

**TERRY LAW MINISTRIES, INC. - DBA, WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Financial Statements
and
Independent Auditor's Report

For the Years Ended December 31, 2020 and 2019

TERRY LAW MINISTRIES, INC. - DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY

Table of Contents

	<u>Page(s):</u>
Independent Auditor's Report	1
<u>Financial Statements:</u>	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	5
Notes to the Financial Statements	6 – 12



Independent Auditor's Report

To the Board of Trustees of
Terry Law Ministries, Inc., dba World Compassion,
Subsidiary and Related Variable Interest Entity
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY (a non-profit organization), which comprise the consolidated statements of position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Associates CPAs, P.C.

Hood and Associates CPAs, P.C.
Tulsa, Oklahoma
November 30, 2021

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**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note A)	\$ 1,584,902	\$ 326,173
Inventory, books, tapes and clothing (Note A)	30,423	26,399
	1,615,325	352,572
Total current assets		
Property and equipment, at historical acquisition cost: (Note A)		
Building, building improvements and land	1,001,106	1,001,106
Furniture and equipment	235,946	235,946
Computer equipment	153,052	153,052
	1,390,104	1,390,104
Total property and equipment, at historical acquisition cost		
Less: Accumulated depreciation	(802,670)	(766,869)
	587,434	623,235
Total property and equipment, net of accumulated depreciation		
Other assets, non-current:		
Other assets, cash surrender value of life insurance policies (Note C)	36,066	884,341
Intangible assets and fees, net of accumulated amortization (Note A)	25,331	28,049
Prepaid expenses and other assets	11,137	10,383
Investment at fair market value	8,356	
	80,890	922,773
Total other assets, non-current		
Total assets	\$ 2,283,649	\$ 1,898,580
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 42,627	\$ 64,834
Current portion of note payable (Note D)	71,921	68,592
	114,548	133,426
Total current liabilities		
Long-term liabilities:		
Note payable, long-term debt (Note D)	398,699	464,860
	513,247	598,286
Total liabilities		
Net assets:		
Without donor restrictions (Notes A and B)	1,626,225	1,288,979
With donor restrictions (Notes A and B)	144,177	11,315
	1,770,402	1,300,294
Total net assets		
Total liabilities and net assets	\$ 2,283,649	\$ 1,898,580

The accompanying notes are an integral part of these consolidated financial statements.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Changes in net assets, without donor restrictions:</u>		
Support and revenue:		
Contributions and offerings, undesignated	\$ 1,414,543	\$ 1,487,930
Other income	16,374	19,213
Increase in cash surrender value of life insurance (Note C)	9,671	46,789
Contributions and offerings, in-kind (Note A)	1,525	6,040
Product sales	1,466	4,596
Interest income	179	114
Gain or (loss) on sale of securities	49	(46)
Total support and revenue without donor restrictions, before release of donor-imposed restrictions	1,443,807	1,564,636
Net assets, released from donor imposed restrictions (Note B)	283,812	211,656
Total support and revenue, without donor restrictions	1,727,619	1,776,292
Expenses:		
Program services expenses	1,193,764	1,453,490
Management and general expenses	147,902	121,300
Fundraising expenses	48,707	56,669
Total expenses	1,390,373	1,631,459
Increase or (decrease) in net assets, without donor restrictions	337,246	144,833
<u>Changes in net assets, with donor restrictions:</u>		
Support and revenue:		
Contributions and offerings, donor designated	416,674	222,971
Satisfaction of donor restrictions (Note B)	(283,812)	(211,656)
Increase or (decrease) in net assets, with donor restrictions	132,862	11,315
Changes in net assets	470,108	156,148
Net assets, beginning of year as originally reported	1,300,294	1,317,368
Restatement to reflect correction of increase in cash cash surrender value of life insurance		(173,222)
Net assets, beginning of year as restated		1,144,146
Net assets, end of year	\$ 1,770,402	\$ 1,300,294

The accompanying notes are an integral part of these consolidated financial statements.

