

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005

THE ORDER OF THE DAUGHTERS OF THE KING, INC.
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YEARS ENDED AUGUST 31, 2006 AND 2005

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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, 2006 and 2005, 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 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.

The Organization does not reflect the activity for the Triennial bank account in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that the Triennial bank account activity be recorded in the financial statements. It was not practicable to determine the effects of the unrecorded amounts on the financial statements.

In our opinion, except for the effects of the Triennial bank account referred in the preceding paragraph, 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, 2006 and 2005, 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 audit was 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 audit 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
November 29, 2006

Blad & Garvin, LLC



THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF FINANCIAL POSITION

	As of August 31,	
<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
CURRENT:		
Cash and cash equivalents	\$ 422,158	\$ 412,155
Marketable securities	118,894	125,263
Receivables	-	15,000
Inventory	33,775	34,056
Prepays	1,037	4,701
TOTAL CURRENT ASSETS	575,864	591,175
ENDOWMENT INVESTMENTS (Note 2)	822,589	757,446
PROPERTY AND EQUIPMENT	366,328	388,712
	<u>\$1,764,781</u>	<u>\$1,737,333</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 13,388	\$ 47,212
Deferred dues	201,887	280,810
Diocesan and provincial dues payable	85,673	112,830
TOTAL CURRENT LIABILITIES	300,948	440,852
NET ASSETS (Note 2):		
Unrestricted	516,784	370,786
Temporarily restricted	124,460	168,249
Permanently restricted	822,589	757,446
TOTAL NET ASSETS	1,463,833	1,296,481
	<u>\$1,764,781</u>	<u>\$1,737,333</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, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 2,941	\$ 117,881	\$ 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	122,813	65,143
Net assets released from restrictions due to satisfaction of donor- imposed requirements	<u>166,602</u>	<u>(166,602)</u>	<u>-</u>
Total Public Support and Revenue	<u>864,315</u>	<u>(43,789)</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	-	-
Order and registration Office	118,763	-	-
Communication	6,371	-	-
Professional services	3,999	-	-
Master's fund grants	30,421	-	-
Self-Denial fund grants	80,412	-	-
Secondary restricted	55,201	-	-
Other	<u>6,698</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>718,317</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	145,998	(43,789)	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>\$ 124,460</u>	<u>\$ 822,589</u>

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

Total

\$ 169,715
491,945
188,510
35,499

885,669

-

885,669

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
55,201
6,698

718,317

167,352

1,296,481

\$1,463,833

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 11,081	\$ 120,417	\$ 29,071
Dues	438,419	-	17,831
Order and registration fees	184,207	-	-
Investment income	<u>34,141</u>	<u>3,006</u>	<u>-</u>
Total public support and revenue before transfers	667,848	123,423	46,902
Net assets released from restrictions due to satisfaction of donor- imposed requirements	<u>103,923</u>	<u>(103,923)</u>	<u>-</u>
Total Public Support and Revenue	<u>771,771</u>	<u>19,500</u>	<u>46,902</u>
EXPENSES:			
Programs	1,144	-	-
National Council	38,429	-	-
Employees	188,059	-	-
Dues and subscriptions	800	-	-
Cross purchases	105,486	-	-
The Royal Cross	41,942	-	-
Literature- outsourced printed	6,394	-	-
Other operating	8,340	-	-
Order and registration Office	2,315	-	-
Communication	106,326	-	-
Professional services	5,549	-	-
Master's fund grants	1,375	-	-
Self-Denial fund grants	44,500	-	-
Secondary restricted	48,500	-	-
Other	8,146	-	-
	<u>1,204</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>608,509</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	163,262	19,500	46,902
NET ASSETS, at beginning of year	<u>207,524</u>	<u>148,749</u>	<u>710,544</u>
NET ASSETS, at end of year	<u>\$ 370,786</u>	<u>\$ 168,249</u>	<u>\$ 757,446</u>

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

Total

\$ 160,569
456,250
184,207
37,147

838,173

-

838,173

1,144
38,429
188,059
800
105,486
41,942
6,394
8,340
2,315
106,326
5,549
1,375
44,500
48,500
8,146
1,204

608,509

229,664

1,066,817

\$1,296,481

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

STATEMENTS OF CASH FLOWS

	As of August 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 167,352	\$ 229,664
Adjustment to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	22,384	21,852
Contributions and dues restricted for the endowment	(65,143)	(46,902)
Cash provided by (used for):		
Receivables	15,000	(15,000)
Inventory	281	(24,780)
Prepays	3,664	(992)
Other current assets	-	750
Accounts payable and accrued expenses	(33,824)	36,573
Deferred dues	(78,923)	5,440
Diocesan and provincial dues payable	(27,157)	374
Net cash flows from operating activities	<u>3,634</u>	<u>206,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	-	(5,323)
Decrease (increase) in marketable securities	6,369	9,741
Increase in endowment	(65,143)	(46,902)
Net cash flows from investing activities	<u>(58,774)</u>	<u>(42,484)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of contributions restricted for endowment	65,143	46,902
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,003	211,397
CASH AND CASH EQUIVALENTS, at beginning of year	<u>412,155</u>	<u>200,758</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 422,158</u>	<u>\$ 412,155</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 occur.

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 the member's 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 and bank certificates with original maturities of three months or less. During the year ended August 31, 2006 and 2005, the Organization made interest tax payments totaling approximately \$3,000 per 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.

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 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of August 31,	
	<u>2006</u>	<u>2005</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>130,199</u>	<u>107,815</u>
Net book value	<u>\$ 366,328</u>	<u>\$ 388,712</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,	
	<u>2006</u>	<u>2005</u>
Master's Fund	\$ 103,046	\$ 94,335
Self-Denial Fund	13,102	27,323
Secondary Funds	<u>8,312</u>	<u>46,591</u>
	<u>\$ 124,460</u>	<u>\$ 168,249</u>

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,	
	<u>2006</u>	<u>2005</u>
Marketable securities	\$ 421,085	\$ 330,735
Cash and cash equivalents	223,662	248,869
Certificate of deposit	<u>177,842</u>	<u>177,842</u>
	<u>\$ 822,589</u>	<u>\$ 757,446</u>

THE ORDER OF THE DAUGHTERS OF THE KING, INC.

SCHEDULE OF RESTRICTED NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005

	General Endowment (Principal)	Temporarily Restricted Net Assets			
		Self-Denial Fund	Master's Fund	Secondary Funds	Total
Balance, August 31, 2004	\$710,544	\$31,132	\$101,186	\$16,431	\$148,749
Contributions	29,071	46,118	35,993	38,306	120,417
Lifetime Dues	17,831	-	-	-	-
Interest income*	-	294	1,656	-	1,950
Grants/expenditures	-	(50,221)	(44,500)	(8,146)	(102,867)
Balance, August 31, 2005	757,446	27,323	94,335	46,591	168,249
Contributions	48,893	63,795	37,164	16,922	117,881
Lifetime Dues	16,250	-	-	-	-
Interest income*	-	1,975	1,954	-	3,929
Expenditures	-	(79,991)	(30,407)	(55,201)	(165,599)
Balance, August 31, 2006	<u>\$822,589</u>	<u>\$13,102</u>	<u>\$103,046</u>	<u>\$8,312</u>	<u>\$124,460</u>

* 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