

**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, 2016 and 2015

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

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Elliott, Dozier & Helland, P.C.
5800 East Skelly Drive, Suite 900, Tulsa, Oklahoma 74135-6423
Ph (918) 488-0880 • (918) 627-2286 • (888) 893-1259
Fx (918) 627-2295 • (918) 493-3048

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, 2016 and 2015, 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, 2016 and 2015, 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 & Helland, P.C. CPAs

Elliott, Dozier and Helland, P.C. Certified Public Accountants
Tulsa, Oklahoma
January 4, 2018

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted (Note A)	\$ 191,932	\$ 317,411
Cash and cash equivalents - temporarily restricted (Note A)	1,505	4,632
Inventory, books, tapes and clothing (Note A)	20,194	14,840
Prepaid expenses and other current assets	<u>10,383</u>	<u>5,606</u>
Total current assets	<u>224,014</u>	<u>342,489</u>
Property and equipment, at historical acquisition cost: (Note A)		
Building, building improvements and land	931,375	921,143
Furniture and equipment	235,946	235,946
Computer equipment	<u>153,052</u>	<u>151,599</u>
Total property and equipment, at historical acquisition cost	1,320,373	1,308,688
Less: Accumulated depreciation	<u>(632,742)</u>	<u>(593,721)</u>
Property and equipment at historical acquisition cost, net	<u>687,631</u>	<u>714,967</u>
Other assets, non-current:		
Other assets, cash surrender value of life insurance policies (Note C)	912,323	853,234
Intangible assets, net of accumulated amortization (Note A)	<u>31,333</u>	<u>35,999</u>
Total Other assets, non-current	<u>943,656</u>	<u>889,233</u>
Total assets	<u>\$ 1,855,301</u>	<u>\$ 1,946,689</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 148,567	\$ 151,879
Current portion of notes payable (Note D)	<u>29,737</u>	<u>681,419</u>
Total current liabilities	<u>178,304</u>	<u>833,298</u>
Long-term liabilities:		
Notes payable, long-term debt (Note D)	<u>626,740</u>	<u> </u>
Total liabilities	<u>805,044</u>	<u>833,298</u>
Net assets:		
Unrestricted (Note A)	1,048,752	1,108,759
Temporarily restricted (Notes A and B)	<u>1,505</u>	<u>4,632</u>
Total net assets	<u>1,050,257</u>	<u>1,113,391</u>
Total liabilities and net assets	<u>\$ 1,855,301</u>	<u>\$ 1,946,689</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 STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Support & Revenue:		
Contributions and offerings, undesignated	\$ 1,842,977	\$ 2,320,153
Contributions and offerings, in-kind (Note A)	381,020	314,148
Increase in cash surrender value of life insurance (Note C)	59,089	57,070
Product sales	16,783	41,249
Other income	10,012	31,045
Interest income	328	364
Net assets released from restrictions, missions projects (Note B)	<u>220,444</u>	<u>380,679</u>
Total support and revenue, unrestricted	<u>2,530,653</u>	<u>3,144,708</u>
Expenses:		
Program services of the ministry	2,360,928	2,654,728
Management and general expenses	173,932	185,261
Fund raising expenses	<u>55,801</u>	<u>100,246</u>
Total expenses	<u>2,590,661</u>	<u>2,940,235</u>
Increase or (decrease) in unrestricted net assets	<u>(60,008)</u>	<u>204,473</u>
Changes in temporarily restricted net assets:		
Support & Revenue:		
Contributions and offerings, designated	217,318	377,191
Net assets released from restrictions (Note B)	<u>(220,444)</u>	<u>(380,679)</u>
Increase or (decrease) in temporarily restricted net assets	<u>(3,126)</u>	<u>(3,488)</u>
Changes in net assets	(63,134)	200,985
Net assets, beginning of year	<u>1,113,391</u>	<u>912,406</u>
Net assets, end of year	<u><u>\$ 1,050,257</u></u>	<u><u>\$ 1,113,391</u></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, 2016 and 2015**

	For the Year Ended December 31, 2016			2015 Totals:	
	Program Services	Management & General	Fund Raising		Totals:
Salaries and wages, officers and directors	\$ 397,132	\$ 44,126	\$	\$ 441,258	\$ 499,592
Salaries and wages, other employees	392,538	43,615		436,153	421,604
Other employee benefits	128,922	14,325		143,247	121,503
Payroll taxes	38,584	4,287		42,871	48,305
Total salaries and related expenses	957,176	106,353		1,063,529	1,091,004
Project expenses, Syrian refugees	469,171			469,171	512,128
Project expenses, Myanmar	171,894			171,894	206,893
Project expenses, China	99,415			99,415	88,827
Project expenses, Other	61,360			61,360	39,624
Project expenses, Cuba	45,412			45,412	
Project expenses, Iran	18,050			18,050	44,890
Project expenses, Iraq	2,184			2,184	13,522
Project expenses, Afghanistan					9,983
Total project expenses	867,486			867,486	915,867
Travel and lodging	88,436			88,436	107,210
Conferences, conventions and meetings	62,365		20,788	83,153	161,649
Other expenses, printing and publications	33,241	3,495	33,164	69,900	87,207
Fees for services, other	61,779			61,779	73,783
Other expenses, postage	56,693			56,693	65,889
Interest expense	43,765	4,863		48,628	47,825
Other expenses, donations to ministries	44,717			44,717	116,850
Occupancy	39,676	4,408		44,084	53,916
Depreciation and amortization expense	39,319	4,369		43,688	44,348
Office expenses	24,943	2,771		27,714	38,638
Other expenses	19,106	4,776		23,882	14,644
Legal and professional fees		24,329		24,329	26,533
Honorariums	13,718			13,718	19,500
Insurance		11,021		11,021	11,106
Information technology, other		7,342		7,342	10,710
Cost of goods sold	5,015			5,015	30,859
Information technology, donor software	3,493			3,493	1,787
Advertising and promotion		205	1,849	2,054	20,510
Other expenses, donations to missions					400
Total functional expenses	\$ 2,360,928	\$ 173,932	\$ 55,801	\$ 2,590,661	\$ 2,940,235