**TERRY LAW MINISTRIES, INC. - DBA, WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019**

	For the Year Ended December 31, 2020				2019 Totals:
	Program Services	Management & General	Fund Raising	Totals:	
<u>Salaries and related expenses:</u>					
Salaries and wages, officers	\$ 165,965	\$ 18,440	\$	\$ 184,405	\$ 327,904
Salaries and wages, other employees	142,754	15,861		158,615	136,640
Other employee benefits	61,070	6,785		67,855	86,020
Payroll taxes	18,141	2,016		20,157	20,456
Total salaries and related expenses	387,930	43,102		431,032	571,020
<u>Project expenses:</u>					
Project expenses, Iran	102,660			102,660	80,894
Project expenses, Myanmar	94,911			94,911	107,593
Project expenses, China	51,754			51,754	72,948
Project expenses, Iraq	39,898			39,898	52,338
Project expenses, Cuba	23,254			23,254	10,685
Project expenses, Other	4,094			4,094	26,094
Total project expenses	316,571			316,571	350,552
<u>Other functional expenses:</u>					
Fees for services, other	156,840			156,840	132,474
Legal and professional fees		70,038		70,038	30,529
Printing and publications	28,457	2,992	28,391	59,840	62,379
Postage	51,906			51,906	45,559
Office expenses	45,796	5,149		50,945	39,909
Occupancy	36,824	4,092		40,916	39,714
Depreciation and amortization expense	34,667	3,852		38,519	41,214
Cost of goods sold	33,592			33,592	252
Interest expense	26,593	2,955		29,548	39,567
Donations to ministries	26,011			26,011	43,603
Conferences, conventions and meetings	17,053		5,684	22,737	96,467
Advertising and promotion		1,626	14,632	16,258	3,286
Other miscellaneous expenses	9,110	2,275		11,385	19,861
Information technology, donor software	7,673			7,673	7,345
Travel and lodging	7,368			7,368	83,490
Insurance		6,714		6,714	8,748
Donations to missions	5,548			5,548	8,029
Information technology, other		5,107		5,107	1,460
Honorariums	1,825			1,825	6,000
Total functional expenses	\$ 1,193,764	\$ 147,902	\$ 48,707	\$ 1,390,373	\$ 1,631,459

The accompanying notes are an integral part of these consolidated financial statements.

**TERRY LAW MINISTRIES, INC. - DBA, WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 1,849,057	\$ 1,734,710
Cash paid to suppliers and employees	(1,349,291)	(1,615,377)
Interest income	179	114
Interest (expense)	<u>(29,548)</u>	<u>(39,567)</u>
Net cash provided by or (used in) operating activities	<u>470,397</u>	<u>79,880</u>
Cash flows from investing activities:		
Proceeds from life insurance	848,275	
Proceeds from sales of investments	<u>2,889</u>	<u>1,132</u>
Net cash provided by or (used in) investing activities	<u>851,164</u>	<u>1,132</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(62,832)</u>	<u>(60,147)</u>
Net cash provided by or (used in) financing activities	<u>(62,832)</u>	<u>(60,147)</u>
Net increase or (decrease) in cash and cash equivalents	1,258,729	20,865
Cash and cash equivalents, beginning of year	<u>326,173</u>	<u>305,308</u>
Cash and cash equivalents, end of year	<u>\$ 1,584,902</u>	<u>\$ 326,173</u>
Reconciliation of changes in net assets to net cash provided by or (used in) operating activities:		
Changes in net assets, net of non-cash investing items *	<u>\$ 458,912</u>	<u>\$ 108,181</u>
Adjustments to reconcile changes in net assets to net cash provided by or (used in) operating activities:		
Depreciation and amortization expense	38,519	41,214
Gain or loss on sale of investments	(49)	46
Changes in assets and liabilities:		
(Increase) or decrease in inventory, books, tapes and clothing	(4,024)	(6,081)
(Increase) or decrease in prepaid expenses and other assets	(754)	
Increase or (decrease) in accounts payable	<u>(22,207)</u>	<u>(63,480)</u>
Total adjustments and changes in assets and liabilities	<u>11,485</u>	<u>(28,301)</u>
Net cash provided by or (used in) operating activities	<u>\$ 470,397</u>	<u>\$ 79,880</u>

* Non-cash investing items consisted of increases in cash surrender value of life insurance of \$9,671 and \$46,789 for the years ended December 31, 2020 and 2019, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY

Notes to the Consolidated Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Terry Law Ministries, Inc., DBA World Compassion, was originally incorporated in the State of Oklahoma as “Living Sound International, Inc.” on January 6, 1971. In 1991, the name of the Organization was subsequently changed to Terry Law Ministries, Inc., doing business under the trade name of World Compassion. The purpose of the Organization is to preach the gospel of Jesus Christ throughout the United States and the rest of the world and to help meet the spiritual and social needs of people according to the teachings of Christ. The Organization receives a majority of its income from contributions by the general public.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Terry Law Ministries, Inc., DBA World Compassion, Asian Enterprises, Inc., and World Compassion Foundation, Inc. All material intercompany accounts and inter-organization transactions, if any, have been eliminated in consolidation.

