

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

Independent Auditor's Report  
and  
Financial Statements

For the Years Ended December 31, 2015 and 2014

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

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## 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, 2015 and 2014, 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

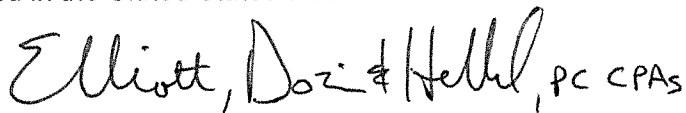
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable 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 opinions.

### Opinions

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Elliott, Dozier and Helland, P.C. Certified Public Accountants  
Tulsa, Oklahoma  
March 6, 2016

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,  
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted (Note A)	\$ 317,411	\$ 123,410
Cash and cash equivalents - temporarily restricted (Note A)	4,632	8,119
Inventory, books, tapes and clothing (Note A)	14,840	17,986
Prepaid expenses and other current assets	5,606	5,806
Total current assets	342,489	155,321
Property and equipment, at historical cost: (Note A)		
Building, building improvements and land	921,143	866,763
Furniture and equipment	235,946	234,376
Computer equipment	151,599	142,582
Total property and equipment, at historical cost	1,308,688	1,243,721
Less: Accumulated depreciation	(593,721)	(554,040)
Property and equipment, net	714,967	689,681
Other assets, non-current:		
Other assets, cash surrender value of life insurance policies (Note C)	853,234	796,164
Intangible assets, net of accumulated amortization (Note A)	35,999	40,666
Total Other assets, non-current	889,233	836,830
Total assets	\$ 1,946,689	\$ 1,681,832
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 151,879	\$ 61,951
Current portion of notes payable (Note D)	681,419	26,950
Total current liabilities	833,298	88,901
Long-term liabilities:		
Notes payable, long-term debt (Note D)	-	680,525
Total liabilities	833,298	769,426
Net assets:		
Unrestricted (Note A)	1,108,759	904,287
Temporarily restricted (Notes A and B)	4,632	8,119
Total net assets	1,113,391	912,406
Total liabilities and net assets	\$ 1,946,689	\$ 1,681,832

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, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
<b>Changes in unrestricted net assets:</b>		
Support & Revenue:		
Contributions and offerings, undesignated	\$ 2,320,153	\$ 2,115,520
Contributions and offerings, in-kind (Note A)	314,148	501,810
Increase in cash surrender value of life insurance (Note C)	57,070	55,478
Product sales	41,249	7,547
Other income	31,045	5,255
Gain or (loss) on sales of investments		48
Interest income	364	47
Net assets released from restrictions, missions projects (Note B)	<u>380,679</u>	<u>399,358</u>
Total support and revenue, unrestricted	<u>3,144,708</u>	<u>3,085,063</u>
Expenses:		
Program services of the ministry	2,654,728	2,746,305
Management and general expenses	185,261	175,490
Fund raising expenses	<u>100,246</u>	<u>107,996</u>
Total expenses	<u>2,940,235</u>	<u>3,029,791</u>
Increase or (decrease) in unrestricted net assets	<u>204,473</u>	<u>55,272</u>
<b>Changes in temporarily restricted net assets:</b>		
Support & Revenue:		
Contributions and offerings, designated	377,191	405,096
Net assets released from restrictions (Note B)	<u>(380,679)</u>	<u>(399,358)</u>
Increase or (decrease) in temporarily restricted net assets	<u>(3,488)</u>	<u>5,738</u>
Changes in net assets	200,985	61,010
Net assets, beginning of year	<u>912,406</u>	<u>851,396</u>
Net assets, end of year	<u>\$ 1,113,391</u>	<u>\$ 912,406</u>

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 STATEMENT OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2015 and 2014**