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 2,468,110	\$ 3,083,786
Cash paid to suppliers and employees	(2,516,332)	(2,754,789)
Interest income	328	364
Interest (expense)	<u>(44,084)</u>	<u>(47,825)</u>
Net cash provided by or (used in) operating activities	<u>(91,978)</u>	<u>281,536</u>
Cash flows from investing activities:		
Purchases of property and equipment	(11,685)	(64,966)
Purchases of investments, net of sales proceeds	<u> </u>	<u> </u>
Net cash provided by or (used in) investing activities	<u>(11,685)</u>	<u>(64,966)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(24,943)</u>	<u>(26,056)</u>
Net cash provided by or (used in) financing activities	<u>(24,943)</u>	<u>(26,056)</u>
Net increase or (decrease) in cash and cash equivalents	(128,606)	190,514
Cash and cash equivalents, beginning of year	<u>322,043</u>	<u>131,529</u>
Cash and cash equivalents, end of year	<u>\$ 193,437</u>	<u>\$ 322,043</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>\$ (122,223)</u>	<u>\$ 143,915</u>
Adjustments to reconcile changes in net assets to net cash provided by or (used in) operating activities:		
Depreciation and amortization expense	43,688	44,348
(Gain) or loss on sale of investments	-	-
Changes in assets and liabilities:		
(Increase) or decrease in inventory, books, tapes and clothing	(5,354)	3,146
(Increase) or decrease in prepaid expenses and other current assets	(4,777)	200
Increase or (decrease) in accounts payable	<u>(3,312)</u>	<u>89,927</u>
Total adjustments and changes in assets and liabilities	<u>30,245</u>	<u>137,621</u>
Net cash provided by or (used in) operating activities	<u>\$ (91,978)</u>	<u>\$ 281,536</u>

* Non-cash investing items consisted of increases in cash surrender value of life insurance of \$59,089 and \$57,070 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015

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, 2016 and 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

**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, 2016 and 2015

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

Income Taxes – (Continued)

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, 2016 and 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 acquisition cost, which approximates market value.

Concentration of Custodial 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, 2016, 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, \$912,323 at December 31, 2016, 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 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 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 was \$39,021 and \$39,681 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, accumulated amortization amounted to \$58,667 and \$54,001, respectively. Amortization expense relating to these assets was \$4,667 and \$4,667 for years ended December 31, 2016 and 2015, 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, 2016 and 2015

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 \$12,153 and \$68,218 for the years ended December 31, 2016 and 2015, respectively.

Date of Management's Review and Subsequent Events

Management of the Organization has evaluated subsequent events occurring through January 4, 2018, 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.

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, 2016 and 2015, temporarily restricted net assets were released from donor restrictions for the following programs:

	<u>2016</u>	<u>2015</u>
Satisfaction of Program Restrictions:		
Myanmar	\$ 67,102	\$ 108,710
China	43,170	20,602
Iraq	8,543	6,139
Afghanistan		90
Other programs - Bibles, Disaster Relief, Etc.	<u>101,629</u>	<u>245,138</u>
Total released for satisfaction of program restrictions	<u>\$ 220,444</u>	<u>\$ 380,679</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, 2016 and 2015 are as follows:

<u>Policy Number:</u>	<u>Description of Nature of Policy:</u>	<u>2016</u>	<u>2015</u>
# 4761467	Split-Dollar Policy	\$ 376,807	\$ 350,367
# 4666465	Split-Dollar Policy	288,090	268,565
# 9835522	Split-Dollar Policy	132,339	122,397
# 7031196	Split-Dollar Policy	88,130	89,658
# 15512280	Key Man Policy	20,975	22,247
# 2423201	Split-Dollar Policy	5,736	
# 21516103	Split-Dollar Policy	<u>246</u>	
Total cash surrender value of life insurance policies		<u>\$ 912,323</u>	<u>\$ 853,234</u>

**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, 2016 and 2015

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, 2016 and 2015. 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 D, 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, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</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 \$310,624, due December 2021, collateralized by the Organization's office building	\$ 387,937	\$
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 \$215,202, due December 2021, collateralized by life insurance policies (See Note C)	268,540	
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
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 C)	<u> </u>	<u>278,877</u>
Total notes payable	656,477	681,419
Less: Current portion of notes payable	<u>(29,737)</u>	<u>(681,419)</u>
Notes payable, long-term debt	<u>\$ 626,740</u>	<u>\$</u>