Asian Enterprises (“subsidiary”) is a separately incorporated U.S. for-profit corporation and is considered a wholly owned subsidiary of Terry Law Ministries, Inc. Asian Enterprises has limited activity and exists solely for the purpose of conducting international business transactions for mission projects in Asia.

World Compassion Foundation (“related variable interest entity”) is a separately incorporated, U.S. non-profit charitable foundation and is considered to be a related variable interest entity. World Compassion Foundation exists solely for the purpose of underwriting the mission of Terry Law Ministries and its limited activity consists primarily as a mechanism for legacy gifts from donors.

The consolidated financial statements reflect the consolidated statements of financial position and consolidated statements of activities of the Organizations shown above (hereafter collectively referred to as “the Organization”).

Basis of Accounting

The accompanying financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred and accordingly, the financial statements of the Organization reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions, and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Use of Estimates

The preparation of 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 certain assets, liabilities, revenues, expenses and disclosures at the date of the financial statements and during the reporting period. Accordingly, actual results could differ from the estimates that were used.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Notes to the Consolidated Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Revenue Recognition

Contributions received are recorded as being either “with donor-imposed restrictions” or “without donor-imposed restrictions”, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restrictions and are reported in the statements of activities as net assets released from donor restrictions.

Contributed Services, Materials and Property and Equipment

The Organization receives services donated by volunteers and business entities. Donations of goods with fair market values in excess of \$500, if any, are recorded and included in contribution revenues in the accompanying consolidated financial statements as “in-kind contributions” at their respective fair market values at the date(s) of receipt.

Promises to Give

Contributions are recognized as revenues when the Organization physically receives the contribution(s) from the donor(s). Promises to give are not recognized by the Organization prior to actual transfers of funds. Contributions with donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

The Organization is considered to be a non-profit corporation by the Internal Revenue Service. The Organization filed a form 1023 with the Internal Revenue Service and received a determination letter dated August 7, 1974. As such, the Organization is thereby exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made within the accompanying consolidated financial statements. The Organization qualifies for deductible contributions as provided for by Section 170(b) of the Internal Revenue Code.

The Organization accounts for uncertain tax positions in accordance with the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. Using the guidance of FASB ASC 740, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will “more likely than not” be sustained upon examination by the taxing authorities. The Organization has analyzed tax positions taken for all required tax filings with the Internal Revenue Service and the State of Oklahoma. As of December 31, 2020, and 2019, the Organization believes that all tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material, adverse effect, on the Organization’s financial statements. Accordingly, the Organization has not recorded any reserves or related accruals for uncertain income tax positions at December 31, 2020 and 2019.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**
Notes to the Consolidated Financial Statements
As of and for the Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents consists of all highly liquid bank deposit holdings available for current use with original maturities of three (3) months or less, when initially purchased. Cash and cash equivalents consist of checking accounts and are carried at their respective historical acquisition costs, which approximate fair market value.

Concentration of Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its deposits or investments that are held in the possession of an outside party. The Organization maintains cash demand account balances with two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures account balances at the institutions up to \$250,000. At December 31, 2020, the Organization held deposits with a total carrying amount that was in excess of FDIC insured account balance limits by a total of \$1,070,337, with one financial institution. While the Organization's management believes that the financial institution is financially viable, a concentration of custodial credit risk in excess of FDIC insurance levels poses a significant financial risk.

Inventory; Books, Tapes and Clothing

The Organization's inventory consists of books, tapes and clothing. Inventory is shown at the lower of historical acquisition cost or net realizable value. The method for determining costs at this time is the average cost method.

Property and Equipment, Net of Accumulated Depreciation

The Organization's capitalization policy is to consider capitalization for any individual item with a historical acquisition cost greater than or equal to \$500. Lesser amounts are expensed. Routine repairs and maintenance are expensed as incurred. Property and equipment is stated at historical acquisition cost, net of accumulated depreciation. Depreciation of property and equipment is determined by using straight-line depreciation, calculated over the estimated useful lives of the respective assets, which range from five (5) to thirty (30) years. Donated items of property and equipment are similarly capitalized and depreciated.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Organization to conclude that impairment indicators exist and that long-lived assets may be impaired.

