

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

THE ORDER OF THE DAUGHTERS OF THE KING, INC.
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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 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, 2008 and 2007, 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, 2008 and 2007, 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.

Dunwoody, Georgia
February 19, 2009

Blad & Garvin, LLC



THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF FINANCIAL POSITION

	As of August 31,	
	2008	2007
<u>ASSETS</u>		
CURRENT:		
Cash and cash equivalents	\$ 323,605	\$ 534,464
Certificates of deposit	402,323	204,365
Marketable securities	-	2,807
Receivables	1,939	10,000
Inventory	28,738	42,709
Prepays	13,037	-
TOTAL CURRENT ASSETS	769,642	794,345
ENDOWMENT CASH AND INVESTMENTS (Note 2)	914,469	865,053
PROPERTY AND EQUIPMENT (Note 1)	331,000	343,944
	<u>\$2,015,111</u>	<u>\$2,003,342</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 26,398	\$ 11,999
Deferred dues	155,850	166,440
Diocesan and provincial dues payable	72,209	82,111
TOTAL CURRENT LIABILITIES	254,457	260,550
NET ASSETS (Note 2):		
Unrestricted	661,704	678,053
Temporarily restricted	184,481	199,686
Permanently restricted	914,469	865,053
TOTAL NET ASSETS	1,760,654	1,742,792
	<u>\$2,015,111</u>	<u>\$2,003,342</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, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 3,758	\$ 122,553	\$ 40,401
Dues	503,178	-	9,015
Order and registration fees	163,563	-	-
Investment income	(15,016)	7,759	-
Other income	<u>2,825</u>	<u>-</u>	<u>-</u>
 Total public support and revenue before transfers	 658,308	 130,312	 49,416
 Net assets released from restrictions due to satisfaction of donor- imposed requirements	 <u>145,517</u>	 <u>(145,517)</u>	 <u>-</u>
 Total Public Support and Revenue	 <u>803,825</u>	 <u>(15,205)</u>	 <u>49,416</u>
 EXPENSES:			
Programs	15,639	-	-
National Council	50,303	-	-
Employees	244,774	-	-
Dues and subscriptions	3,500	-	-
Cross purchases	108,448	-	-
The Royal Cross	38,477	-	-
Literature- outsourced printed	26,394	-	-
Other operating	32,202	-	-
Office	104,914	-	-
Communication	8,128	-	-
Professional services	41,879	-	-
Master's fund grants	51,970	-	-
Self-Denial fund grants	83,825	-	-
Secondary restricted	<u>9,721</u>	<u>-</u>	<u>-</u>
 Total Expenses	 <u>820,174</u>	 <u>-</u>	 <u>-</u>
 CHANGE IN NET ASSETS	 (16,349)	 (15,205)	 49,416
 NET ASSETS, at beginning of year	 <u>678,053</u>	 <u>199,686</u>	 <u>865,053</u>
 NET ASSETS, at end of year	 <u>\$ 661,704</u>	 <u>\$ 184,481</u>	 <u>\$ 914,469</u>

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

Total

\$ 166,712
512,193
163,563
(7,257)
2,825

838,036

-

838,036

15,639
50,303
244,774
3,500
108,448
38,477
26,394
32,202
104,914
8,128
41,879
51,970
83,825
9,721

820,174

17,862

1,742,792

\$1,760,654

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	\$ 678,053	\$ 199,686	\$ 865,053

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.

STATEMENTS OF CASH FLOWS

	As of August 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 17,862	\$ 242,215
Adjustments to reconcile changes in net assets to net cash flows from (used in) operating activities:		
Depreciation	17,086	22,384
Contributions and dues restricted for the endowment	(49,416)	(42,464)
Cash provided by (used for):		
Certificate of deposit	(3,359)	(4,365)
Receivables	8,061	(10,000)
Inventory	13,971	(8,934)
Prepays	(13,037)	1,037
Accounts payable and accrued expenses	14,399	(1,389)
Deferred dues	(10,590)	(35,447)
Diocesan and provincial dues payable	(9,902)	(3,562)
	(14,925)	159,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificate of deposit purchases	(80,000)	(200,000)
Purchases of property and equipment	(4,142)	-
Decrease (increase) in marketable securities	2,807	116,087
Increase in endowment	(49,416)	(42,464)
	(130,751)	(126,377)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of contributions restricted for endowment	49,416	42,464
	(96,260)	75,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(96,260)	75,562
CASH AND CASH EQUIVALENTS, at beginning of year	534,464	458,902
CASH AND CASH EQUIVALENTS, at end of year	\$ 438,204	\$ 534,464

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 ORDER OF THE DAUGHTERS OF THE KING, INC.

**SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)**

FUNCTIONAL ALLOCATION

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:

	For the year ending August 31,	
	----- 2008 -----	----- 2007 -----
Program expenses	\$ 618,232	\$ 501,529
Management and general	143,306	130,963
Fund-raising	<u>58,636</u>	<u>53,583</u>
	<u>\$ 820,174</u>	<u>\$ 686,075</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.

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. 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.

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, money market accounts and bank certificates with original maturities of three months or less. During the year ended August 31, 2008 and 2007, the Organization made interest payments totaling approximately \$2,300 and \$1,500, 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.

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.

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,	
	<u>2008</u>	<u>2007</u>
Building and improvements	\$ 417,057	\$ 417,057
Furniture and equipment	<u>83,612</u>	<u>79,470</u>
Total cost	500,669	496,527
Less accumulated depreciation	<u>169,669</u>	<u>152,583</u>
Net book value	<u>\$ 331,000</u>	<u>\$ 343,944</u>

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
(CONCLUDED)

NOTE 2 - RESTRICTED NET ASSETS (Concluded)

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,	
	2008	2007
Master's Fund	\$ 111,339	\$ 110,384
Self-Denial Fund	4,144	21,646
Secondary Funds	68,998	67,656
	\$ 184,481	\$ 199,686

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 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,	
	2008	2007
Marketable securities	\$ 757,627	\$ 528,037
Cash and cash equivalents	42,243	229,811
Certificate of deposit	114,599	107,205
	\$ 914,469	\$ 865,053

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

SCHEDULE OF RESTRICTED NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	General Endowment (Principal)	Temporarily Restricted Net Assets			Total
		Self-Denial Fund	Master's Fund	Secondary Funds	
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
Grants/expenditures	-	(56,805)	(39,878)	(4,946)	(101,629)
Balance, August 31, 2007	865,053	21,646	110,384	67,656	199,686
Contributions	40,401	63,396	48,007	10,886	122,289
Lifetime Dues	9,015	-	-	-	-
Interest income*	-	2,927	4,918	177	8,022
Expenditures	-	(83,825)	(51,970)	(9,721)	(145,516)
Balance, August 31, 2008	914,469	\$4,144	\$111,339	\$68,998	\$184,481

* 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