Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 8,604,560	\$ 8,015,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,608,601	1,375,035
Loss on disposition of property and equipment	23,239	26,099
Net realized and unrealized (gain) loss on investments	(17,973)	9,195
Noncash contributions of investments	(33,814)	(219,314)
Proceeds from sale of donated securities	27,552	219,130
Contributions restricted for long-term purposes	(9,054,569)	(9,948,231)
Noncash change in accounts payable and accrued expenses related to cash purchases of property and equipment	133,096	(2,777,670)
Decrease (increase) in assets:		
Accounts receivable	(55,084)	19,294
Inventory	(11,714)	(32,863)
Deposits and prepaid expenses	(215,248)	114,377
Other assets	-	330,000
Increase (decrease) in liabilities:		
Accounts payable	(382,983)	1,309,192
Accrued expenses	415,829	1,117,032
Deferred revenue	248,779	1,151,936
Net cash provided by operating activities	1,290,271	708,805
Cash flows from investing activities:		
Purchases of investments	(43,046)	(11,226)
Proceeds from sale of investments	93,649	3,997
Proceeds from maturity of certificates of deposit	-	579,518
Purchases of property and equipment	(12,764,500)	(13,993,339)
Proceeds from disposition of property and equipment	-	62,303
Decrease in cash restricted for capital improvements	3,894	2,870,852
Net cash used in investing activities	(12,710,003)	(10,487,895)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital improvements	9,021,504	9,948,231
Proceeds from contributions restricted to endowment	33,065	-
Net borrowings on lines of credit	1,986,438	13,562
Principal payments on note payable	(621,573)	(158,173)
Net cash provided by financing activities	10,419,434	9,803,620
Net increase (decrease) in cash	(1,000,298)	24,530
Cash, beginning of year	2,965,662	2,941,132
Cash, end of year	\$ 1,965,364	\$ 2,965,662

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. Net assets, including permanently restricted endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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, except those amounts designated and classified as investments at financial institutions, to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable is 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 and its programs. 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 either sold or provided to the public in exchange for a voluntary contribution. Inventory is recorded at lower of average cost or market.

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. 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, 2016 and 2015. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Presentation of sales tax

AWMI remits sales tax to sales tax jurisdictions in several states which impose sales tax on products and teaching materials sold through the AWMI's website and on food sold at AWMI conferences. AWMI's accounting policy is to include sales tax collected and remitted to the taxing agencies in revenue and expenses.

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. During the years ended September 31, 2016 and 2015, AWMI solicited donor contributions on behalf of Andrew Wommack Ministries (AWM) in Canada, Europe 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.

AWMI Canada (in Canadian dollars)

The financial statements of AWMI Canada have not been consolidated with those of AWMI; however, a summary of their financial data obtained from their last two years of audited financial statements, provided by their management, is as follows:

At December 31:	<u>2015</u>	<u>2014</u>
Total assets	\$ 1,452,278	\$ 1,224,780
Total liabilities	\$ 105,983	\$ 62,947
Total net assets	\$ 1,346,295	\$ 1,161,833

For the year ended December 31:		
Total revenue	\$ 1,458,808	\$ 1,155,142
Total expenses	\$ 1,274,346	\$ 809,174

During the years ended September 30, 2016 and 2015, AWMI was reimbursed for Christian outreach materials totaling approximately \$98,000 and \$82,000, respectively, from its affiliated organization in Canada. At September 30, 2016 and 2015, the balance of reimbursements receivable from AWMI Canada was \$20,343 and \$16,391, respectively.

2. AFFILIATED ORGANIZATIONS (continued)

AWMI Europe (in British Pounds)

The financial statements of AWMI Europe have not been consolidated with those of AWMI; however, a summary of their financial data obtained from their last two years of audited financial statements, provided by their management, is as follows:

At June 30:	2016	2015
Total assets	£ 1,811,354	£ 1,696,665
Total liabilities	£ 415,091	£ 362,413
Total net assets	£ 1,396,263	£ 1,334,252

For the year ended June 30:

Total revenue	£ 2,890,323	£ 2,480,519
Total expenses	£ 2,828,312	£ 2,511,047

During the years ended September 30, 2016 and 2015, AWMI was reimbursed for Christian outreach materials totaling approximately \$34,000 and \$38,000, respectively, from its affiliated organization in Europe. At September 30, 2016 and 2015, the balance of reimbursements receivable from AWMI Europe was \$7,511 and \$21,009, respectively.