Intangible Assets, Net of Accumulated Amortization

The Organization's intangible assets consist of copyrights on certain existing books written by the president of the Organization and certain other unpublished works. For the years ended December 31, 2020 and 2019, accumulated amortization amounted to \$69,373 and \$67,333, respectively. Amortization expense relating to these assets was \$2,000 and \$2,000 for years ended December 31, 2020 and 2019, respectively.

Fund Raising Costs

Fund raising costs includes both actual costs and allocations of certain indirect costs.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Notes to the Consolidated Financial Statements
As of and for the Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Advertising Costs

The Organization expenses all advertising costs in the period in which they are incurred. Advertising costs were \$23,758 and \$14,905 for the years ended December 31, 2020 and 2019, respectively.

Date of Management’s Review and Subsequent Events

Management of the Organization has evaluated subsequent events occurring through November 30, 2021, the date that the consolidated financial statements were available for issuance, noting subsequent events that required recognition or disclosure in the accompanying consolidated financial statements and footnotes.

NOTE B – NET ASSETS:

Net Assets, Without Donor Restrictions:

Net assets, without donor restrictions of the Organization are those net assets which are available for the daily operations and general use of the Organization. Net assets, without donor restrictions also include the historical acquisition cost, net of accumulated depreciation, of the Organization’s facilities, buildings, land, property and equipment, including those items which have been previously released from donor-imposed restrictions.

Net Assets, With Donor Restrictions:

Net assets, with donor restrictions of the Organization are those net assets which are subject to donor-imposed restrictions for specified programs and activities of the Organization and pledges which are time restricted, if applicable.

The following classifications reflect the nature of restrictions on net assets with donor restrictions as of December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
<u>Nature of net assets, with donor restrictions:</u>		
Subject to expenditure for specified purpose:		
Purpose restrictions and programs, Cuba	\$ <u>144,177</u>	\$ <u>11,315</u>
Total net assets, with donor restrictions	\$ <u>144,177</u>	\$ <u>11,315</u>

Net assets with donor restrictions were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or occurrences of other events specified by donors, as follows:

	<u>2020</u>	<u>2019</u>
<u>Satisfaction of Program Restrictions:</u>		
China	\$ 51,754	\$ 54,589
Myanmar	42,314	\$ 47,969
Iran	40,326	9,430
Cuba	22,254	10,685
Iraq	5,865	13,913
Other programs - Bibles, Disaster Relief, Etc.	<u>121,299</u>	<u>75,070</u>
Total released for satisfaction of program restrictions	\$ <u>283,812</u>	\$ <u>211,656</u>

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Notes to the Consolidated Financial Statements
As of and for the Years Ended December 31, 2020 and 2019

NOTE C – CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES:

The Organization currently holds various life insurance policies on the life of the board and current president. In 2019 the Organization held various life insurance policies of the former chairman of the board. Those policies were paid out in 2020 due to the death of the insured. Details of the policies and their cash surrender values at December 31, 2020 and 2019 are as follows:

<u>Policy Number:</u>	<u>Description of Nature of Policy:</u>	<u>2020</u>	<u>2019</u>
# 4761467	Split-Dollar Policy	\$ -	\$ 431,304
# 4666465	Split-Dollar Policy	-	330,255
# 9835522	Split-Dollar Policy	-	163,665
# 7031196	Split-Dollar Policy	-	80,241
# 15512280	Key Man Policy	-	25,704
# 2423201	Split-Dollar Policy	28,933	21,759
# 21516103	Split-Dollar Policy	<u>7,133</u>	<u>4,635</u>
Total cash surrender value of life insurance policies		<u>\$ 36,066</u>	<u>\$ 1,057,563</u>

The Organization's life insurance policies are primarily "split dollar" arrangements under which policy benefits and premium costs are split between an employer and an employee. Under such split dollar arrangements, if the employee were to pass away while the split dollar plan is in effect, the employer would receive from the proceeds in an amount equal to the cash value of the policy or at least its premium payments, and the employee's beneficiary would receive the balance of the death benefit proceeds. The Organization's split dollar arrangements are in the form of a "collateral assignment" plan under which the Organization's president owns the policies and the Organization's interest is secured by collateral assignment of the split-dollar policies.

