

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

THE ORDER OF THE DAUGHTERS OF THE KING, INC.
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YEARS ENDED AUGUST 31, 2007 AND 2006

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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, 2007 and 2006, 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, 2007 and 2006, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the Schedule of Restricted Net Assets is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blad & Garvin, LLC

Dunwoody, Georgia
January 29, 2008



THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF FINANCIAL POSITION

	As of August 31,	
	2007	2006
<u>ASSETS</u>		
CURRENT:		
Cash and cash equivalents	\$ 534,464	\$ 458,902
Certificate of deposit	204,365	-
Marketable securities	2,807	118,894
Receivables	10,000	-
Inventory	42,709	33,775
Prepays	-	1,037
TOTAL CURRENT ASSETS	794,345	612,608
ENDOWMENT INVESTMENTS (Note 3)	865,053	822,589
PROPERTY AND EQUIPMENT (Note 2)	343,944	366,328
	<u>\$2,003,342</u>	<u>\$1,801,525</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 11,999	\$ 13,388
Deferred dues	217,220	201,887
Diocesan and provincial dues payable	31,331	85,673
TOTAL CURRENT LIABILITIES	260,550	300,948
NET ASSETS (Note 2):		
Unrestricted	678,053	516,784
Temporarily restricted	199,686	161,204
Permanently restricted	865,053	822,589
TOTAL NET ASSETS	1,742,792	1,500,577
	<u>\$2,003,342</u>	<u>\$1,801,525</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, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 3,040	\$ 116,947	\$ 34,219
Dues	485,416	-	8,245
Order and registration fees	163,215	-	-
Investment income	57,343	8,160	-
Other income	51,705	-	-
 Total public support and revenue before transfers	 760,719	 125,107	 42,464
 Net assets released from restrictions due to satisfaction of donor-imposed requirements	 86,625	 (86,625)	 -
 Total Public Support and Revenue	 847,344	 38,482	 42,464
 EXPENSES:			
Programs	4,053	-	-
National Council	38,302	-	-
Employees	243,183	-	-
Dues and subscriptions	530	-	-
Cross purchases	96,896	-	-
The Royal Cross	47,816	-	-
Literature- outsourced printed	4,938	-	-
Other operating	3,063	-	-
Office	99,604	-	-
Communication	7,030	-	-
Professional services	31,636	-	-
Master's fund grants	39,878	-	-
Self-Denial fund grants	56,805	-	-
Secondary restricted	4,946	-	-
Other	7,395	-	-
 Total Expenses	 686,075	 -	 -
 CHANGE IN NET ASSETS	 161,269	 38,482	 42,464
 NET ASSETS, at beginning of year	 516,784	 161,204	 822,589
 NET ASSETS, at end of year	 <u>\$ 678,053</u>	 <u>\$ 199,686</u>	 <u>\$ 865,053</u>

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

Total

\$ 154,206
493,661
163,215
65,503
51,705

928,290

-

928,290

4,053
38,302
243,183
530
96,896
47,816
4,938
3,063
99,604
7,030
31,636
39,878
56,805
4,946
7,395

686,075

242,215

1,500,577

\$1,742,792

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 2,941	\$ 334,916	\$ 48,893
Dues	475,695	-	16,250
Order and registration fees	188,510	-	-
Investment income	<u>30,567</u>	<u>4,932</u>	<u>-</u>
Total public support and revenue before transfers	697,713	339,848	65,143
Net assets released from restrictions due to satisfaction of donor- imposed requirements	<u>346,893</u>	<u>(346,893)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,044,606</u>	<u>(7,045)</u>	<u>65,143</u>
EXPENSES:			
Programs	1,501	-	-
National Council	60,569	-	-
Employees	206,759	-	-
Dues and subscriptions	500	-	-
Cross purchases	88,640	-	-
The Royal Cross	36,945	-	-
Literature- outsourced printed	7,410	-	-
Other operating	14,128	-	-
Office	118,763	-	-
Communication	6,371	-	-
Professional services	3,999	-	-
Master's fund grants	30,421	-	-
Self-Denial fund grants	80,412	-	-
Secondary restricted	235,492	-	-
Other	<u>6,698</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>898,608</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	145,998	(7,045)	65,143
NET ASSETS, at beginning of year	<u>370,786</u>	<u>168,249</u>	<u>757,446</u>
NET ASSETS, at end of year	<u>\$ 516,784</u>	<u>\$ 161,204</u>	<u>\$ 822,589</u>

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

Total

\$ 386,750
491,945
188,510
35,499

1,102,704

-

1,102,704

1,501
60,569
206,759
500
88,640
36,945
7,410
14,128
118,763
6,371
3,999
30,421
80,412
235,492
6,698

898,608

204,096

1,296,481

\$1,500,577

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF CASH FLOWS

	As of August 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 242,215	\$ 204,096
Adjustment to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	22,384	22,384
Contributions and dues restricted for the endowment	(42,464)	(65,143)
Cash provided by (used for):		
Certificate of deposit	(4,365)	-
Receivables	(10,000)	15,000
Inventory	(8,934)	281
Prepays	1,037	3,664
Accounts payable and accrued expenses	(1,389)	(33,824)
Deferred dues	15,333	(78,923)
Diocesan and provincial dues payable	<u>(54,342)</u>	<u>(27,157)</u>
Net cash flows from operating activities	<u>159,475</u>	<u>40,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificate of deposit purchases	(200,000)	-
Decrease (increase) in marketable securities	116,087	6,369
Increase in endowment	<u>(42,464)</u>	<u>(65,143)</u>
Net cash flows from investing activities	<u>(126,377)</u>	<u>(58,774)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of contributions restricted for endowment	<u>42,464</u>	<u>65,143</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,562	46,747
CASH AND CASH EQUIVALENTS, at beginning of year	<u>458,902</u>	<u>412,155</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 534,464</u>	<u>\$ 458,902</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.

