

**AGLOW INTERNATIONAL**

**INDEPENDENT AUDITORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2010**

**AGLOW INTERNATIONAL**  
Year Ended March 31, 2010

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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, 2010, 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, 2010, 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.

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

June 14, 2010

**AGLOW INTERNATIONAL**  
Statement of Financial Position  
March 31, 2010

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 253,713
Accounts receivable	1,070
Inventories	22,727
Prepaid expenses and other current assets	<u>13,695</u>
Total current assets	<u>291,205</u>

Property and equipment:

Furniture and equipment	437,371
Leasehold improvements	<u>33,034</u>
	470,405
Less accumulated depreciation and amortization	<u>(410,969)</u>
Property and equipment, net	<u>59,436</u>

Other assets:

Production costs, net of accumulated amortization of \$560,399	156,368
Investments	99,975
Other assets	<u>27,817</u>
Total other assets	<u>284,160</u>

Total assets	<u><u>\$ 634,801</u></u>
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**LIABILITIES AND NET ASSETS**

Current liabilities:

Line of credit	\$ 40,000
Accounts payable	19,889
Accrued expenses	<u>127,047</u>
Total current liabilities	<u>186,936</u>

Commitments and contingencies

-

Net assets:

Unrestricted	248,590
Temporarily restricted	<u>199,275</u>
Total net assets	<u>447,865</u>

Total liabilities and net assets	<u><u>\$ 634,801</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**AGLOW INTERNATIONAL**  
Statement of Activities  
Year ended March 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 2,371,363	526,172	2,897,535
Conference registration	402,945	-	402,945
Other income	137,874	-	137,874
Net assets released from restrictions	<u>533,559</u>	<u>(533,559)</u>	<u>-</u>
Total support and revenue	<u>3,445,741</u>	<u>(7,387)</u>	<u>3,438,354</u>
Expenses:			
Program services:			
International fellowships	324,056	-	324,056
United States fellowships	411,812	-	411,812
Ministry focus areas	686,603	-	686,603
Conferences	625,285	-	625,285
Communications	<u>198,764</u>	<u>-</u>	<u>198,764</u>
Total program services	<u>2,246,520</u>	<u>-</u>	<u>2,246,520</u>
Supporting services:			
Management and general	745,881	-	745,881
Fund raising	<u>175,488</u>	<u>-</u>	<u>175,488</u>
Total supporting services	<u>921,369</u>	<u>-</u>	<u>921,369</u>
Total expenses	<u>3,167,889</u>	<u>-</u>	<u>3,167,889</u>
Change in net assets	277,852	(7,387)	270,465
Net assets at beginning of year	<u>(29,262)</u>	<u>206,662</u>	<u>177,400</u>
Net assets at end of year	<u>\$ 248,590</u>	<u>199,275</u>	<u>447,865</u>

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

**AGLOW INTERNATIONAL**  
Statement of Functional Expenses  
Year ended March 31, 2010

	Program Services						Supporting Services			
	International Fellowships	U. S. Fellowships	Ministry Focus Area	Conferences	Communications	Total	Management & General	Fund Raising	Total	Total Expenses
Salaries and related benefits	\$ 127,560	154,129	403,768	169,937	163,299	1,018,693	469,751	75,441	545,192	1,563,885
Occupancy	18,655	22,310	59,799	24,785	23,205	148,754	66,268	10,909	77,177	225,931
Operational:										
Travel and transportation	128,850	6,131	44,713	1,230	-	180,924	216	705	921	181,845
Printing, postage and supplies	1,074	4,158	10,183	1,287	1,799	18,501	19,368	45,232	64,600	83,101
Telephone and utilities	10	-	-	-	-	10	10,914	-	10,914	10,924
Insurance	-	-	-	-	-	-	46,581	-	46,581	46,581
Contracted services	-	2,050	38,745	-	3,218	44,013	19,139	11,338	30,477	74,490
Amortization of production costs	-	-	41,210	-	-	41,210	-	-	-	41,210
State and property taxes	-	-	-	-	-	-	1,497	-	1,497	1,497
Interest	-	-	-	-	-	-	1,705	-	1,705	1,705
Promotion and marketing	-	-	2,293	22,907	-	25,200	25,217	-	25,217	50,417
Professional services	-	-	3,336	-	-	3,336	10,932	22,500	33,432	36,768
Miscellaneous	1,956	213	2,083	13,076	120	17,448	37,479	275	37,754	55,202
Total operational	131,890	12,552	142,563	38,500	5,137	330,642	173,048	80,050	253,098	583,740
Ministry:										
Conference costs	28,080	4,784	23,925	392,063	7,028	455,880	30,851	7,592	38,443	494,323
Translation	6,153	-	-	-	-	6,153	-	-	-	6,153
Donations to others	-	-	9,415	-	50	9,465	1,130	163	1,293	10,758
Working funds	11,718	218,037	46,120	-	-	275,875	-	-	-	275,875
Miscellaneous	-	-	1,013	-	45	1,058	4,833	1,333	6,166	7,224
Total ministry	45,951	222,821	80,473	392,063	7,123	748,431	36,814	9,088	45,902	794,333
<b>Total</b>	<b>\$ 324,056</b>	<b>411,812</b>	<b>686,603</b>	<b>625,285</b>	<b>198,764</b>	<b>2,246,520</b>	<b>745,881</b>	<b>175,488</b>	<b>921,369</b>	<b>3,167,889</b>

