

**AGLOW INTERNATIONAL**

**INDEPENDENT AUDITORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2011**

**AGLOW INTERNATIONAL**  
Year Ended March 31, 2011

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Aglow International

We have audited the accompanying statement of financial position of Aglow International as of March 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Aglow International. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aglow International as of March 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Aglow International will continue as a going concern. As discussed in note 11 to the financial statements, Aglow International has suffered recurring significant reductions in grant revenues and cash flows, and has a net deficiency in unrestricted net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Finney, Neill & Company, P.S.*

August 22, 2011

**AGLOW INTERNATIONAL**  
Statement of Financial Position  
March 31, 2011

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 179,529
Inventories	17,950
Prepaid expenses and other current assets	<u>5,847</u>
Total current assets	<u>203,326</u>

Property and equipment:

Furniture and equipment	425,233
Leasehold improvements	<u>33,034</u>
	458,267
Less accumulated depreciation and amortization	<u>(410,949)</u>
Property and equipment, net	<u>47,318</u>

Other assets:

Production costs, net of accumulated amortization of \$606,809	109,958
Investments	101,689
Other assets	<u>27,817</u>
Total other assets	<u>239,464</u>
Total assets	<u><u>\$ 490,108</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:

Line of credit	\$ 67,500
Accounts payable	68,735
Accrued expenses	<u>135,812</u>
Total current liabilities	<u>272,047</u>

Net assets:

Unrestricted	(18,938)
Temporarily restricted	<u>236,999</u>
Total net assets	<u>218,061</u>
Total liabilities and net assets	<u><u>\$ 490,108</u></u>

*The accompanying notes are an integral part of these financial statements.*

**AGLOW INTERNATIONAL**Statement of Activities  
Year ended March 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 2,073,601	294,163	2,367,764
Conference registration	290,535	-	290,535
Other income	88,077	-	88,077
Net assets released from restrictions	<u>256,439</u>	<u>(256,439)</u>	<u>-</u>
Total support and revenue	<u>2,708,652</u>	<u>37,724</u>	<u>2,746,376</u>
Expenses:			
Program services:			
International fellowships	160,420	-	160,420
United States fellowships	456,395	-	456,395
Ministry focus areas	692,807	-	692,807
Conferences	560,703	-	560,703
Communications	<u>243,942</u>	<u>-</u>	<u>243,942</u>
Total program services	<u>2,114,267</u>	<u>-</u>	<u>2,114,267</u>
Supporting services:			
Management and general	715,576	-	715,576
Fund raising	<u>146,337</u>	<u>-</u>	<u>146,337</u>
Total supporting services	<u>861,913</u>	<u>-</u>	<u>861,913</u>
Total expenses	<u>2,976,180</u>	<u>-</u>	<u>2,976,180</u>
Change in net assets	(267,528)	37,724	(229,804)
Net assets at beginning of year	<u>248,590</u>	<u>199,275</u>	<u>447,865</u>
Net assets at end of year	<u><u>\$ (18,938)</u></u>	<u><u>236,999</u></u>	<u><u>218,061</u></u>

*The accompanying notes are an integral part of these financial statements.*

**AGLOW INTERNATIONAL**  
Statement of Functional Expenses  
Year ended March 31, 2011

	Program Services					Supporting Services				Total Expenses
	International Fellowships	U. S. Fellowships	Ministry Focus Area	Conferences	Creative Services	Total	Management & General	Fund Raising	Total	
Salaries and related benefits	\$ 92,848	154,654	405,910	172,341	182,446	1,008,199	429,783	73,227	503,010	1,511,209
Occupancy	14,362	23,013	58,798	25,988	28,585	150,746	69,950	11,081	81,031	231,777
Operational:										
Travel and transportation	11,524	6,856	49,695	674	142	68,891	13,554	4,813	18,367	87,258
Printing, postage and supplies	1,079	2,043	2,214	3,839	1,152	10,327	19,455	37,556	57,011	67,338
Telephone and utilities	113	-	-	-	-	113	9,150	-	9,150	9,263
Insurance	-	-	-	-	-	-	47,628	-	47,628	47,628
Contracted services	-	7,150	5,562	-	11,092	23,804	28,070	7,101	35,171	58,975
Amortization of production costs	-	-	46,410	-	-	46,410	-	-	-	46,410
State and property taxes	-	-	-	-	-	-	1,380	-	1,380	1,380
Interest	-	-	-	-	-	-	2,593	-	2,593	2,593
Promotion and marketing	-	-	-	11,399	-	11,399	20,486	-	20,486	31,885
Professional services	-	-	999	610	-	1,609	10,623	2,340	12,963	14,572
Miscellaneous	1,721	1,546	2,613	9,068	249	15,197	39,217	6,023	45,240	60,437
Total operational	<u>14,437</u>	<u>17,595</u>	<u>107,493</u>	<u>25,590</u>	<u>12,635</u>	<u>177,750</u>	<u>192,156</u>	<u>57,833</u>	<u>249,989</u>	<u>427,739</u>
Ministry:										
Conference costs	1,012	8,906	9,173	336,768	20,268	376,127	19,164	4,035	23,199	399,326
Translation	6,823	-	-	-	-	6,823	-	-	-	6,823
Donations to others	715	-	13,125	-	-	13,840	1,000	161	1,161	15,001
Working funds	30,208	252,158	98,044	-	-	380,410	-	-	-	380,410
Miscellaneous	15	69	264	16	8	372	3,523	-	3,523	3,895
Total ministry	<u>38,773</u>	<u>261,133</u>	<u>120,606</u>	<u>336,784</u>	<u>20,276</u>	<u>777,572</u>	<u>23,687</u>	<u>4,196</u>	<u>27,883</u>	<u>805,455</u>
	<u>\$ 160,420</u>	<u>456,395</u>	<u>692,807</u>	<u>560,703</u>	<u>243,942</u>	<u>2,114,267</u>	<u>715,576</u>	<u>146,337</u>	<u>861,913</u>	<u>2,976,180</u>