In accordance with Statement of Financial Accounting Standards No. 117 (FASB 117), Financial Statements of Not-For-Profit Organizations, 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

The Organization recognizes revenue and support in accordance with Statement of Financial Accounting Standards No. 116 (FASB 116), Accounting for Contributions Received and Contributions Made. In accordance with FASB 116, 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.

In accordance with FASB 116, pledges to give payments in future years are recorded as support in the year the pledge is made.

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

Contributions received with donor-imposed restrictions that limit its use for long-term purposes are classified as non-current assets.

EXPENSE RECOGNITION

In accordance with FASB 117, all expenses are recognized in the statement of activities as decreases in unrestricted net assets.

The Organization's main function is to serve its members. Management represents that substantially all of its activities are related to that function. Therefore, all expenses are considered related to program activities.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

**SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)**

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.

MARKETABLE SECURITIES

Marketable securities represent primarily amounts invested in mutual funds focused on stocks and bonds. In accordance with Statement of Financial Accounting Standards No. 124, (FASB 124), Accounting for Certain Investments Held by Not-For-Profit Organizations, 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.

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 a considered a religious organization, the Organization is not required to file federal form 990, Return of Organization Exempt From Income Tax.

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, money market accounts and bank certificates with original maturities of three months or less. During the year ended August 31, 2007 and 2006, the Organization made interest payments totaling approximately \$1,500 and \$3,000, respectively each year.

USE OF ESTIMATES

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

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

**SUMMARY OF ACCOUNTING POLICIES
(CONCLUDED)**

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. However, included in these financial statements is approximately \$45,000 of contributed goods and services for the year ended August 31, 2006 related to the Triennial Event.

CONCENTRATION OF CREDIT RISK

The Organization maintains bank and investment accounts at high quality financial institutions. At times, these balances may exceed federally insured limits.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - PRIOR PERIOD ADJUSTMENT

The August 31, 2006 audited financial statements, report issued November 29, 2006, had a qualified opinion due to the absence of the Triennial Fund. During the fiscal year ended August 31, 2007, the Organization performed additional analysis and identified and recorded the activity for the Triennial bank account in the financial statements in an effort to bring the accounting in house. The effect of the correction on the change in temporarily restricted net assets was an increase of \$36,744 for the year ended August 31, 2006 with a corresponding increase in temporarily restricted net assets. The amounts for the year ended August 31, 2006 have been restated to reflect the inclusion of the Triennial account.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of August 31,	
	<u>2007</u>	<u>2006</u>
Building and improvements	\$ 417,057	\$ 417,057
Furniture and equipment	<u>79,470</u>	<u>79,470</u>
Total cost	496,527	496,527
Less accumulated depreciation	<u>152,583</u>	<u>130,199</u>
Net book value	<u>\$ 343,944</u>	<u>\$ 366,328</u>

NOTE 3 - 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.

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

NOTES TO FINANCIAL STATEMENTS
(CONCLUDED)

NOTE 3 - RESTRICTED NET ASSETS (Concluded)

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.

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,	
	2007	2006
Master's Fund	\$110,384	\$ 103,046
Self-Denial Fund	21,646	13,102
Secondary Funds	67,656	45,046
	\$ 199,686	\$ 161,204

Permanently restricted net assets consist of an general endowment fund with the investment income to be used for general operations. In addition to general endowment contributions, the Organization's members are permitted to make 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,	
	2007	2006
Marketable securities	\$ 528,037	\$ 421,085
Cash and cash equivalents	229,811	223,662
Certificate of deposit	107,205	177,842
	\$ 865,053	\$ 822,589

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

SCHEDULE OF RESTRICTED NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	General Endowment (Principal)	Temporarily Restricted Net Assets			
		Self-Denial Fund	Master's Fund	Secondary Funds	Total
Balance, August 31, 2005	\$757,446	\$27,323	\$94,335	\$46,591	\$168,249
Contributions	48,893	63,795	37,164	233,957	334,916
Lifetime Dues	16,250	-	-	-	-
Interest income*	-	1,975	1,954	-	3,929
Grants/expenditures	-	(79,991)	(30,407)	(235,492)	(345,890)
Balance, August 31, 2006	822,589	13,102	103,046	45,056	161,204
Contributions	34,219	64,502	41,167	27,515	133,184
Lifetime Dues	8,245	-	-	-	-
Interest income*	-	847	6,049	31	6,927
Expenditures	-	(56,805)	(39,878)	(4,946)	(101,629)
Balance, August 31, 2007	\$865,053	\$21,646	\$110,384	\$67,656	\$199,686

* Interest income is reflected net of bank fees. The interest income amounts on the Statement of Activities is reflected at gross amounts before bank fees