

WORD OF LIFE
FELLOWSHIP, INC.
AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report
and Supplementary Information

December 31, 2015 and 2014

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Word of Life Fellowship, Inc. and Affiliate
Schroon Lake, New York

We have audited the accompanying consolidated financial statements of Word of Life Fellowship, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Word of Life Fellowship, Inc. and Affiliate
Schroon Lake, New York

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Word of Life Fellowship, Inc. and Affiliate as of December 31, 2015 and 2014, and the consolidated changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

New York, New York
June 24, 2016

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statements of Financial Position

| | December 31, | |
|--|----------------------|----------------------|
| | 2015 | 2014 |
| ASSETS: | | |
| Cash and cash equivalents | \$ 12,129,019 | \$ 7,119,663 |
| Contributions in transit | 979,025 | 1,088,244 |
| Bible Institute accounts receivable, net | 518,656 | 595,286 |
| Pledges receivable, net | 7,261,654 | 2,313,903 |
| Other accounts receivable | 502,163 | 429,936 |
| Prepaid expenses | 207,094 | 132,605 |
| Accrued interest receivable | 186,311 | 229,739 |
| Inventories | 867,569 | 641,667 |
| Notes receivable from related parties | 7,607,158 | 9,403,246 |
| Properties subject to life estates, net | 137,500 | 407,404 |
| Land, buildings and equipment, net | 28,135,249 | 25,934,894 |
| Long-term investments | 11,420,596 | 12,821,908 |
| | \$ 69,951,994 | \$ 61,118,495 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,722,670 | \$ 1,486,851 |
| Funds held for international ministry partners | 340,815 | 772,133 |
| Deferred revenue | 2,053,269 | 1,544,189 |
| Notes and lines of credit payable | 1,716,610 | 2,009,191 |
| Gift annuity liability-actuarial reserve | 1,104,801 | 1,296,111 |
| Use obligation on properties subject to life estates | 37,713 | 51,051 |
| Total liabilities | 6,975,878 | 7,159,526 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | (5,480,754) | (6,263,961) |
| Invested in land, buildings and equipment, net | 28,135,249 | 25,934,894 |
| Donor advised | 22,564,359 | 20,732,497 |
| Total unrestricted | 45,218,854 | 40,403,430 |
| Temporarily restricted | 15,913,097 | 11,711,794 |
| Permanently restricted | 1,844,165 | 1,843,745 |
| Total net assets | 62,976,116 | 53,958,969 |
| Total Liabilities and Net Assets | \$ 69,951,994 | \$ 61,118,495 |

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended December 31, 2015

| | Unrestricted | Donor Advised | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|--------------------|-----------------------|---------------------------|---------------------------|-------------------|
| OPERATING SUPPORT, REVENUE AND RELEASES: | | | | | | |
| Operating support and revenue: | | | | | | |
| Contributions | \$ 1,217,671 | \$ 9,589,288 | \$ 10,806,959 | \$ 25,560,361 | \$ 420 | \$ 36,367,740 |
| Programs (net of student discounts of \$2,010,928 and camp and conference discounts of \$2,634,840) | 13,401,451 | - | 13,401,451 | - | - | 13,401,451 |
| Bookstore and other sales (net of cost of goods sold of \$606,399) | 863,607 | - | 863,607 | - | - | 863,607 |
| Interest and dividend income | 17,174 | 115,773 | 132,947 | 82,249 | - | 215,196 |
| Other | 127,684 | - | 127,684 | - | - | 127,684 |
| Total operating support and revenue | 15,627,587 | 9,705,061 | 25,332,648 | 25,642,610 | 420 | 50,975,678 |
| Releases: | | | | | | |
| Donor advised fund distributions | 8,003,171 | (8,003,171) | - | - | - | - |
| Satisfaction of time and program restrictions | 17,600,426 | - | 17,600,426 | (17,600,426) | - | - |
| Satisfaction of building and equipment acquisition restrictions | 3,698,614 | - | 3,698,614 | (3,698,614) | - | - |
| Total releases | 29,302,211 | (8,003,171) | 21,299,040 | (21,299,040) | - | - |
| Total operating support, revenue and releases | 44,929,798 | 1,701,890 | 46,631,688 | 4,343,570 | 420 | 50,975,678 |

(continued)

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended December 31, 2015

(continued)

| | Unrestricted | Donor Advised | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|----------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------|
| OPERATING EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Local church ministries | 3,435,061 | - | 3,435,061 | - | - | 3,435,061 |
| Bible Institute | 9,447,139 | - | 9,447,139 | - | - | 9,447,139 |
| International ministries | 13,504,105 | - | 13,504,105 | - | - | 13,504,105 |
| Camps - New York | 6,133,401 | - | 6,133,401 | - | - | 6,133,401 |
| Camps - Florida | 1,977,092 | - | 1,977,092 | - | - | 1,977,092 |
| Foundation | 2,417,569 | - | 2,417,569 | - | - | 2,417,569 |
| Other ministries | 1,463,274 | - | 1,463,274 | - | - | 1,463,274 |
| Total program services | <u>38,377,641</u> | - | <u>38,377,641</u> | - | - | <u>38,377,641</u> |
| Supporting services: | | | | | | |
| Management and general | 1,938,649 | - | 1,938,649 | - | - | 1,938,649 |
| Development | 1,860,040 | - | 1,860,040 | - | - | 1,860,040 |
| Total supporting services | <u>3,798,689</u> | - | <u>3,798,689</u> | - | - | <u>3,798,689</u> |
| Total operating expenses | <u>42,176,330</u> | - | <u>42,176,330</u> | - | - | <u>42,176,330</u> |
| Change in net assets from operating activities | <u>2,753,468</u> | <u>1,701,890</u> | <u>4,455,358</u> | <u>4,343,570</u> | <u>420</u> | <u>8,799,348</u> |
| NON-OPERATING ACTIVITIES: | | | | | | |
| Change in value of gift annuities | 191,310 | - | 191,310 | - | - | 191,310 |
| Change in annuity statutorily required surplus | 50,635 | - | 50,635 | (50,635) | - | - |
| Change in value of properties subject to life estates | - | - | - | 13,338 | - | 13,338 |
| Interest income on notes receivable from related parties | - | 221,975 | 221,975 | - | - | 221,975 |
| Realized and unrealized loss on investments | (11,851) | (92,003) | (103,854) | (104,970) | - | (208,824) |
| Change in net assets from non-operating activities | <u>230,094</u> | <u>129,972</u> | <u>360,066</u> | <u>(142,267)</u> | <u>-</u> | <u>217,799</u> |
| Change in Net Assets | 2,983,562 | 1,831,862 | 4,815,424 | 4,201,303 | 420 | 9,017,147 |
| Net Assets, Beginning of Year | <u>19,670,933</u> | <u>20,732,497</u> | <u>40,403,430</u> | <u>11,711,794</u> | <u>1,843,745</u> | <u>53,958,969</u> |
| Net Assets, End of Year | <u>\$ 22,654,495</u> | <u>\$ 22,564,359</u> | <u>\$ 45,218,854</u> | <u>\$ 15,913,097</u> | <u>\$ 1,844,165</u> | <u>\$ 62,976,116</u> |