The accompanying notes are an integral part of these financial statements.

**AGLOW INTERNATIONAL**  
Statement of Cash Flows  
Increase (Decrease) in Cash and Cash Equivalents  
Year ended March 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ (229,804)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation and amortization	65,324
Loss on disposal of assets	777
(Increase) decrease in assets:	
Accounts receivable	1,070
Inventories	4,777
Prepaid expenses and other current assets	7,848
Increase (decrease) in liabilities:	
Accounts payable	48,846
Accrued expenses	8,765
Total adjustments	<u>137,407</u>
Net cash provided (used) by operating activities	<u>(92,397)</u>
Cash flows from investing activities:	
Purchase of investments	(1,714)
Purchases of property and equipment	<u>(7,573)</u>
Net cash provided (used) by investing activities	<u>(9,287)</u>
Cash flows from financing activities:	
Principal draws on line of credit, net	<u>27,500</u>
Net cash provided (used) by financing activities	<u>27,500</u>
Net increase (decrease) in cash and cash equivalents	(74,184)
Cash and cash equivalents at beginning of year	<u>253,713</u>
Cash and cash equivalents at end of year	<u><u>\$ 179,529</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for interest	\$ 2,593
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*The accompanying notes are an integral part of these financial statements.*

# AGLOW INTERNATIONAL

## Notes To Financial Statements

Year ended March 31, 2011

### 1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Aglow International (the Organization) is a Washington nonprofit corporation and the worldwide headquarters for approximately 4,781 fellowships (approximately 1,496 U.S. fellowships, and 3,285 international fellowships in 169 nations). The local fellowship groups are not controlled by the Organization. Instead, they are directed and overseen by 72 national boards and committees. The Organization provides leadership, training, and supporting services to area boards and local fellowships and publishes various books and other literature on the furtherance of Christian fellowship, prayer and evangelism.

The mission of the Organization is as follows:

- To help restore and mobilize women and men around the world.
- To promote gender reconciliation in the Body of Christ as God designed.
- To amplify awareness of global concerns from a Biblical perspective.

#### Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the activities of the organization
- *Temporarily restricted net assets* are those stipulated by donors for specific operating or ministry purposes.

Net assets of the temporarily restricted class are created only by donor-imposed restrictions on the use of funds. All other net assets, including Board-designated or appropriated amounts and are reported as part of the unrestricted class.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Inventories

Inventories consist of publications held for resale and supplies. Inventories are stated at the lower of cost or market with cost determined by the first-in, first-out method.

## AGLOW INTERNATIONAL

### Notes To Financial Statements

Year ended March 31, 2011

#### 1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### Property and Equipment and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at its estimated fair market value at date of receipt. The Organization generally follows the practice of capitalizing expenditures for property and equipment in excess of \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Depreciation expense for the year ended March 31, 2011 was \$20,536.

##### Restricted and Unrestricted Support and Revenue Recognition

Contributed support is recorded when cash is received or when ownership of donated assets is transferred. The Organization has adopted the Revenue Recognition for Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. In accordance with this Topic, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts for ministry which are received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted. When a donor 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 statement of activities as net assets released from restrictions. At March 31, 2011, temporarily restricted net assets consisted of cash and cash equivalents and investments and are available for use in subsequent years' program services.

##### Donated Assets and Services

Donations of property and equipment are recorded at their estimated fair market values at the date of receipt. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for donated services because no objective basis is available to measure the value of such services.

##### Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

##### Investments

Certificates of deposit held for investment that are not debt securities are classified as long-term if they are intended to be held for a period that exceeds one year. Certificates of deposit are valued at original cost plus accrued interest at year end. Interest income from cash and cash equivalents and investment accounts included in other income was \$1,905 for the year ended March 31, 2011.