	For the Year Ended December 31, 2015			2014 Totals:	
	Program Services	Management & General	Fund Raising		Totals:
Salaries and wages, officers and directors	\$ 449,633	\$ 49,959	\$	\$ 499,592	\$ 475,447
Salaries and wages, other employees	379,444	42,160		421,604	383,395
Other employee benefits	109,353	12,150		121,503	125,838
Payroll taxes	43,474	4,831		48,305	43,493
<b>Total salaries and related expenses</b>	<b>981,904</b>	<b>109,100</b>		<b>1,091,004</b>	<b>1,028,173</b>
Project expenses, Syrian refugees	512,128			512,128	785,240
Project expenses, Myanmar	206,893			206,893	175,295
Project expenses, China	88,827			88,827	101,095
Project expenses, Iran	44,890			44,890	23,263
Project expenses, Other	39,624			39,624	24,955
Project expenses, Iraq	13,522			13,522	12,350
Project expenses, Afghanistan	9,983			9,983	94,925
<b>Total project expenses</b>	<b>915,867</b>			<b>915,867</b>	<b>1,217,123</b>
Conferences, conventions and meetings	121,237		40,412	161,649	97,103
Other expenses, donations to ministries	116,850			116,850	29,097
Travel and lodging	107,210			107,210	116,120
Other expenses, printing and publications	41,472	4,360	41,375	87,207	63,703
Fees for services, other	73,783			73,783	58,305
Other expenses, postage	65,889			65,889	52,057
Occupancy	48,524	5,392		53,916	43,244
Interest expense	43,043	4,782		47,825	55,074
Depreciation and amortization expense	39,914	4,434		44,348	45,051
Office expenses	34,774	3,864		38,638	40,253
Cost of goods sold	30,859			30,859	1,596
Fees for services, accounting		24,500		24,500	25,208
Advertising and promotion		2,051	18,459	20,510	59,440
Honorariums	19,500			19,500	37,500
Other expenses	11,715	2,929		14,644	13,153
Insurance		11,106		11,106	10,314
Information technology, other		10,710		10,710	11,352
Fees for services, legal		2,033		2,033	
Information technology, donor software	1,787			1,787	20,705
Other expenses, donations to missions	400			400	4,500
<b>Total functional expenses</b>	<b>\$ 2,654,728</b>	<b>\$ 185,261</b>	<b>\$ 100,246</b>	<b>\$ 2,940,235</b>	<b>\$ 3,029,071</b>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 3,083,786	\$ 3,035,228
Cash paid to suppliers and employees	(2,754,789)	(2,951,328)
Interest income	364	47
Interest (expense)	(47,825)	(55,074)
	<u>281,536</u>	<u>28,873</u>
Net cash provided by or (used in) operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(64,966)	(17,719)
Purchases of investments, net of sales proceeds		48
	<u>(64,966)</u>	<u>(17,671)</u>
Net cash provided by or (used in) investing activities		
Cash flows from financing activities:		
Principal payments on notes payable	(26,056)	(24,217)
	<u>(26,056)</u>	<u>(24,217)</u>
Net cash provided by or (used in) financing activities		
Net increase or (decrease) in cash and cash equivalents	190,514	(13,015)
Cash and cash equivalents, beginning of year	131,529	144,544
Cash and cash equivalents, end of year	<u>\$ 322,043</u>	<u>\$ 131,529</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>\$ 143,915</u>	<u>\$ 5,532</u>
Adjustments to reconcile changes in net assets to net cash provided by or (used in) operating activities:		
Depreciation and amortization expense	44,348	45,051
(Gain) or loss on sale of investments	-	(48)
Changes in assets and liabilities:		
(Increase) or decrease in inventory, books, tapes and clothing	3,146	1,597
(Increase) or decrease in prepaid expenses and other current assets	200	(5,651)
Increase or (decrease) in accounts payable	89,927	(17,608)
	<u>137,621</u>	<u>23,341</u>
Total adjustments and changes in assets and liabilities		
Net cash provided by or (used in) operating activities	<u>\$ 281,536</u>	<u>\$ 28,873</u>

\* Non-cash investing items consisted of increases in cash surrender value of life insurance of \$57,070 and \$55,478 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014

### 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 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.

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 for the purpose of conducting international business transactions for mission projects in Asia.

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

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

#### 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 recommendations of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets based upon the existence 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, 2015 and 2014

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. The Organization's temporarily restricted net assets consist primarily of donations received for missions programs. During the reporting periods, the Organization did not have any revenues or assets that could be considered permanently restricted.

Contributed Services, Materials and Property and Equipment

The Organization receives services donated by volunteers. No amounts have been reflected in the consolidated financial statements for such services as they do not meet the criteria for recognition under FASB ASC 958, *Not-for-Profit Entities*. The Organization may also occasionally receive donations of goods. 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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2015, 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,

**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, 2015 and 2014

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

Income Taxes – (Continued)

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, 2015.

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 historical cost, which approximates market value.

Concentration of Credit Risk

The Organization maintains cash and cash equivalents balances at various financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at the respective financial institutions up to \$250,000. As of December 31, 2015, the Organization had not exceeded FDIC insurance levels on any of its account balances with the financial institutions.

The Organization also has purchased insurance policies on the life of its president. The cumulative cash surrender value of these policies, \$853,234 at December 31, 2015, is maintained with a single insurer, which represents a concentration that is not covered by any form of insurance.

Inventory; Books, Tapes and Clothing

The Organization's inventory consists of books, tapes and clothing. Inventory is shown at the lower of cost versus market 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 historic 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 cost, net of accumulated depreciation. Depreciation of property and equipment is recorded 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. Depreciation expense for was \$39,681 and \$40,658 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014, accumulated amortization amounted to \$54,001 and \$49,334, respectively. Amortization expense relating to these assets was \$4,667 and \$4,667 for years ended December 31, 2015 and 2014, respectively.