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended December 31, 2014

| | Unrestricted | Donor Advised | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|--------------------|-----------------------|---------------------------|---------------------------|-------------------|
| OPERATING SUPPORT, REVENUE AND RELEASES: | | | | | | |
| Operating support and revenue: | | | | | | |
| Contributions | \$ 220,954 | \$ 4,239,904 | \$ 4,460,858 | \$ 24,336,747 | \$ 2,643 | \$ 28,800,248 |
| Programs (net of student discounts of \$2,137,115 and camp and conference discounts of \$1,768,037) | 13,954,758 | - | 13,954,758 | - | - | 13,954,758 |
| Bookstore and other sales (net of cost of goods sold of \$395,827) | 923,921 | - | 923,921 | - | - | 923,921 |
| Interest and dividend income | 9,809 | 176,272 | 186,081 | 87,167 | - | 273,248 |
| Other | 309,251 | - | 309,251 | - | - | 309,251 |
| Total operating support and revenue | 15,418,693 | 4,416,176 | 19,834,869 | 24,423,914 | 2,643 | 44,261,426 |
| Releases: | | | | | | |
| Donor advised fund distributions | 6,816,579 | (6,816,579) | - | - | - | - |
| Satisfaction of time and program restrictions | 17,214,973 | - | 17,214,973 | (17,214,973) | - | - |
| Satisfaction of building and equipment acquisition restrictions | 1,645,865 | - | 1,645,865 | (1,645,865) | - | - |
| Total releases | 25,677,417 | (6,816,579) | 18,860,838 | (18,860,838) | - | - |
| Total operating support, revenue and releases | 41,096,110 | (2,400,403) | 38,695,707 | 5,563,076 | 2,643 | 44,261,426 |

(continued)

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended December 31, 2014

(continued)

| | Unrestricted | Donor Advised | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------|
| OPERATING EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Local church ministries | 5,471,990 | - | 5,471,990 | - | - | 5,471,990 |
| Bible Institute | 8,963,574 | - | 8,963,574 | - | - | 8,963,574 |
| International ministries | 12,660,454 | - | 12,660,454 | - | - | 12,660,454 |
| Camps - New York | 6,417,517 | - | 6,417,517 | - | - | 6,417,517 |
| Camps - Florida | 1,693,467 | - | 1,693,467 | - | - | 1,693,467 |
| Foundation | 1,750,424 | - | 1,750,424 | - | - | 1,750,424 |
| Other ministries | 608,923 | - | 608,923 | - | - | 608,923 |
| Total program services | <u>37,566,349</u> | <u>-</u> | <u>37,566,349</u> | <u>-</u> | <u>-</u> | <u>37,566,349</u> |
| Supporting services: | | | | | | |
| Management and general | 1,170,794 | - | 1,170,794 | - | - | 1,170,794 |
| Development | 1,505,217 | - | 1,505,217 | - | - | 1,505,217 |
| Total supporting services | <u>2,676,011</u> | <u>-</u> | <u>2,676,011</u> | <u>-</u> | <u>-</u> | <u>2,676,011</u> |
| Total operating expenses | <u>40,242,360</u> | <u>-</u> | <u>40,242,360</u> | <u>-</u> | <u>-</u> | <u>40,242,360</u> |
| Change in net assets from operating activities | <u>853,750</u> | <u>(2,400,403)</u> | <u>(1,546,653)</u> | <u>5,563,076</u> | <u>2,643</u> | <u>4,019,066</u> |
| NON-OPERATING ACTIVITIES: | | | | | | |
| Change in value of gift annuities | (25,935) | - | (25,935) | - | - | (25,935) |
| Change in annuity statutorily required surplus | (7,010) | - | (7,010) | 7,010 | - | - |
| Change in value of beneficial interest in remainder trusts | - | - | - | 1,998 | - | 1,998 |
| Change in value of properties subject to life estates | - | - | - | 12,675 | - | 12,675 |
| Interest income on notes receivable from related parties | - | 229,739 | 229,739 | - | - | 229,739 |
| Realized and unrealized gain (loss) on investments | (332) | 680 | 348 | 160,206 | - | 160,554 |
| Change in net assets from non-operating activities | <u>(33,277)</u> | <u>230,419</u> | <u>197,142</u> | <u>181,889</u> | <u>-</u> | <u>379,031</u> |
| Change in Net Assets | 820,473 | (2,169,984) | (1,349,511) | 5,744,965 | 2,643 | 4,398,097 |
| Net Assets, Beginning of Year | <u>18,850,460</u> | <u>22,902,481</u> | <u>41,752,941</u> | <u>5,966,829</u> | <u>1,841,102</u> | <u>49,560,872</u> |
| Net Assets, End of Year | <u>\$ 19,670,933</u> | <u>\$ 20,732,497</u> | <u>\$ 40,403,430</u> | <u>\$ 11,711,794</u> | <u>\$ 1,843,745</u> | <u>\$ 53,958,969</u> |

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

| | Year Ended December 31, | |
|---|-------------------------|--------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 9,017,147 | \$ 4,398,097 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 1,646,569 | 1,577,529 |
| Gain (loss) on disposal of land, buildings and equipment | 6,414 | (20,700) |
| Net realized and unrealized (gain) loss on investments | 208,824 | (160,554) |
| Actuarial change in annuities, net of investment income | (86,475) | 132,420 |
| Contributions restricted for: | | |
| Investment in endowment | (420) | (2,643) |
| Land, buildings and equipment | (2,413,201) | (4,859,557) |
| Changes in assets and liabilities: | | |
| Contributions in transit | 109,219 | (30,334) |
| Bible Institute accounts receivable | 76,630 | 67,190 |
| Pledges receivable | (4,947,751) | (2,148,059) |
| Other accounts receivable | (72,227) | (15,373) |
| Prepaid expenses | (74,489) | 18,480 |
| Accrued interest receivable | 43,428 | 42,237 |
| Inventories | (225,902) | 44,606 |
| Beneficial interest in remainder trusts | - | 50,724 |
| Properties subject to life estates | 269,904 | 27,231 |
| Accounts payable and accrued expenses | 235,819 | (199,462) |
| Accrued pension liability | - | (90,649) |
| Funds held for international ministry partners | (431,318) | (192,677) |
| Deferred revenue | 509,080 | (735,167) |
| Use obligation on properties subject to life estates | (13,338) | (12,675) |
| Net Cash Provided (Used) by Operating Activities | 3,857,913 | (2,109,336) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of land, buildings and equipment | (3,853,338) | (1,521,531) |
| Proceeds from sale of land, buildings and equipment | - | 24,544 |
| Proceeds from collection of notes receivable | 1,796,088 | 1,745,912 |
| Purchase of investments | (8,208,125) | (8,288,208) |
| Proceeds from sale of investments | 9,400,613 | 6,361,985 |
| Net Cash Used by Investing Activities | (864,762) | (1,677,298) |

(continued)

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidated Statements of Cash Flows (continued)

| | Year Ended December 31, | |
|--|-------------------------|---------------------|
| | 2015 | 2014 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from contributions and collections on pledges restricted for: | | |
| Investment in endowment | 420 | 2,643 |
| Land, buildings and equipment | 2,413,201 | 4,859,557 |
| Payments on annuity agreements | (168,559) | (177,468) |
| Face value of new annuities, net of contribution | 63,724 | 70,982 |
| Proceeds from new borrowings | 209,100 | 62,771 |
| Payments of principal | (501,681) | (268,190) |
| Net Cash Provided by Financing Activities | <u>2,016,205</u> | <u>4,550,295</u> |
| | | |
| Net Change in Cash | 5,009,356 | 763,661 |
| | | |
| Cash, Beginning of Year | <u>7,119,663</u> | <u>6,356,002</u> |
| | | |
| Cash, End of Year | <u>\$ 12,129,019</u> | <u>\$ 7,119,663</u> |
| | | |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | |
| Cash paid for interest | <u>\$ 89,999</u> | <u>\$ 93,844</u> |

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. NATURE OF ORGANIZATION:

The purpose of Word of Life Fellowship, Inc. (the Fellowship) worldwide is evangelism and discipleship through various means, including camps, evangelistic rallies and outreach, gospel musical/drama productions, Bible Institutes, Bible clubs, and radio. The Fellowship is exempt from federal income tax under Section 501(c)(3) as a nonprofit religious organization and has been classified as an organization other than a private foundation. The Fellowship's primary sources of revenue are contributions and program revenue primarily consisting of Bible Institute, camps and conference revenues.