# AGLOW INTERNATIONAL

## Notes To Financial Statements

Year ended March 31, 2011

### 1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Income Tax Status

Pursuant to a letter of determination from the Internal Revenue Service, the Organization is a not-for-profit ministry exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under section 509(a)(1) of the Internal Revenue Code. Accordingly, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) of the Internal Revenue Code.

The Organization accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the Income Taxes Topic of Financial Accounting Standards Board Accounting Standards Codification. With few exceptions, the Organization is subject to U.S. federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of March 31, 2011.

The Organization recognizes income tax related interest and penalties in operational expenses. During the year ended March 31, 2011, the Organization recognized no income tax interest or penalties.

#### Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 2. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 22, 2011, which is the date the financial statements were available to be issued.

### 3. CONCENTRATIONS

The Organization places cash and cash equivalents with financial institutions. Accounts at each institution are insured up to \$250,000. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

During the year, the Organization received contributions totaling \$511,530 (21% of total support and revenue) from one unrelated not-for-profit organization.

### 4. OPERATING LEASES

The Organization entered into a three year lease for office space on May 1, 2009 which expires on April 30, 2012. Rent expense was \$195,060 for the year ended March 31, 2011.

Future minimum lease payments for the years ending March 31st are as follows:

2012	\$ 195,060
2013	<u>16,255</u>
	\$ <u>211,315</u>

*These notes are an integral part of the financial statements.*

## **AGLOW INTERNATIONAL**

### Notes To Financial Statements

Year ended March 31, 2011

#### 5. MEDIA PRODUCTION COSTS

The Organization has completed the development of several television series. In total for all television series, production costs of \$716,767 were capitalized. The capitalized costs are amortized over a five-year period beginning with the initial broadcast of each series. Amortization expense for the year ended March 31, 2011 was \$46,410.

#### 6. LINE OF CREDIT

The Organization has a \$75,000 line of credit with a bank secured by a certificate of deposit. The line of credit matures on December 15, 2011. Interest is payable monthly at an interest rate of 5% per year. As of March 31, 2011, there was \$67,500 outstanding on the line of credit. Interest expense for the year ended March 31, 2011 was \$2,593.

#### 7. RELATED PARTY ACTIVITY

The Organization receives substantially all of its contributions and conference fees from affiliated individuals and fellowships. Furthermore, a substantial portion of its publications are purchased by affiliated individuals and fellowships.

#### 8. REGIONAL FUNDS HELD FOR AFFILIATES

The Organization currently holds funds for certain affiliates located in European and African nations who operate under the Aglow name. The Organization has no ownership in these monies and dispenses the funds held at the request of the respective affiliates' management. As such, the Organization reported cash held on behalf of these entities of \$33,367 as an asset and as a corresponding liability as of March 31, 2011.

#### 9. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$8,506 to the plan during the year ended March 31, 2011.

#### 10. COMMITMENTS AND CONTINGENCIES

As part of its ongoing ministry, the Organization organizes conferences on an annual basis. The Organization periodically executes contracts and commitments with hotels, convention facilities and event-coordination organizations for events scheduled to be held in subsequent years. The Organization cannot reasonably estimate the loss which it may experience if attendance at these events fails to reach projections.

#### 11. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. Aglow International has reported a net loss for the fiscal year ended March 31, 2011 of \$229,804, and also reported a net loss in the fiscal year ended March 31, 2009 of \$108,378. As of March 31, 2011, the Organization carried a deficit in unrestricted net assets of \$18,938. These factors combine to suggest that Aglow International may be unable to continue as a going concern. Management believes that actions presently being taken to revise the Organization's operating and financial effectiveness will provide the opportunity for the Organization to continue as a going concern.

*These notes are an integral part of the financial statements.*

## **AGLOW INTERNATIONAL**

### Notes To Financial Statements

Year ended March 31, 2011

#### 11. GOING CONCERN, continued

Elements of management's detailed action plan are summarized below:

- The Organization received two bequests for a total of \$125,000 subsequent to March 31, 2011. Receipt of these bequests has improved the Organization's operating cash flows and financial outlook for the first quarter of the fiscal year ended March 31, 2012. As of July 31, 2011, the Organization held cash and cash equivalents of \$337,068.
- Employ restricted grant funds of \$50,000, expected to be received in the fiscal year ended March 31, 2012, for their intended purpose: The development of new fundraising avenues to broaden the methods used to obtain donations and contributions.
- Reduce travel expenses for meetings and other events not central to the operations of the Organization.
- Identification of certain personnel positions, voluntarily vacated, that can be reassigned to remaining employees to reduce overall payroll and benefit costs and to increase employee effectiveness.
- Reduce conference costs by utilizing churches or other venues in place of conference centers and hotels, and restructure conference staffing to improve efficiency.