The cash surrender values of the split-dollar policies represent the total of premiums paid which are recoverable by the Organization as of December 31, 2020 and 2019.

NOTE D – NOTES PAYABLE:

Notes payable of the Organization as of December 31, 2020 and 2019, inclusive of long-term debt obligations and amounts due in one year and included in current liabilities, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note payable to a financial institution with an interest rate of 4.75%, payable in monthly installments of \$7,279, due March 2027, collateralized by the Organization's office building as well as a personal guarantee of the Organization's founder	<u>\$ 470,620</u>	<u>\$ 533,452</u>
Total notes payable	470,620	533,452
Less: Current portion of notes payable	<u>(71,921)</u>	<u>(68,592)</u>
Notes payable, long-term debt	<u>\$ 398,699</u>	<u>\$ 464,860</u>

The aggregate maturities of principal payments due on the Organization's notes payable for the years ending after December 31, 2020 are as follows; 2021 – \$71,921, 2022 – \$69,748, 2023 – \$73,135, 2024 – \$76,685 and thereafter – \$179,131.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Notes to the Consolidated Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

NOTE D – NOTES PAYABLE – (Continued):

The Organization is also subject to certain loan covenants associated with its note payable to the financial institution such as a prohibition of entering into additional debt obligations while the outstanding note payable exists.

NOTE E – COMPENSATED ABSENCES:

Employees of the Organization are entitled to paid vacation and sick days depending upon job classification, length of service and various other factors. In accordance with FASB ASC 710, *Compensation-General*, the Organization has not accrued compensated absences for the years ended December 31, 2020 and 2019, as the amounts cannot reasonably be estimated.

NOTE F – RETIREMENT PLAN:

The Organization sponsors a 403(b) retirement plan for certain eligible employees. The Organization's retirement plan currently does not provide for matching contributions for employee contributions.

NOTE G – RELATED PARTY TRANSACTIONS:

Terry Law Ministries, Inc., dba World Compassion is related to the following non-profit organizations by virtue of common board membership of its president; World Compassion Trust (England) and World Compassion Society (Canada). The president of Terry Law Ministries, Inc., dba World Compassion serves as a board member/trustee of these organizations, but both organizations are separately formed and registered charities in their respective countries with separate boards of directors/trustees and are therefore independent of Terry Law Ministries, Inc. dba World Compassion. The accompanying consolidated financial statements include only the activities of Terry Law Ministries, Inc. dba World Compassion, World Compassion Foundation and Asian Enterprises, as noted in Note A. The related party entities previously mentioned within this footnote, World Compassion Trust and World Compassion Society, report their operations and assets separately and it is the stated policy of the Organization that any applicable transactions with these entities be performed on terms equivalent to those that prevail in similar, arm's length transactions. As such, these entities do not meet the criteria for consolidation within the accompanying consolidated financial statements.

NOTE H – FUNCTIONAL EXPENSE ALLOCATIONS:

The Organization records expenses on a functional basis among three categories: program services, general and administrative and fund raising. Expenses that can be identified with a specific program or supporting service are charged directly to the program or service. Expenses which apply to more than one functional expense category are allocated directly to the program or service category benefited based on estimates made by management of the Organization by using percentage-based cost allocations.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY**

Notes to the Consolidated Financial Statements
As of and for the Years Ended December 31, 2020 and 2019

NOTE I – LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Organization is funded entirely from contributions from donors. Certain donor contributions may contain restrictions on the use of funds that require that resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As a part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests cash in excess of its daily needs in liquid, interest-bearing accounts such as savings and money market accounts.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions:

Financial assets at fiscal year-end	<u>\$ 1,584,902</u>
Less those unavailable for general expenditures within one year, due to:	
With donor restrictions:	
Donor-imposed program and purchase restrictions	<u>144,177</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,440,725</u>

The Organization does not currently have a line of credit with a financial institution that is available which it could draw from to help manage unanticipated liquidity needs.

NOTE J – RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus ("COVID-19") can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on future contributions, other revenues, expenses, and investment income of the Organization. The occurrence and extent of such an impact will depend on future developments, including (1) the duration and spread of the virus, (2) possible future government quarantine measures, (3) voluntary and precautionary restrictions on travel or meetings, (4) the effects on the financial markets and (5) the effects on the overall economy, all of which is uncertain.

The total financial impact of COVID-19 on the Organization cannot be determined at this time.