The Word of Life Foundation, Inc. (the Foundation) is organized as a New York not-for-profit corporation and recognized as an organization exempt from federal income tax under Section 501(c)(3) and is classified as an organization other than a private foundation. The Foundation is organized and operated exclusively to support the overall mission and vision of the Fellowship. The Fellowship oversees the affairs of the Foundation and ensures that all actions of the Foundation are consistent with the mission, vision, values and purposes of the Fellowship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting. The consolidated financial statements do not include the financial position, results of activities, or cash flows of Word of Life related organizations outside of the United States, which are separate foreign corporations.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial resources and activities of Word of Life Fellowship, Inc. and Word of Life Foundation, Inc. All material transactions and balances between the two organizations have been eliminated in the consolidated financial statements. Word of Life Fellowship, Inc. and Affiliate shall be referred to as "Word of Life" throughout these notes to the consolidated financial statements.

ESTIMATES

The preparation of consolidated 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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Word of Life considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. Certain items meet the definition of cash equivalents but are part of a larger pool of investments and are classified as long-term investments in the consolidated statements of financial position. From time to time, these balances may exceed federal deposit insurance limits; however, Word of Life has not experienced any losses on these accounts and management does not believe it is exposed to any significant risk.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Bible Institute accounts receivable and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. In accordance with policy, Word of Life management determines a Bible Institute receivable to be delinquent when the academic year has been completed and a student still has an outstanding payment due and has not made arrangement for such payment. Other accounts receivable balances are considered delinquent when they remain unpaid more than 30 days after the occurrence of the event or service that generated the receivable. Management's policy for placing receivables on nonaccrual status is determined on a case by case basis. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts as of December 31, 2015 and 2014, was \$243,811 and \$884,249, respectively, for Bible Institute accounts receivable. There was no allowance for other accounts receivable as management believes all are collectible.

INVENTORY

Inventory is stated at the lower of cost or market using the first-in first-out method and consists of various literature, media, food and other items held for sale, use and distribution. No reserve for obsolescence is recorded because items that are subject to obsolescence are not included in the inventory valuation.

NOTES RECEIVABLE FROM RELATED PARTIES

Notes receivable from related parties are carried at unpaid principal balances. Interest on notes receivable from related parties is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. A note receivable is considered impaired when, based upon current information, it is probable that Word of Life will be unable to collect all amounts due according to the terms of the agreement. Notes receivable are classified as delinquent when payments are not received in accordance with the agreed upon schedule. Management has determined that the notes receivable balance is fully collectible; therefore, no allowance has been recorded.

PROPERTIES SUBJECT TO LIFE ESTATES

Life estate agreements exist between Word of Life and two of its donors. These agreements give Word of Life a one-third and one hundred percent interest in the personal residences of the donors, respectively. The donors have the sole right to occupy the premises as a life tenant with Word of Life being the remainder beneficiary of one-third and one hundred percent interest in the properties, respectively. On an annual basis, Word of Life revalues the present value of the remaining future liability based upon appropriate assumptions. Properties subject to life estates are reported net of accumulated depreciation of \$137,500 and \$339,446 for the years ended December 31, 2015 and 2014, respectively. During 2015, the life estate agreement in which Word of Life had a one-third interest was terminated and the property sold.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are capitalized at cost at the date of purchase if that cost is in excess of \$10,000. Donated fixed assets are capitalized at fair value on the date of the gift if that value is in excess of \$10,000. Expenditures for routine repairs and maintenance are expensed when incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Contributions of cash or securities that must be used to acquire land, buildings and equipment are reported as temporarily restricted net assets. Release from temporarily restricted net assets occurs when the land, buildings and equipment are purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are:

| | |
|----------------------------|----------------|
| Buildings and improvements | 10 to 50 years |
| Furniture and equipment | 5 to 20 years |
| Vehicles and boats | 3 to 10 years |

LONG-TERM INVESTMENTS

Investments consist of money market funds, equity and debt securities and are stated at fair value. Realized and unrealized gains and losses are included as either unrestricted or temporarily restricted revenue in other changes in net assets in the consolidated statements of activities. Donated securities are recorded at the fair value on the date of donation and thereafter carried in accordance with the above provisions.

FAIR VALUE MEASUREMENTS

Word of Life uses appropriate valuation techniques to determine fair value based on inputs available. When available, Word of Life measures fair value using Level 1 inputs (quoted prices in active markets for identical assets) because they generally provide the most reliable evidence of fair value. Level 3 inputs (significant unobservable inputs) are only used when Level 1 or Level 2 inputs (significant other observable inputs) were not available.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|--------------|--------------|---------|---------------|
| Long-term investments: | | | | |
| Money market mutual funds | \$ 1,370,271 | \$ - | \$ - | \$ 1,370,271 |
| Corporate bonds: | | | | |
| Aaa credit rating | - | 2,169,718 | - | 2,169,718 |
| A2 credit rating | - | 1,345,925 | - | 1,345,925 |
| A1 credit rating | - | 776,926 | - | 776,926 |
| A3 credit rating | - | 714,824 | - | 714,824 |
| Aa2 credit rating | - | 566,186 | - | 566,186 |
| Aa3 credit rating | - | 540,088 | - | 540,088 |
| Baa1 credit rating | - | 375,805 | - | 375,805 |
| Aa1 credit rating | - | 298,153 | - | 298,153 |
| Baa3 credit rating | - | 202,220 | - | 202,220 |
| Baa2 credit rating | - | 56,521 | - | 56,521 |
| | - | 7,046,366 | - | 7,046,366 |
| Common stocks: | 18,174 | - | - | 18,174 |
| Inter-mission gift annuity investment | - | 70,096 | - | 70,096 |
| Mutual funds: | | | | |
| Fixed income funds | 2,100,228 | - | - | 2,100,228 |
| Index funds | 598,608 | - | - | 598,608 |
| Blend funds | 199,482 | - | - | 199,482 |
| Growth funds | 17,371 | - | - | 17,371 |
| | 2,915,689 | - | - | 2,915,689 |
| | \$ 4,304,134 | \$ 7,116,462 | \$ - | \$ 11,420,596 |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

Fair values of assets measured on a recurring basis at December 31, 2014, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|--------------|--------------|---------|---------------|
| Long-term investments: | | | | |
| Money market mutual funds | \$ 4,196,410 | \$ - | \$ - | \$ 4,196,410 |
| Corporate bonds: | | | | |
| A2 credit rating | - | 1,674,705 | - | 1,674,705 |
| A1 credit rating | - | 1,379,516 | - | 1,379,516 |
| A3 credit rating | - | 1,248,486 | - | 1,248,486 |
| Aaa credit rating | - | 1,047,346 | - | 1,047,346 |
| Aa3 credit rating | - | 515,364 | - | 515,364 |
| Aa1 credit rating | - | 199,784 | - | 199,784 |
| Aa2 credit rating | - | 173,698 | - | 173,698 |
| Baa1 credit rating | - | 130,440 | - | 130,440 |
| Baa2 credit rating | - | 59,181 | - | 59,181 |
| | - | 6,428,520 | - | 6,428,520 |
| Common stocks: | 26,878 | - | - | 26,878 |
| Inter-mission gift annuity investment | - | 77,393 | - | 77,393 |
| Mutual funds: | | | | |
| Fixed income funds | 1,157,056 | - | - | 1,157,056 |
| Index funds | 502,767 | - | - | 502,767 |
| Preferred stock funds | 265,652 | - | - | 265,652 |
| Blend funds | 76,289 | - | - | 76,289 |
| Growth funds | 53,859 | - | - | 53,859 |
| Value funds | 37,084 | - | - | 37,084 |
| | 2,092,707 | - | - | 2,092,707 |
| | \$ 6,315,995 | \$ 6,505,913 | \$ - | \$ 12,821,908 |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

Valuation techniques

Fair values for money market mutual funds, corporate bonds and debentures, common stocks, mutual funds, U.S. government agency obligations and inter-mission gift annuity investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

ANNUITIES PAYABLE

Word of Life has established a gift annuity plan whereby donors may contribute assets to the organization, in exchange for the right to receive a fixed dollar annual return during their lifetimes. These transactions provide for a portion of the transfer to be considered a charitable contribution for income tax purposes at the date of the gift.

