

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

THE ORDER OF THE DAUGHTERS OF THE KING, INC.
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YEARS ENDED AUGUST 31, 2010 AND 2009

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Blad & Garvin, LLC
CERTIFIED PUBLIC ACCOUNTANTS

1832 Independence Square, Suite A
Dunwoody, Georgia 30338
Phone 770-512-7600 Fax 770-512-0507

INDEPENDENT AUDITOR'S REPORT

To the National Council and Officers of
The Order of the Daughters of the King, Inc.
Woodstock, Georgia

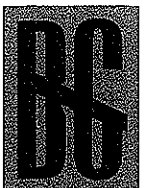
We have audited the accompanying statements of financial position of The Order of the Daughters of the King, Inc., as of August 31, 2010 and 2009, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Order of the Daughters of the King, Inc., as of August 31, 2010 and 2009, its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blad + Garvin, LLC

Dunwoody, Georgia
March 24, 2011



THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF FINANCIAL POSITION

	As of August 31,	
	----- 2010	----- 2009
<u>ASSETS</u>		
CURRENT:		
Cash and cash equivalents	\$ 445,535	\$ 195,491
Certificates of deposit	326,696	424,068
Receivables	-	2,347
Inventory	27,862	43,573
Prepays	<u>2,820</u>	<u>-</u>
TOTAL CURRENT ASSETS	802,913	665,479
ENDOWMENT CASH AND INVESTMENTS (Note 2)	1,011,681	964,261
PROPERTY AND EQUIPMENT (Note 1)	<u>306,134</u>	<u>318,134</u>
	<u>\$2,120,728</u>	<u>\$1,947,874</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 36,160	\$ 38,071
Deferred dues	218,975	200,651
Diocesan and provincial dues payable	<u>101,020</u>	<u>91,440</u>
TOTAL CURRENT LIABILITIES	<u>356,155</u>	<u>330,162</u>
NET ASSETS (Note 2):		
Unrestricted	672,668	531,996
Unrestricted - board designated	10,000	10,000
Temporarily restricted	70,224	111,455
Permanently restricted	<u>1,011,681</u>	<u>964,261</u>
TOTAL NET ASSETS	<u>1,764,573</u>	<u>1,617,712</u>
	<u>\$2,120,728</u>	<u>\$1,947,874</u>

See accompanying summary of accounting policies and notes to financial statements.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 2,187	\$ 103,593	\$ 36,920
Dues	497,776	-	10,500
Order and registration fees	143,444	-	-
Investment income	<u>69,758</u>	<u>651</u>	<u>-</u>
Total public support and revenue before transfers	713,165	104,244	47,420
Net assets released from restrictions due to satisfaction of donor- imposed requirements	<u>145,475</u>	<u>(145,475)</u>	<u>-</u>
Total Public Support and Revenue	<u>858,640</u>	<u>(41,231)</u>	<u>47,420</u>
EXPENSES:			
Programs	3,872	-	-
National Council	35,098	-	-
Employees	247,863	-	-
Dues and subscriptions	1,846	-	-
Cross purchases	92,177	-	-
The Royal Cross	31,960	-	-
Literature- outsourced printed	9,179	-	-
Other operating	7,424	-	-
Office	107,297	-	-
Communication	7,955	-	-
Professional services	27,747	-	-
Master's fund grants	94,300	-	-
Self-Denial fund grants	39,700	-	-
Secondary restricted	<u>11,550</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>717,968</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	140,672	(41,231)	47,420
NET ASSETS, at beginning of year	<u>541,996</u>	<u>111,455</u>	<u>964,261</u>
NET ASSETS, at end of year	<u>\$ 682,668</u>	<u>\$ 70,224</u>	<u>\$1,011,681</u>

See accompanying summary of accounting policies and notes to financial statements.

Total

\$ 142,700
508,276
143,444
70,409

864,829

864,829

3,872
35,098
247,863
1,846
92,177
31,960
9,179
7,424
107,297
7,955
27,747
94,300
39,700
11,550

717,968

146,861

1,617,712

\$1,764,573

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 13,113	\$ 336,181	\$ 39,292
Dues	502,588	-	10,500
Order and registration fees	138,430	-	-
Investment income	<u>(46,540)</u>	<u>2,928</u>	<u>-</u>
Total public support and revenue before transfers	607,591	339,109	49,792
Net assets released from restrictions due to satisfaction of donor- imposed requirements	<u>412,135</u>	<u>(412,135)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,019,726</u>	<u>(73,026)</u>	<u>49,792</u>
EXPENSES:			
Programs	4,850	-	-
National Council	79,416	-	-
Employees	249,942	-	-
Dues and subscriptions	3,500	-	-
Cross purchases	93,524	-	-
The Royal Cross	84,011	-	-
Literature- outsourced printed	8,294	-	-
Other operating	59,740	-	-
Office	114,183	-	-
Communication	7,742	-	-
Professional services	62,119	-	-
Master's fund grants	67,480	-	-
Self-Denial fund grants	56,006	-	-
Secondary restricted	<u>248,627</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>1,139,434</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(119,708)	(73,026)	49,792
NET ASSETS, at beginning of year	<u>661,704</u>	<u>184,481</u>	<u>914,469</u>
NET ASSETS, at end of year	<u>\$ 541,996</u>	<u>\$ 111,455</u>	<u>\$ 964,261</u>

See accompanying summary of accounting policies and notes to financial statements.