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, 2010

Cash flows from operating activities:	
Change in net assets	\$ 270,465
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Depreciation and amortization	62,754
(Increase) decrease in assets:	
Accounts receivable	1,365
Inventories	(3,515)
Prepaid expenses and other current assets	(2,501)
Increase (decrease) in liabilities:	
Accounts payable	(68,650)
Accrued expenses	(2,270)
Total adjustments	<u>(12,817)</u>
Net cash provided (used) by operating activities	<u>257,648</u>
Cash flows from investing activities:	
Purchases of media production	(116,000)
Investments	25
Purchases of property and equipment	<u>(5,105)</u>
Net cash provided (used) by investing activities	<u>(121,080)</u>
Cash flows from financing activities:	
Principal payments on line of credit, net	<u>(16,000)</u>
Net cash provided (used) by financing activities	<u>(16,000)</u>
Net increase (decrease) in cash and cash equivalents	120,568
Cash and cash equivalents at beginning of year	<u>133,145</u>
Cash and cash equivalents at end of year	<u><u>\$ 253,713</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for interest	\$ 1,705
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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, 2010

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Activities

Aglow International (the Organization) is a Washington nonprofit corporation and the worldwide headquarters for approximately 4,261 fellowships (approximately 1,070 U.S. fellowships, and 3,191 international fellowships in 165 nations). The local fellowship groups are not controlled by the Organization. Instead, they are directed and overseen by 80 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.

b. 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.

c. 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.

**AGLOW INTERNATIONAL**  
Notes To Financial Statements, continued  
Year ended March 31, 2010

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
continued

d. 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.

e. 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.

f. 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, 2010 was \$21,544.

g. 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, 2010, temporarily restricted net assets consisted of cash and cash equivalents and are available for use in subsequent years' program services.

h. 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.

i. 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.

**AGLOW INTERNATIONAL**  
Notes To Financial Statements, continued  
Year ended March 31, 2010

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j. 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, 2010.

The Organization recognizes income tax related interest and penalties in operational expenses. During the year ended March 31, 2010, the Organization recognized no income tax interest or penalties.

k. 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.

l. Subsequent Events

Subsequent events have been evaluated through June 14, 2010, which is the date the financial statements were available to be issued.

2. 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 \$480,000 (13% of total support and revenue) from one unrelated not-for-profit organization.

3. 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 \$194,894 for the year ended March 31, 2010.

**AGLOW INTERNATIONAL**  
Notes To Financial Statements, continued  
Year ended March 31, 2010

3. OPERATING LEASES, continued

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

2011	\$ 195,060
2012	195,060
2013	<u>16,255</u>
	\$ <u>406,375</u>

4. MEDIA PRODUCTION COSTS

The Organization has completed the development of several television series. During the year ended March 31, 2010, a new series was completed and placed into service with total capitalized costs of \$156,000. In total for all television series, production costs of \$716,767 were capitalized through March 31, 2010. 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, 2010 was \$41,210.

5. FAIR VALUE MEASUREMENTS OF INVESTMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this Topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets,
- b. Quoted prices for identical or similar assets or liabilities in inactive markets,
- c. Inputs other than quoted prices that are observable for the asset or liability and
- d. 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.

**AGLOW INTERNATIONAL**  
Notes To Financial Statements, continued  
Year ended March 31, 2010

5. FAIR VALUE MEASUREMENTS OF INVESTMENTS, continued

The asset's 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.

The 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 March 31, 2010.

Certificates of deposit: Valued at original cost plus accrued interest at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organizations investments consist of a certificate of deposit which is classified under level 1 measurements within the fair value hierarchy. The certificate of deposit balance as of March 31, 2010 was \$99,975. Interest income from cash and cash equivalents and investment accounts included in other income was \$323 for the year ended March 31, 2010.

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, 2010. Interest is payable monthly at an interest rate of 5% per year. As of March 31, 2010, there was \$40,000 outstanding on the line. Interest expense for the year ended March 31, 2010 was \$1,705.

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. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$11,730 to the plan during the year ended March 31, 2010.

**AGLOW INTERNATIONAL**  
Notes To Financial Statements, continued  
Year ended March 31, 2010

9. 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.