The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. Upon the death of the annuitant (or the last joint annuitant) income distributions cease. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. The resulting actuarial gain or loss is recorded as change in value in the consolidated statements of activities. Word of Life is required to maintain legally mandated reserves and investment guidelines for the States of New York and New Jersey. At December 31, 2015 and 2014, Word of Life was in compliance with each of these requirements.

CLASSES OF NET ASSETS

The net assets of Word of Life are classified into net asset categories as follows:

Unrestricted net assets include gifts for the general operations of Word of Life, donor advised funds, those resources invested in land, building and equipment and required annuity reserves.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes and programs, those with time restrictions or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interest has ceased. Temporarily restricted net assets also include pledges receivable, additional annuity reserves required by state law, Word of Life's interest in properties subject to life estates and accumulated endowment earnings that are restricted by the donor for a particular purpose or whose use is unrestricted but has not yet been appropriated for expenditure. Temporarily restricted net assets include gifts for which donor-imposed or timing restrictions have not been met, but for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include contributions for which donor-imposed restrictions do not expire by the passage of time or cannot be fulfilled or removed by actions of Word of Life pursuant to those stipulations.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DONOR ADVISED FUNDS

Word of Life maintains certain donor advised funds which are funds that are separately identified on the books and records of Word of Life by reference to contributions by a donor or donors. These funds are owned and controlled by Word of Life, with respect to which such donor (or other persons appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such funds. At December 31, 2015 and 2014, net assets related to donor advised funds totaled \$22,564,359 and \$20,732,497, respectively.

SUPPORT, REVENUE AND RELEASES

Contributions are recorded when made, which may be when cash is received, or when unconditional promises are made. Contributions restricted by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until funds have been expended by Word of Life for the purposes specified. Upon satisfaction of the restriction, temporarily restricted net assets are released and reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donated assets are recorded at their fair market value on the date of donation. Word of Life received approximately 25% and 24% of its contributions, including donations to donor advised funds, from three donors during 2015 and 2014, respectively.

Unconditional promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed, when appropriate, using interest rates commensurate with the risks involved. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

It is the policy of Word of Life to record for the period contributions considered to be in transit at the close of the period, that is, those dated in December and received during January, as contributions in transit.

Program income is recorded when earned, which is when the product or service has been provided. Sales are recorded when the goods have been provided to the customer. Investment income is recorded in the month it is earned. Other income is recorded when earned.

ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2015, Word of Life had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Word of Life files information tax returns in the United States and various states. Word of Life is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

3. LIQUIDITY:

Word of Life has been able to fund all restricted gift requests and meet all restrictions. Projects are funded promptly as the funds are requested.

4. PLEDGES RECEIVABLE:

Pledges receivable consist of unconditional promises to give and consist of the following:

| | December 31, | |
|---------------------------|---------------------|---------------------|
| | 2015 | 2014 |
| Amounts due in: | | |
| Less than one year | \$ 7,261,654 | \$ 1,424,518 |
| One to five years | - | 916,200 |
| | <u>7,261,654</u> | <u>2,340,718</u> |
| Less unamortized discount | - | (26,815) |
| | <u>\$ 7,261,654</u> | <u>\$ 2,313,903</u> |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

5. OTHER ACCOUNTS RECEIVABLE:

Other accounts receivable consist of the following:

| | December 31, | |
|-------------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| Other receivables | \$ 191,227 | \$ 98,275 |
| Temporary advances | 168,232 | 148,824 |
| Conference center and RV Park | 54,408 | 77,270 |
| Conference room contract fees | 60,296 | 68,017 |
| Permanent advances | 28,000 | 37,550 |
| | <u>\$ 502,163</u> | <u>\$ 429,936</u> |

6. INVENTORIES:

Inventories consist of the following:

| | December 31, | |
|--|-------------------|-------------------|
| | 2015 | 2014 |
| Bookstore | \$ 303,539 | \$ 318,162 |
| Publications and curriculum for resale | 214,184 | 147,654 |
| Recreational vehicles for sale | 180,129 | - |
| Maintenance and housekeeping supplies | 122,131 | 123,033 |
| Food supplies | 47,586 | 52,818 |
| | <u>\$ 867,569</u> | <u>\$ 641,667</u> |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

7. NOTES RECEIVABLE FROM RELATED PARTIES:

Word of Life has certain notes receivable from related parties that are in place because of their benefit to Word of Life. Notes receivable from related parties consist of the following:

| | December 31, | |
|---|--------------|--------------|
| | 2015 | 2014 |
| Note receivable from a company controlled by a board member. The board member made gifts of closely held stock to Word of Life. The company then agreed to repurchase the stock from Word of Life in the form of an interest bearing note receivable with a fixed interest rate of 2.82%, maturing in February 2019. The note receivable is payable in nine consecutive annual installments commencing in February 2011. Current annual payments of principal and interest are \$2,037,029. | \$ 7,607,158 | \$ 9,380,361 |
| Note receivable from a related international ministry partner, with a fixed interest rate of 7%, matured in December 2015. The note receivable was payable in 60 consecutive monthly installments commencing in January 2011. Monthly payments of principal and interest were \$1,980. | - | 22,885 |
| | \$ 7,607,158 | \$ 9,403,246 |

Accrued interest receivable on notes receivable from related parties amounted to \$186,311 and \$229,739 for the years ended December 31, 2015 and 2014, respectively.

Principal payments on the notes receivable from related parties for the succeeding five years are as follows:

Year ending December 31,

| | |
|------|--------------|
| 2016 | \$ 1,823,207 |
| 2017 | 1,874,622 |
| 2018 | 1,927,486 |
| 2019 | 1,981,843 |
| | \$ 7,607,158 |

Word of Life evaluates all notes receivable for impairment on an individual basis if the note receivable is more than 30 days delinquent. The note receivable is then given a specific allowance based on estimated net realizable value. Status for performing and nonperforming notes receivable is based on payment activity for the year. Payment activity is reviewed by management and notes receivable are considered to be nonperforming when payments are not received in accordance with the agreed upon schedule. All notes receivable were current as of December 31, 2015 and 2014; therefore, all notes receivable are considered performing and no impairment was noted.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

8. LAND, BUILDINGS AND EQUIPMENT, NET:

Land, buildings and equipment, net, consist of the following:

| | December 31, | |
|-------------------------------|----------------------|----------------------|
| | 2015 | 2014 |
| Land | \$ 3,148,828 | \$ 3,148,828 |
| Buildings and improvements | 35,979,684 | 35,979,685 |
| Furniture and equipment | 2,719,331 | 2,694,330 |
| Vehicles and boats | 1,990,847 | 1,854,378 |
| | <u>43,838,690</u> | <u>43,677,221</u> |
| Less accumulated depreciation | (20,858,262) | (19,315,738) |
| | <u>22,980,428</u> | <u>24,361,483</u> |
| Construction in progress | 5,154,821 | 1,573,411 |
| | <u>\$ 28,135,249</u> | <u>\$ 25,934,894</u> |

Depreciation expense for the years ended December 31, 2015 and 2014, amounted to \$1,646,569 and \$1,577,529, respectively.