Total

\$ 388,586
513,088
138,430
(43,612)

996,492

996,492

4,850
79,416
249,942
3,500
93,524
84,011
8,294
59,740
114,183
7,742
62,119
67,480
56,006
248,627

1,139,434

(142,942)

1,760,654

\$1,617,712

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF CASH FLOWS

	As of August 31,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$146,861	\$(142,942)
Adjustments to reconcile changes in net assets to net cash flows from (used in) operating activities:		
Depreciation	12,000	12,866
Unrealized (gain) loss on investments	(37,363)	94,777
Investments interest reinvested	(23,567)	(23,951)
Certificates of deposit interest reinvested	(7,902)	(17,452)
Contributions and dues restricted for the endowment	(47,420)	(49,792)
Cash provided by (used for):		
Receivables	2,347	(408)
Inventory	15,711	(14,835)
Prepays	(2,820)	13,037
Accounts payable and accrued expenses	(1,911)	11,673
Deferred dues	18,324	44,801
Diocesan and provincial dues payable	<u>9,580</u>	<u>19,231</u>
Net cash flows from (used in) operating activities	<u>83,840</u>	<u>(52,995)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposit purchases	-	(203,468)
Proceeds from maturities of certificates of deposit	105,274	199,175
Purchases of property and equipment	-	-
Decrease (increase) in marketable securities	-	-
Contributions restricted for endowment	(47,420)	(49,792)
Funding of endowment	<u>60,930</u>	<u>(70,826)</u>
Net cash flows from (used in) investing activities	<u>118,784</u>	<u>(124,911)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of contributions restricted for endowment	<u>47,420</u>	<u>49,792</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	250,044	(128,114)
CASH AND CASH EQUIVALENTS, at beginning of year	<u>195,491</u>	<u>323,605</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 445,535</u>	<u>\$ 195,491</u>

See accompanying summary of accounting policies and notes to financial statements.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

SUMMARY OF ACCOUNTING POLICIES

ORGANIZATION

The Order of the Daughters of the King, Inc. (the "Organization") is an Order for women who are communicants of the Episcopal Church, or churches in communion with it, or churches who are in the Historic Episcopate. Members undertake a Rule of Life, incorporating the Rule of Prayer and the Rule of Service. By reaffirmation of the promises made at Confirmation, a Daughter pledges herself to a life-long program of prayer, service and evangelism, dedicated to the spread of Christ's Kingdom and the strengthening of the spiritual life of her parish. The Organization has chapters in the Episcopal, Roman Catholic, Anglican, and in the Evangelical Lutheran Churches in the United States and abroad. The national office of the Organization is located in Woodstock, Georgia.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization's net assets and its revenue, support and expenses are classified based on the existence or absence of donor-imposed restrictions into three classes: permanently restricted, temporarily restricted and unrestricted net assets.

PUBLIC SUPPORT AND REVENUE RECOGNITION

Support is recognized in the year received at its fair market value. Contributions with donor-imposed restrictions are reported as restricted-support. The satisfaction or expiration of donor-imposed restrictions is recorded as a transfer from restricted to unrestricted net assets in the year the satisfaction or expiration occurs.

Annual member dues are recognized as revenue over the membership period (September through August).

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in unrestricted net assets.

FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures. A summary of the expenses on a functional basis is as follows:

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES (Concluded)

	For the year ending August 31,	
	2010	2009
Program expenses	\$ 546,822	\$ 889,022
Management and general	116,856	180,080
Fund-raising	54,290	70,332
	<u>\$ 717,968</u>	<u>\$ 1,139,434</u>

DIOCESAN AND PROVINCIAL DUES PAYABLE

Diocesan and provincial dues payable represents member dues collected by the Organization on behalf of the members' dioceses and provinces.

CERTIFICATES OF DEPOSIT

Certificates of deposit represent amounts invested with original maturity dates greater than three months.

INVESTMENTS

Investments represent mutual funds focused on stocks and bonds. Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair value. Gains and losses are reported in the statement of activities. The recent declines in the overall financial markets could have a negative impact on the value of the Organization's marketable securities as of the date of the auditor's report.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are cash, certificates of deposit, receivables, investments, accounts payable and accrued expenses. The recorded values of cash, certificates of deposit, receivables, accounts payable and accrued expenses approximate their fair value based on their short term nature. The recorded values of investments also approximate their fair values which were determined using quoted market prices and valuations.

INCOME TAXES

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected on the accompanying financial statements. The Internal Revenue Service has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Since the Organization is considered a religious organization, the Organization is not required to file federal form 990, Return of Organization Exempt From Income Tax.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

**SUMMARY OF ACCOUNTING POLICIES
(CONCLUDED)**

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (5-40 years). Acquisition of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets are capitalized.

STATEMENT OF CASH FLOWS

Cash and cash equivalents include interest bearing checking accounts and money market accounts. During the years ended August 31, 2010 and 2009, the Organization made no interest or income tax payments.