AWMI Australia (in Australian dollars)

The financial statements of AWMI Australia have not been consolidated with those of AWMI; however, a summary of their financial data obtained from their last two years of compiled financial statements, provided by their management, is as follows:

At June 30:	2016	2015
Total assets	\$ 288,463	\$ 304,701
Total liabilities	\$ 30,867	\$ 51,274
Total net assets	\$ 257,596	\$ 253,427

For the year ended June 30:

Total revenue	\$ 745,675	\$ 539,065
Total expenses	\$ 741,506	\$ 406,743

During the years ended September 30, 2016 and 2015, AWMI was reimbursed for Christian outreach materials totaling approximately \$28,000 and \$14,000, respectively, from its affiliated organization in Australia. At September 30, 2016 and 2015, the balance of reimbursements receivable from AWMI Australia was \$7,784 and \$25,325, respectively.

3. INVESTMENTS

Investments consist of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 15,965	\$ 2,091
Mutual funds	28,136	-
Gold and silver coins	1,316	74,634
Jewelry	4,940	-
	<u>\$ 50,357</u>	<u>\$ 76,725</u>

Investment income (loss) on interest bearing cash accounts and investments for the years ended September 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 17	\$ 5,126
Investment fees	(17)	(130)
Net realized and unrealized gain (loss)	17,973	(9,195)
	<u>\$ 17,973</u>	<u>\$ (4,199)</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 AWMI 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.

4. FAIR VALUE MEASUREMENTS (continued)

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 maximize the use of relevant 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, 2016 and 2015.

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 Securities and Exchange Commission. 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.

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

Jewelry: Valued by management using valuation inputs from the donor on the date of contribution to AWMI.

September 30, 2016	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds	\$ 28,136	\$ 28,136	\$ -
Gold coins	1,316	1,316	-
Jewelry	4,940	-	4,940
	<u>\$ 34,392</u>	<u>\$ 29,452</u>	<u>\$ 4,940</u>

September 30, 2015

Gold and silver coins	<u>\$ 74,634</u>	<u>\$ 74,634</u>
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During the year ended September 30, 2016, \$4,940 of level 3 assets were donated to AWMI. There were no other changes in the fair value of AWMI's level 3 assets during the year ended September 30, 2016.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 3,447,000	\$ 3,447,000
Buildings and improvements	44,667,483	40,268,170
Furniture and equipment	3,971,220	3,788,216
Vehicles	494,423	466,645
Software	708,112	708,112
Construction in progress	<u>22,340,404</u>	<u>14,920,688</u>
	75,628,642	63,598,831
Less accumulated depreciation	<u>6,999,549</u>	<u>5,969,302</u>
	<u><u>\$68,629,093</u></u>	<u><u>\$57,629,529</u></u>

At September 30, 2016 and 2015, the construction in progress account consisted 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, 2016, AWMI is continuing with the second phase of the construction.

6. LINES OF CREDIT

In July 2015, AWMI entered into three construction line of credit agreements with First State Bank of Colorado Springs (First State Bank). The \$2.5 million, \$800,000 and \$200,000 nonrevolving lines of credit bore fixed interest rates of 4.5% and were set to mature in July 2016. In October 2015, the line of credit agreements were amended whereby they became revolving lines of credit. In July 2016, the terms of the lines of credit agreements were further amended whereby the agreements now mature on July 28, 2037 unless a demand is made by the lender in which case they are payable immediately. These amended lines of credit bear a fixed interest rate of 4.5% until July 28, 2020, at which time the interest rate will be equal to the Wall Street Journal Prime Rate plus .5%, with a floor of 4.5%. Beginning in July 2016, AWMI was required to make monthly interest payments. Principal advances on these lines of credit are available until July 28, 2017 after which the then outstanding principal balance will be amortized over a period of twenty years with monthly principal and interest payments, until paid in full, due on July 28, 2037.

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, 2016 and 2015, the balance outstanding on these lines of credit was \$2,000,000 and \$13,562, respectively.

7. NOTE PAYABLE

AWMI has a note payable to UMB Bank, N.A. (UMB Bank) which 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, 2016 and 2015 was \$1,754,641 and \$2,376,214, respectively. 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.

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

2017	\$ 239,712
2018	248,250
2019	257,092
2020	<u>1,009,587</u>
	<u>\$ 1,754,641</u>

8. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital improvements - equipment	\$ -	\$ 3,894
Programs	<u>789,606</u>	<u>930,769</u>
	<u>\$ 789,606</u>	<u>\$ 934,663</u>

Temporarily restricted net assets released from restrictions during the years ended September 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Capital improvements - Woodland Park	\$ -	\$ 2,715,251
Capital improvements - equipment	3,894	155,601
Programs	<u>202,139</u>	<u>1,436,852</u>
	<u>\$ 206,033</u>	<u>\$ 4,307,704</u>

9. CHARIS BIBLE COLLEGE ENDOWMENT

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act). The Act provides statutory guidance for management, investment and expenditures of endowment funds held by nonprofit organizations.