9. LONG-TERM INVESTMENTS:

Long-term investments consist of the following:

| | December 31, | |
|---------------------------------------|----------------------|----------------------|
| | 2015 | 2014 |
| Corporate bonds | \$ 7,046,366 | \$ 6,428,520 |
| Mutual funds | 2,915,689 | 2,092,707 |
| Money market mutual funds | 1,370,271 | 4,196,410 |
| Inter-mission gift annuity investment | 70,096 | 77,393 |
| Common stocks | 18,174 | 26,878 |
| | <u>\$ 11,420,596</u> | <u>\$ 12,821,908</u> |

A substantial portion of investments are related to Word of Life's gift annuity program, endowment fund, and donor advised funds. Investments relating to the gift annuity program amounted to \$1,724,838 and \$1,789,333 at December 31, 2015 and 2014, respectively. Investments relating to the endowment fund amounted to \$1,908,019 and \$2,021,356 at December 31, 2015 and 2014, respectively. Investments relating to donor advised funds amounted to \$7,113,397 and \$6,755,906 at December 31, 2015 and 2014, respectively.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

9. LONG-TERM INVESTMENTS, continued:

In addition to the investment income recorded on the consolidated statements of activities, the annuity investments earned \$70,032 and \$69,717 in interest and dividends and (\$73,227) and \$114,321 in realized and unrealized gains (losses) for a total of (\$3,195) and \$184,038 for the years ended December 31, 2015 and 2014, respectively. This is reflected on the consolidated statements of activities as a component of the change in value of gift annuities.

Risks and Uncertainties Related to Investments

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of Word of Life's investments and total net assets balance could fluctuate materially. Word of Life maintains custody accounts with various custodians. Although Word of Life monitors the custodians and believes that they are appropriate custodians, there is no guarantee that the custodians, or any other custodians that Word of Life may use from time to time, will not become insolvent. Word of Life believes that, in the event of the insolvency of one of its custodians, some of Word of Life's assets may be unavailable for a period of time, but that it would ultimately have full recovery of its assets.

10. DEFINED CONTRIBUTION PENSION PLAN:

Word of Life established a Defined Contribution Retirement Plan for the benefit of all eligible employees and their beneficiaries. To be eligible, an employee must be 21 years of age, employed by Word of Life for one year, and be full-time status.

Word of Life provides a matching contribution of 25 percent of the employee contribution, up to 6 percent of compensation. Employees are allowed to contribute to the plan through 401(k) salary deferrals. The employer's portion expensed for 2015 and 2014, was \$109,571 and \$103,363, respectively.

11. INTERNATIONAL MINISTRY PARTNERS:

Word of Life held funds totaling \$340,815 and \$772,133 for several of its international ministry partners as of December 31, 2015 and 2014, respectively. These amounts represent funds that Word of Life is holding for its international ministry partners, and are held in accounts that these ministries have access to but are in Word of Life's name. The international ministry partners have full access to the funds and can withdraw them at any time as the funds are considered theirs for use. The related assets are included in cash and cash equivalents on the consolidated statements of financial position.

Word of Life facilitates a procedure that allows missionaries working for Word of Life's international ministry partners to save for retirement. Word of Life administers investment accounts on behalf of the missionaries who participate. The "plan" is open only to approved missionaries who reside outside of the United States, are not United States citizens and are not on Word of Life's payroll. Word of Life offered a 10 percent match on contributions to the "plan" for the years ended December 31, 2015 and 2014. Word of Life expensed matching funds of \$87,000 and \$60,673 for the years ended December 31, 2015 and 2014, respectively.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

12. DEFERRED REVENUE:

Deferred revenue consists of the following:

| | December 31, | |
|---|--------------|--------------|
| | 2015 | 2014 |
| Short-term deferred revenue: | | |
| Bible Institute tuition, student activities, and room and board | \$ 1,052,357 | \$ 667,282 |
| Advance seasonal reservations | 540,974 | 566,324 |
| Multi-year advance conference reservations | 94,277 | 105,623 |
| | 1,687,608 | 1,339,229 |
| Long-term deferred revenue: | | |
| Advance seasonal reservations | 191,691 | 175,724 |
| Multi-year rental | 153,900 | - |
| Multi-year advance conference reservations | 20,070 | 29,236 |
| | 365,661 | 204,960 |
| | \$ 2,053,269 | \$ 1,544,189 |

13. NOTES AND LINES OF CREDIT PAYABLE:

Notes and lines of credit payable consist of the following:

| | December 31, | |
|---|--------------|--------------|
| | 2015 | 2014 |
| Promissory notes from individuals with interest rates from 1.5% to 3.75%, maturing in years 2015 to 2020. | \$ 666,610 | \$ 709,191 |
| Line of credit payable to a bank (\$2,000,000 limit) secured by Word of Life properties and due on demand with an interest rate of prime plus .25% adjusted monthly (interest rate at December 31 was 3.50%), expiring in September 2016. | - | - |
| Note payable to a board member, unsecured, with an interest rate of 5%, maturing in 2018. Principal and interest are due annually on December 31. | 1,050,000 | 1,300,000 |
| | \$ 1,716,610 | \$ 2,009,191 |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

13. NOTES AND LINES OF CREDIT PAYABLE, continued:

Principal payments on the notes payable for the succeeding five years are as follows:

Year ending December 31,

| | | |
|------|----|-----------|
| 2016 | \$ | 441,491 |
| 2017 | | 507,386 |
| 2018 | | 636,617 |
| 2019 | | 25,803 |
| 2020 | | 105,313 |
| | | 105,313 |
| | \$ | 1,716,610 |

Word of Life also has two letters of credit outstanding with a bank for \$25,000 each expiring in June 2016. The letters of credit were unused at both December 31, 2015 and 2014.

14. CHANGE IN VALUE OF GIFT ANNUITY LIABILITY ACTUARIAL RESERVE:

| | December 31, | |
|---------------------------------------|--------------|-----------|
| | 2015 | 2014 |
| Investment income: | | |
| Interest and dividend income | \$ 70,032 | \$ 69,717 |
| Investment fees | (8,527) | (9,139) |
| Realized gain on sale of investments | 249 | 50,833 |
| Unrealized gain (loss) on investments | (73,476) | 63,488 |
| | (11,722) | 174,899 |
| New annuities - whole amount | 97,905 | 122,000 |
| New annuities - gift portion | (34,180) | (51,018) |
| Payments to annuitants | (168,559) | (177,468) |
| Change in actuarial reserve | (74,754) | (42,478) |
| | \$ (191,310) | \$ 25,935 |

During 2015, Word of Life received \$97,905 from new gift annuity agreements, of which \$34,180 is recorded as a contribution and \$63,725 was added to gift annuity liabilities – actuarial reserve. Additionally, the statutorily required surplus decreased by \$50,635 in 2015.