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires reliance on accounting information based on estimates which may or may not come true in the near term. Significant estimates include the functional allocation of expenses and the valuation of the principal balance of the general endowment fund (almost 100 years old), as of August 31, 1999, with the absence of historical records.

DONATED SERVICES

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and program registration functions. No amounts have been reflected in the financial statements for volunteers since these services do not meet the criteria for recognition.

CONCENTRATION OF CREDIT RISK

The Organization maintains multiple bank and investment accounts at financial institutions that, at times, exceeded federally insured limits.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year statements in order to conform to current year presentation.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of August 31,	
	2010	2009
Building and improvements	\$ 417,057	\$ 417,057
Furniture and equipment	83,612	83,612
Total cost	500,669	500,669
Less accumulated depreciation	(194,535)	(182,535)
Net book value	\$ 306,134	\$ 318,134

NOTE 2 - RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following funds:

Self-Denial Fund: The Lily Funsten Ward Memorial Fund, known as the "Self-Denial Fund," was established by a resolution adopted at the fifth annual convention held in Washington, DC, in 1897. Miss Lily Funsten Ward, a Daughter of the King and a missionary in China, asked that a day be set aside for the celebration of Holy Communion with special intention for the Church in China. In compliance with this request, it was resolved that a Self-Denial Week be observed every year. A \$100 gift from friends of Miss Ward was used as the nucleus for a missionary fund and contributions collected during the week of Self-Denial were added each year. The funds were to be used for the maintenance of a missionary in China from the Order. When missionaries were excluded from China, the Fund was used for the Order's missionaries wherever needed. At a subsequent convention held at Portland, Oregon, in September 1922, a resolution was adopted setting aside February 2, the Feast of the Presentation of Christ in the Temple, as a special day for the in-gathering of the Self-Denial Fund.

Master's Fund: The Master's Fund was established at the Order's National Convention held at Portland, Oregon, in September 1922, as a Thank Offering to be given at Pentecost (Whitsuntide) in loving commemoration of the coming of the Holy Spirit. Originally Master's Fund grants were given to assist Daughters, or other women, to attend a Church Training School to prepare for missionary or other church-related work. Presently, three types of grants are given: Provincial Grants, Continuing Education Grants and Master's Fund Scholarships. The maximum amount of each grant is determined annually by the National Council upon recommendation of the Master's Fund Committee.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - RESTRICTED NET ASSETS (Continued)

Secondary Funds: Contributions received which are designated by donors for a particular purpose are placed in the Secondary Funds.

Temporarily restricted net assets consisted of the following:

	As of August 31,	
	2010	2009
Master's Fund	\$ 21,920	\$ 84,871
Self-Denial Fund	23,523	10,226
Alpha Fund	8,306	5,934
Secondary Funds	16,475	10,424
	\$ 70,224	\$ 111,455

Permanently restricted net assets consist of a general endowment fund that was established to further the work of the Organization in extension of Christ's kingdom. The endowment funds are restricted for investment in perpetuity, the income from which is to be used for general operations. In addition to general endowment contributions, the Organization's members are permitted to make a one time "lifetime dues" payment instead of ongoing annual dues. All "lifetime dues" are to be placed in the general endowment fund.

The endowment investments consisted of the following:

	As of August 31,	
	2010	2009
Endowment funds	\$ 747,731	\$ 686,801
Cash and cash equivalents	263,950	277,460
	\$ 1,011,681	\$ 964,261

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - RESTRICTED NET ASSETS (Concluded)

Changes in endowment net assets are as follows:

	Unrestricted	Permanently Restricted	Total
Balance at 8/31/08	\$ -	\$ 914,469	\$ 914,469
Contributions	-	49,792	49,792
Interest and dividends	23,951	-	23,951
Realized and unrealized losses	(94,777)	-	(94,777)
Fees and disbursements	<u>70,826</u>	<u>-</u>	<u>70,826</u>
Balance at 8/31/09	-	964,261	964,261
Contributions	-	47,420	47,420
Interest and dividends	25,834	-	25,834
Realized and unrealized gains	37,363	-	37,363
Fees and disbursements	<u>(63,197)</u>	<u>-</u>	<u>(63,197)</u>
Balance at 8/31/10	<u>\$ -</u>	<u>\$1,011,681</u>	<u>\$1,011,681</u>

The Organization's policy is to invest endowment funds in cash and marketable securities.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization applies fair value measurement standards for financial reporting, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The fair value standard established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follow:

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS
(CONCLUDED)

NOTE 3 - FAIR VALUE MEASUREMENTS (Concluded)

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The Organization did not have any assets included in level 2 as of August 31, 2010 or 2009.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization did not have any assets included in level 3 as of August 31, 2010 or 2009.

Assets as of August 31 are summarized below:

	<u>2010</u>	<u>2009</u>
Marketable securities (Level 1)		
Equity securities	\$ 438,811	\$ 399,755
Fixed income funds	<u>308,920</u>	<u>287,046</u>
	<u>\$ 747,731</u>	<u>\$ 686,801</u>