9. CHARIS BIBLE COLLEGE ENDOWMENT (continued)

Amongst other provisions, the Act eliminates the "historical dollar value" rule for endowment funds, in favor of guidelines regarding what constitutes prudent spending and explicitly requires consideration of the following factors (if relevant):

1. The duration and preservation of the endowment fund
2. The purposes of the organization and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

In November 2015, AWMI established the Charis Bible College Endowment (the Fund) to further the religious and educational purposes of Charis Bible Colleges. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The AWMI's Board of Directors has interpreted the State of Colorado's UPMIFA as permitting preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, AWMI classifies the original value of a donor's gift donated to the permanent endowment, as permanently restricted net assets unless the original value is decreased based on the spending policy of the Fund. Each year AWMI may expend the greater of: (1) the total return over the historic dollar value of the Fund, defined as the total net principal amount contributed to the Fund, or (2) 5% of the value of the assets of the Fund as of the end of the previous fiscal year. Once funds are appropriated for expenditure, they are classified as unrestricted net assets.

AWMI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment. Under the endowment fund policies, the endowment assets are invested in a manner that is intended to produce the highest possible rate of return consistent with stated risk tolerances. To satisfy its long-term rate of return objectives, AWMI relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). AWMI targets a diversified asset allocation that places a greater emphasis on diversified equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level AWMI is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2016.

9. CHARIS BIBLE COLLEGE ENDOWMENT (continued)

Changes in the Charis Bible College Endowment net assets for the year ended September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	-	33,065	33,065
Net appreciation of investments (realized and unrealized)	-	973	973
Investment fees	-	(17)	(17)
Appropriation of endowment assets for expenditure	956	(956)	-
Endowment net assets, end of year	<u>\$ 956</u>	<u>\$ 33,065</u>	<u>\$ 34,021</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, 2016:

2017	\$ 508,430
2018	353,142
2019	173,651
2020	88,246
2021	87,773
	<u>\$ 1,211,242</u>

Total rent expense under long term operating leases was approximately \$847,000 and \$764,000 for the years ended September 30, 2016 and 2015.

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, 2016 and 2015.

12. JOINT COSTS

For the years ended September 30, 2016 and 2015, AWMI has allocated joint costs (for broadcasting and informational materials that include fundraising appeals) among program, general and administrative and fundraising as follows:

2016:	Program	General and Administrative	Fundraising	Total
Broadcast air time	\$10,609,656	\$ -	\$ 1,169,211	\$11,778,867
Postage and shipping	982,093	11,039	202,335	1,195,467
Printing and publications	1,075,159	-	186,249	1,261,408
	<u>\$12,666,908</u>	<u>\$ 11,039</u>	<u>\$ 1,557,795</u>	<u>\$14,235,742</u>

2015:	Program	General and Administrative	Fundraising	Total
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	905,860	-	223,515	1,129,375
	<u>\$12,427,509</u>	<u>\$ 4,125</u>	<u>\$ 1,529,841</u>	<u>\$13,961,475</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 years ended September 30, 2016 and 2015 was \$106,450 and \$87,872, respectively, all of which was capitalized.

AWMI paid no income taxes for the years ended September 30, 2016 and 2015.

Supplemental disclosure of noncash investing and financing activities:

For the years ended September 30, 2016 and 2015, noncash contributions of investments received by AWMI totaled \$33,814 and \$219,314, respectively.

AWMI has funded \$2,592,379 and \$2,725,475 of additions to property and equipment through the assumption of accounts payable and accrued expenses at September 30, 2016 and 2015, respectively.

In January 2015, AWMI refinanced its note payable to First State Bank with a \$2.5 million note payable to UMB Bank.

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 \$990,000 during the year ended September 30, 2016.

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, 2016, AWMI has committed to a guaranteed maximum of approximately \$54,102,000 related to these contracts. At September 30, 2016, the remaining commitment under these construction contracts is approximately \$6,084,000.

16. EVALUATION OF SUBSEQUENT EVENTS

Subsequent to year end, AWMI began a process of reorganization of its legal structure which will result in creating several legally separate entities and aims to provide better legal protection of AWMI's assets and improve overall operating efficiency.

Management has evaluated subsequent events through the date of the attached auditors' report, the date which the financial statements were available to be issued. Other than the legal reorganization of AWMI described in the preceding paragraph, management believes there have been no other significant subsequent events.