During 2014, Word of Life received \$122,000 from new gift annuity agreements, of which \$51,018 is recorded as a contribution and \$70,982 was added to gift annuity liabilities – actuarial reserve. Additionally, the statutorily required surplus increased by \$7,010 in 2014.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

15. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are for the following purposes:

| | Year Ended December 31, 2015 | | | Ending Balance |
|---|------------------------------|--------------------------------|------------------------|----------------------|
| | Beginning Balance | Additions and Other Changes | Releases | |
| Purpose restricted: | | | | |
| International ministries missions support | \$ 1,673,222 | \$ 11,056,706 | \$ (10,267,105) | \$ 2,462,823 |
| Local church ministries missions support | 511,389 | 2,413,187 | (2,352,945) | 571,631 |
| Evangelism and short-term missions | 116,211 | 439,846 | (432,543) | 123,514 |
| Bible Institute scholarships | 332,709 | 3,268 | (73,790) | 262,187 |
| Needy camper aid | 190,136 | (21,823) | (145,994) | 22,319 |
| Fellowship projects | 4,023,729 | 3,023,404 | (4,504,082) | 2,543,051 |
| International ministries projects | 1,756,535 | 3,569,307 | (3,174,803) | 2,151,039 |
| Local church ministries projects | 98,502 | 105,994 | (77,874) | 126,622 |
| | <u>8,702,433</u> | <u>20,589,889</u> | <u>(21,029,136)</u> | <u>8,263,186</u> |
| Time restricted: | | | | |
| Properties subject to life estates | 356,353 | 13,338 | (269,904) | 99,787 |
| Gift annuity statutorily required surplus | 339,105 | (50,635) | - | 288,470 |
| Pledges receivable | 2,313,903 | 4,947,751 | - | 7,261,654 |
| | <u>3,009,361</u> | <u>4,910,454</u> | <u>(269,904)</u> | <u>7,649,911</u> |
| | <u>\$ 11,711,794</u> | <u>\$ 25,500,343</u> | <u>\$ (21,299,040)</u> | <u>\$ 15,913,097</u> |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

15. TEMPORARILY RESTRICTED NET ASSETS, continued:

| | Year Ended December 31, 2014 | | | Ending Balance |
|---|------------------------------|--------------------------------|-----------------|-------------------|
| | Beginning Balance | Additions and Other Changes | Releases | |
| Purpose restricted: | | | | |
| International ministries missions support | \$ 1,154,291 | \$ 10,621,235 | \$ (10,102,304) | \$ 1,673,222 |
| Local church ministries missions support | 582,166 | 2,917,763 | (2,988,540) | 511,389 |
| Evangelism and short-term missions | 120,900 | 364,077 | (368,766) | 116,211 |
| Bible Institute scholarships | 305,699 | 188,441 | (161,431) | 332,709 |
| Needy camper aid | 369,614 | 154,802 | (334,280) | 190,136 |
| Fellowship projects | 870,466 | 5,363,954 | (2,210,691) | 4,023,729 |
| International ministries projects | 1,506,102 | 2,689,531 | (2,439,098) | 1,756,535 |
| Local church ministries projects | 138,019 | 136,258 | (175,775) | 98,502 |
| | 5,047,257 | 22,436,061 | (18,780,885) | 8,702,433 |
| Time restricted: | | | | |
| Beneficial interest in remainder trusts | 50,724 | 1,998 | (52,722) | - |
| Properties subject to life estates | 370,909 | 12,675 | (27,231) | 356,353 |
| Gift annuity statutorily required surplus | 332,095 | 7,010 | - | 339,105 |
| Pledges receivable | 165,844 | 2,148,059 | - | 2,313,903 |
| | 919,572 | 2,169,742 | (79,953) | 3,009,361 |
| | \$ 5,966,829 | \$ 24,605,803 | \$ (18,860,838) | \$ 11,711,794 |

During 2014, Word of Life began a capital campaign to construct a Student Life Center (SLC) on the New York Bible Institute campus. The SLC will provide the dining space needed to accommodate the entire student body at one sitting. It will also offer meeting rooms and space for student activities. The total cost of the SLC is projected to be approximately \$13.7 million. It is currently scheduled to be completed in early 2017. Word of Life raised approximately \$6.5 and \$5.9 million towards the SLC during 2015 and 2014, respectively. Approximately \$5.4 million was received in cash and marketable securities through December 31, 2015, and approximately \$7.0 million is recorded as outstanding pledges receivable as of December 31, 2015. Fundraising continues.

Word of Life entered into construction contracts to provide services related to construction of the SLC. As of December 31, 2015, unexpended amounts under these contracts total approximately \$10.8 million.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

16. ENDOWMENT FUNDS:

Word of Life's endowments include donor-restricted funds and consist of individual funds established for the Bible Institute scholarships and Needy Camper aid. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Word of Life classifies as permanently restricted net assets (a) the original value of gifts and subsequent gifts donated to the donor-restricted permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Word of Life.

Word of Life considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Word of Life and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Word of Life
7. The investment policies of Word of Life

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

16. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|--------------|
| Endowment net assets, January 1, 2015 | \$ (12,211) | \$ 217,180 | \$ 1,843,745 | \$ 2,048,714 |
| Investment return: | | | | |
| Interest and dividends, net of fees | - | 73,106 | - | 73,106 |
| Realized gains | - | 2,624 | - | 2,624 |
| Unrealized losses | - | (107,594) | - | (107,594) |
| Total investment return | - | (31,864) | - | (31,864) |
| Contributions | - | - | 420 | 420 |
| Transfers | (39,267) | 39,267 | - | - |
| Amounts appropriated for expenditure | 81,398 | (81,398) | - | - |
| Amounts withdrawn from pool | (81,398) | - | - | (81,398) |
| Endowment net assets, December 31, 2015 | \$ (51,478) | \$ 143,185 | \$ 1,844,165 | \$ 1,935,872 |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

16. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended December 31, 2014:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, January 1, 2014 | \$ (54,495) | \$ 271,631 | \$ 1,841,102 | \$ 2,058,238 |
| Investment return: | | | | |
| Interest and dividends, net of fees | - | 77,627 | - | 77,627 |
| Realized gains | - | 27,908 | - | 27,908 |
| Unrealized gains | - | 132,298 | - | 132,298 |
| Total investment return | - | 237,833 | - | 237,833 |
| Contributions | - | - | 2,643 | 2,643 |
| Amounts appropriated for expenditure | 292,284 | (292,284) | - | - |
| Amounts withdrawn from pool | (250,000) | - | - | (250,000) |
| Endowment net assets, December 31, 2014 | <u>\$ (12,211)</u> | <u>\$ 217,180</u> | <u>\$ 1,843,745</u> | <u>\$ 2,048,714</u> |

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

| | <u>December 31,</u> | |
|---|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Permanently restricted net assets: | | |
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by NYPMIFA. | <u>\$ 1,844,165</u> | <u>\$ 1,843,745</u> |
| Temporarily restricted net assets: | | |
| The portion of perpetual endowment funds subject to a purpose restriction either by explicit donor stipulations or by NYPMIFA. | <u>\$ 143,185</u> | <u>\$ 217,180</u> |

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

16. ENDOWMENT FUNDS, continued:

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the endowment agreement requires Word of Life to retain as a fund of perpetual duration. As of December 31, 2015 and 2014, there were deficiencies in the unrestricted portion of the endowment of \$51,478 and \$12,211, respectively.

Return objectives and risk parameters

Word of Life has adopted investment and spending policies for endowment assets that attempt to (a) maintain the historical value of the endowment fund assets and (b) provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that Word of Life must hold in perpetuity, or for donor-specified periods. The investment policy also attempts to maximize the stream of funding within the boundaries of conservative parameters. The current long term return objective is 4.5 percent. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Word of Life relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To assure a more predictable stream of funding, assets are invested heavily in individual, investment grade fixed income vehicles. However, there is an allocation of assets in diversified, equity-based investments to help maximize the long-term rate of return and maintain the purchasing power of the endowment assets.