**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, 2015 and 2014

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

Fund Raising Expense

Fund raising expense includes actual costs. No indirect costs have been allocated to fund raising expense.

Advertising Costs

The Organization expenses all advertising costs in the period in which they are incurred. Advertising costs were \$68,218 and \$75,825 for the years ended December 31, 2015 and 2014, respectively.

Date of Management's Review and Subsequent Events

Management of the Organization has evaluated subsequent events occurring through March 6, 2016, the date that the consolidated financial statements were available for issuance, noting one event that required recognition or disclosure in the accompanying consolidated financial statements and footnotes. See Note I for details of the subsequent event.

**NOTE B – TEMPORARILY RESTRICTED NET ASSETS:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors. For the years ended December 31, 2015 and 2014, temporarily restricted net assets were released from donor restrictions for the following programs:

	<u>2015</u>	<u>2014</u>
<b>Satisfaction of Program Restrictions:</b>		
Myanmar	\$ 108,710	\$ 75,771
China	20,602	8,119
Iraq	6,139	2,493
Afghanistan	90	6,581
Other programs - Bibles, Disaster Relief, Etc.	<u>245,138</u>	<u>306,394</u>
Total released for satisfaction of program restrictions	<u>\$ 380,679</u>	<u>\$ 399,358</u>

**NOTE C – CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES:**

The Organization currently holds various life insurance policies on the life of its current chairman of the board. Details of the policies and their cash surrender values at December 31, 2015 and 2014 are as follows:

<u>Policy Number:</u>	<u>Description of Nature of Policy:</u>	<u>2015</u>	<u>2014</u>
# 4761467	Split-Dollar Policy	\$ 350,367	\$ 323,975
# 4666465	Split-Dollar Policy	268,565	249,102
# 9835522	Split-Dollar Policy	122,397	112,349
# 7031196	Split-Dollar Policy	89,658	89,787
# 15512280	Key Man Policy	<u>22,247</u>	<u>20,951</u>
Total cash surrender value of life insurance policies		<u>\$ 853,234</u>	<u>\$ 796,164</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, 2015 and 2014

**NOTE C – CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES – (Continued):**

The Organization's life insurance policies are "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 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 Organization's current chairman of the board, as owner of these policies, cannot surrender or encumber the policies, nor change the beneficiary, without the Organization's consent.

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, 2015 and 2014. Certain life insurance policies (#4761467 and #4666465, see above) have been pledged as collateral on a note payable which is due to a local financial institution. See the following footnote, Note E, for further information on the balances of the notes payable to the financial institution.

**NOTE D – NOTES PAYABLE:**

Debt obligations due under notes payable as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Note payable to a financial institution, with a variable interest rate which is currently 5.5%, payable in monthly installments of \$3,201 and a balloon payment estimated to be \$387,802, due September 2016, collateralized by the Organization's office building	\$ 402,542	\$ 417,933
Note payable to a financial institution, with a variable interest rate which is currently 5.5%, payable in monthly installments of \$2,218 and a balloon payment estimated to be \$268,668, due September 2016, collateralized by life insurance policies (See Note D)	<u>278,877</u>	<u>289,542</u>
Total notes payable	681,419	707,475
Less: Current portion of notes payable	<u>(681,419)</u>	<u>26,950</u>
Notes payable, long-term debt	<u>\$ -</u>	<u>\$ 680,525</u>

The aggregate maturities of principal payments due on the Organization's notes payable for the years ending after December 31, 2015 are as follows; 2016 - \$681,419.

**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, 2015 and 2014, as the amounts cannot reasonably be estimated.

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,  
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Notes to the Consolidated Financial Statements  
As of and for the Years Ended December 31, 2015 and 2014

**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. The accompanying consolidated financial statements include only the activities of Terry Law Ministries, 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 these consolidated financial statements.

An additional related party to the Organization is a member of the Organization's board of trustees who also provides life insurance and retirement planning services to the Organization and its president. The board of trustees member noted in the previous sentence receives compensation from life insurance companies whose products are owned by the Organization. See the preceding footnote, Note C, for further details on the life insurance products that are owned by the Organization.

**NOTE H – FUNCTIONAL EXPENSE ALLOCATIONS**

Expenses that can be identified with a specific program or supporting services are charged directly to the program or supporting services. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

**NOTE I – SUBSEQUENT EVENT**

The notes payable disclosed in Note D were temporarily extended until December 7, 2016, with no change to the interest rates and monthly payment amounts. On December 7, 2016 the notes payable were extended further to new maturity dates of December 7, 2021, with no change to the interest rates or monthly payment amounts.