Spending policies and how the investment objectives relate to spending policy

The spending policy calculates the amount of money available to be appropriated annually from the endowment funds. The current spending policy is to make available for grant making interest and dividends and net realized appreciation amounts in excess of the endowment corpus. Amounts not distributed will be invested and available in future distributions.

17. MANAGEMENT AGREEMENT:

The Foundation and the Fellowship entered into an agreement on January 1, 2012, whereby the Fellowship agrees to provide essential administrative services and assign the Fellowship employees upon mutual agreement of both parties to work at the direction of the officers and board of directors of the Foundation to perform administrative tasks for the Foundation and its responsibilities under this agreement. Each assigned employee shall remain and be considered for legal purposes an employee of the Fellowship and merely assigned to render services to the Foundation to fulfill compatible tax-exempt purposes.

The Foundation shall reimburse the Fellowship for the services provided by said assigned employee of the Fellowship. The reimbursement for those services amounted to \$107,000 in both 2015 and 2014. These transactions were eliminated in consolidation.

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

18. TRANSACTIONS WITH RELATED PARTIES:

Word of Life conducted the following transactions with related parties in addition to those items disclosed elsewhere in the consolidated footnotes:

- construction services relating to the student life center totaling \$2,158,218 during the year ended December 31, 2015, were provided to Word of Life by a company whose CFO is a board member;
- services and related expenses for fundraising letters totaling \$73,511 and \$116,209 were provided to Word of Life by a company controlled by a close relative of two board members during the years ended December 31, 2015 and 2014, respectively;
- Word of Life purchased vehicles totaling \$113,568 and \$67,569 from a company controlled by a board member during the years ended December 31, 2015 and 2014, respectively;
- consulting services totaling \$5,850 and \$25,629 during the year ended December 31, 2015, and \$12,357, \$80,818 and \$17,644 during the year ended December 31, 2014, were provided to Word of Life by a current board member, a former executive director and a former board member, respectively, as independent contractors;
- supplemental retirement plan payments were provided for the benefit of a board member totaling \$40,000 during both years ended December 31, 2015 and 2014;
- donated rent from a company controlled by a board member valued at \$87,685 for both years ended December 31, 2015 and 2014;
- note receivable from the Executive Director for the purchase of a vehicle necessary for the travel that job duties entail totaling \$9,660 during the year ended December 31, 2014.

19. HEALTH CARE CONTINGENCY:

Word of Life maintains a self-insurance program for its employee's health care costs. Word of Life is liable for losses on claims up to \$110,000 per claim. Word of Life has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$265,014 and \$114,218 at December 31, 2015 and 2014, respectively.

20. CONTINGENT LIABILITY:

During March 2015, a student was injured in a snowmobile accident at the Word of Life Bible Institute. Litigation against Word of Life related to this accident was initiated in May 2015 and is currently ongoing. While the outcome of the litigation and range of potential damages cannot be reasonably estimated at this time, in all probability damages, if any, would be within the limit of Word of Life's insurance policy.

21. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Word of Life Fellowship, Inc. and Affiliate
Schroon Lake, New York

We have audited the consolidated financial statements of Word of Life Fellowship, Inc. and Affiliate as of and for the years ended December 31, 2015 and 2014, and our report thereon dated June 24, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

New York, New York
June 24, 2016

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidating Schedule of Financial Position

December 31, 2015

| | Word of Life Fellowship, Inc. | Word of Life Foundation, Inc. | Eliminations | Total |
|--|----------------------------------|----------------------------------|-----------------------|----------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 5,522,527 | \$ 6,606,492 | \$ - | \$ 12,129,019 |
| Contributions in transit | 979,025 | - | - | 979,025 |
| Bible Institute accounts receivable, net | 518,656 | - | - | 518,656 |
| Pledges receivable, net | 7,261,654 | - | - | 7,261,654 |
| Other accounts receivable | 502,163 | - | - | 502,163 |
| Prepaid expenses | 207,094 | - | - | 207,094 |
| Accrued interest receivable | - | 186,311 | - | 186,311 |
| Inventories | 867,569 | - | - | 867,569 |
| Notes receivable from related parties | - | 8,657,158 | (1,050,000) | 7,607,158 |
| Properties subject to life estates, net | 137,500 | - | - | 137,500 |
| Land, buildings and equipment, net | 28,135,249 | - | - | 28,135,249 |
| Long-term investments | 4,315,642 | 7,104,954 | - | 11,420,596 |
| Total Assets | \$ 48,447,079 | \$ 22,554,915 | \$ (1,050,000) | \$ 69,951,994 |
| LIABILITIES AND NET ASSETS: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 1,718,670 | \$ 4,000 | \$ - | \$ 1,722,670 |
| Funds held for international ministry partners | 340,815 | - | - | 340,815 |
| Deferred revenue | 2,053,269 | - | - | 2,053,269 |
| Notes and lines of credit payable | 2,766,610 | - | (1,050,000) | 1,716,610 |
| Gift annuity liability-actuarial reserve | 1,104,801 | - | - | 1,104,801 |
| Use obligation on properties subject to life estates | 37,713 | - | - | 37,713 |
| Total liabilities | 8,021,878 | 4,000 | (1,050,000) | 6,975,878 |
| Net Assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | (5,480,754) | - | - | (5,480,754) |
| Invested in land, buildings and equipment, net | 28,135,249 | - | - | 28,135,249 |
| Donor advised | 13,444 | 22,550,915 | - | 22,564,359 |
| Total unrestricted | 22,667,939 | 22,550,915 | - | 45,218,854 |
| Temporarily restricted | 15,913,097 | - | - | 15,913,097 |
| Permanently restricted | 1,844,165 | - | - | 1,844,165 |
| Total net assets | 40,425,201 | 22,550,915 | - | 62,976,116 |
| Total Liabilities and Net Assets | \$ 48,447,079 | \$ 22,554,915 | \$ (1,050,000) | \$ 69,951,994 |

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidating Schedule of Financial Position

December 31, 2014

| | Word of Life Fellowship, Inc. | Word of Life Foundation, Inc. | Eliminations | Total |
|--|----------------------------------|----------------------------------|-----------------------|----------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 3,796,857 | \$ 3,322,806 | \$ - | \$ 7,119,663 |
| Contributions in transit | 1,088,244 | - | - | 1,088,244 |
| Bible Institute accounts receivable, net | 595,286 | - | - | 595,286 |
| Pledges receivable, net | 2,313,903 | - | - | 2,313,903 |
| Other accounts receivable | 705,936 | - | (276,000) | 429,936 |
| Prepaid expenses | 132,605 | - | - | 132,605 |
| Accrued interest receivable | - | 229,739 | - | 229,739 |
| Inventories | 641,667 | - | - | 641,667 |
| Notes receivable from related parties | - | 10,703,246 | (1,300,000) | 9,403,246 |
| Properties subject to life estates, net | 407,404 | - | - | 407,404 |
| Land, buildings and equipment, net | 25,934,894 | - | - | 25,934,894 |
| Long-term investments | 6,082,376 | 6,739,532 | - | 12,821,908 |
| Total Assets | \$ 41,699,172 | \$ 20,995,323 | \$ (1,576,000) | \$ 61,118,495 |
| LIABILITIES AND NET ASSETS: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 1,478,651 | \$ 284,200 | \$ (276,000) | \$ 1,486,851 |
| Funds held for international ministry partners | 772,133 | - | - | 772,133 |
| Deferred revenue | 1,544,189 | - | - | 1,544,189 |
| Notes and lines of credit payable | 3,309,191 | - | (1,300,000) | 2,009,191 |
| Gift annuity liability-actuarial reserve | 1,296,111 | - | - | 1,296,111 |
| Use obligation on properties subject to life estates | 51,051 | - | - | 51,051 |
| Total liabilities | 8,451,326 | 284,200 | (1,576,000) | 7,159,526 |
| Net Assets: | | | | |
| Unrestricted: | | | | |
| Undesignated | (6,263,961) | - | - | (6,263,961) |
| Invested in land, buildings and equipment, net | 25,934,894 | - | - | 25,934,894 |
| Donor advised | 21,374 | 20,711,123 | - | 20,732,497 |
| Total unrestricted | 19,692,307 | 20,711,123 | - | 40,403,430 |
| Temporarily restricted | 11,711,794 | - | - | 11,711,794 |
| Permanently restricted | 1,843,745 | - | - | 1,843,745 |
| Total net assets | 33,247,846 | 20,711,123 | - | 53,958,969 |
| Total Liabilities and Net Assets | \$ 41,699,172 | \$ 20,995,323 | \$ (1,576,000) | \$ 61,118,495 |

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidating Schedule of Activities

Year Ended December 31, 2015

| | Word of Life Fellowship, Inc. | Word of Life Foundation, Inc. | Eliminations | Total |
|---|----------------------------------|----------------------------------|--------------------|----------------------|
| OPERATING SUPPORT AND REVENUE: | | | | |
| Contributions | \$ 32,250,230 | \$ 9,589,288 | \$ (5,471,778) | \$ 36,367,740 |
| Programs (net of student discounts of \$2,010,928 and camp and conference discounts of \$2,634,840) | 13,401,451 | - | - | 13,401,451 |
| Bookstore and other sales (net of cost of goods sold of \$606,399) | 863,607 | - | - | 863,607 |
| Interest and dividend income | 99,423 | 115,773 | - | 215,196 |
| Other | 234,684 | - | (107,000) | 127,684 |
| Total operating support and revenue | <u>46,849,395</u> | <u>9,705,061</u> | <u>(5,578,778)</u> | <u>50,975,678</u> |
| OPERATING EXPENSES: | | | | |
| Program services: | | | | |
| Local church ministries | 3,440,911 | - | (5,850) | 3,435,061 |
| Bible Institute | 9,468,588 | - | (21,449) | 9,447,139 |
| International ministries | 13,513,205 | - | (9,100) | 13,504,105 |
| Camps - New York | 6,143,801 | - | (10,400) | 6,133,401 |
| Camps - Florida | 1,980,992 | - | (3,900) | 1,977,092 |
| Foundation | - | 7,900,047 | (5,482,478) | 2,417,569 |
| Other ministries | 1,463,599 | - | (325) | 1,463,274 |
| Total program services | <u>36,011,096</u> | <u>7,900,047</u> | <u>(5,533,502)</u> | <u>38,377,641</u> |
| Supporting services: | | | | |
| Management and general | 1,926,118 | 90,544 | (78,013) | 1,938,649 |
| Development | 1,822,653 | 69,650 | (32,263) | 1,860,040 |
| Total supporting services | <u>3,748,771</u> | <u>160,194</u> | <u>(110,276)</u> | <u>3,798,689</u> |
| Total operating expenses | <u>39,759,867</u> | <u>8,060,241</u> | <u>(5,643,778)</u> | <u>42,176,330</u> |
| Change in net assets from operating activities | <u>7,089,528</u> | <u>1,644,820</u> | <u>65,000</u> | <u>8,799,348</u> |
| NON-OPERATING ACTIVITIES: | | | | |
| Change in value of gift annuities | 191,310 | - | - | 191,310 |
| Change in value of properties subject to life estates | 13,338 | - | - | 13,338 |
| Interest income on notes receivable from related parties | - | 286,975 | (65,000) | 221,975 |
| Realized and unrealized loss on investments | (116,821) | (92,003) | - | (208,824) |
| Change in net assets from non-operating activities | <u>87,827</u> | <u>194,972</u> | <u>(65,000)</u> | <u>217,799</u> |
| Change in Net Assets | 7,177,355 | 1,839,792 | - | 9,017,147 |
| Net Assets, Beginning of Year | <u>33,247,846</u> | <u>20,711,123</u> | <u>-</u> | <u>53,958,969</u> |
| Net Assets, End of Year | <u>\$ 40,425,201</u> | <u>\$ 22,550,915</u> | <u>\$ -</u> | <u>\$ 62,976,116</u> |

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

Consolidating Schedule of Activities

Year Ended December 31, 2014

| | Word of Life Fellowship, Inc. | Word of Life Foundation, Inc. | Eliminations | Total |
|---|----------------------------------|----------------------------------|--------------------|----------------------|
| OPERATING SUPPORT AND REVENUE: | | | | |
| Contributions | \$ 29,523,907 | \$ 4,239,904 | \$ (4,963,563) | \$ 28,800,248 |
| Programs (net of student discounts of \$2,137,115 and camp and conference discounts of \$1,768,037) | 13,954,758 | - | - | 13,954,758 |
| Bookstore and other sales (net of cost of goods sold of \$395,827) | 923,921 | - | - | 923,921 |
| Interest and dividend income | 97,050 | 176,198 | - | 273,248 |
| Other | 416,251 | - | (107,000) | 309,251 |
| Total operating support and revenue | <u>44,915,887</u> | <u>4,416,102</u> | <u>(5,070,563)</u> | <u>44,261,426</u> |
| OPERATING EXPENSES: | | | | |
| Program services: | | | | |
| Local church ministries | 5,478,740 | - | (6,750) | 5,471,990 |
| Bible Institute | 8,988,324 | - | (24,750) | 8,963,574 |
| International ministries | 12,670,954 | - | (10,500) | 12,660,454 |
| Camps - New York | 6,429,517 | - | (12,000) | 6,417,517 |
| Camps - Florida | 1,697,967 | - | (4,500) | 1,693,467 |
| Foundation | - | 6,724,687 | (4,974,263) | 1,750,424 |
| Other ministries | 609,298 | - | (375) | 608,923 |
| Total program services | <u>35,874,800</u> | <u>6,724,687</u> | <u>(5,033,138)</u> | <u>37,566,349</u> |
| Supporting services: | | | | |
| Management and general | 1,158,618 | 92,314 | (80,138) | 1,170,794 |
| Development | 1,464,750 | 72,754 | (32,287) | 1,505,217 |
| Total supporting services | <u>2,623,368</u> | <u>165,068</u> | <u>(112,425)</u> | <u>2,676,011</u> |
| Total operating expenses | <u>38,498,168</u> | <u>6,889,755</u> | <u>(5,145,563)</u> | <u>40,242,360</u> |
| Change in net assets from operating activities | <u>6,417,719</u> | <u>(2,473,653)</u> | <u>75,000</u> | <u>4,019,066</u> |
| NON-OPERATING ACTIVITIES: | | | | |
| Change in value of gift annuities | (25,935) | - | - | (25,935) |
| Change in value of beneficial interest in remainder trusts | 1,998 | - | - | 1,998 |
| Change in value of properties subject to life estates | 12,675 | - | - | 12,675 |
| Interest income on notes receivable from related parties | - | 304,739 | (75,000) | 229,739 |
| Realized and unrealized gain on investments | 159,874 | 680 | - | 160,554 |
| Change in net assets from non-operating activities | <u>148,612</u> | <u>305,419</u> | <u>(75,000)</u> | <u>379,031</u> |
| Change in Net Assets | 6,566,331 | (2,168,234) | - | 4,398,097 |
| Net Assets, Beginning of Year | <u>26,681,515</u> | <u>22,879,357</u> | <u>-</u> | <u>49,560,872</u> |
| Net Assets, End of Year | <u>\$ 33,247,846</u> | <u>\$ 20,711,123</u> | <u>\$ -</u> | <u>\$ 53,958,969</u> |

See auditors' report on supplementary information