

**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, 2022 and 2021

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

## Table of Contents

### Page(s):

Independent Auditor's Report

1 – 2

### Financial Statements:

Consolidated Statements of Financial Position

3

Consolidated Statements of Activities

4

Consolidated Statements of Functional Expenses

5

Consolidated Statements of Cash Flows

6

Notes to the Financial Statements

7 – 13



## 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

### Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY's ability to continue as a going concern within one year of the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditor's Report - (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit 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 TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TERRY LAW MINISTRIES, INC. – DBA, WORLD COMPASSION, SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hood and Associates, CPAs, P.C.*

Hood and Associates Certified Public Accountants, P.C.  
Tulsa, Oklahoma  
April 2, 2024

**TERRY LAW MINISTRIES, INC. - DBA WORLD COMPASSION,  
SUBSIDIARY AND RELATED VARIABLE INTEREST ENTITY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note A)	\$ 2,186,472	\$ 2,258,200
Inventory, books, tapes and clothing (Note A)	<u>8,662</u>	<u>8,662</u>
Total current assets	<u>2,195,134</u>	<u>2,266,862</u>
Non-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	<u>161,633</u>	<u>161,633</u>
Total property and equipment, at historical acquisition cost	1,398,685	1,398,685
Less: Accumulated depreciation	<u>(872,852)</u>	<u>(837,804)</u>
Total property and equipment, net of accumulated depreciation	<u>525,833</u>	<u>560,881</u>
Other assets, non-current:		
Other assets, cash surrender value of life insurance policies (Note C)	61,129	49,183
Intangible assets and fees, net of accumulated amortization (Note A)	19,896	22,613
Investments in marketable securities, at fair market value	<u>66</u>	<u>59</u>
Total other assets, non-current	<u>81,091</u>	<u>71,855</u>
Total assets	<u>\$ 2,802,058</u>	<u>\$ 2,899,598</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 23,040	\$ 40,301
Current portion of note payable (Note D)	<u>73,135</u>	<u>69,749</u>
Total current liabilities	<u>96,175</u>	<u>110,050</u>
Non-current liabilities:		
Note payable, long-term debt (Note D)	<u>261,941</u>	<u>334,727</u>
Total liabilities	<u>358,116</u>	<u>444,777</u>
Net assets:		
Without donor restrictions (Notes A and B)	2,036,686	2,102,367
With donor restrictions (Notes A and B)	<u>407,256</u>	<u>352,454</u>
Total net assets	<u>2,443,942</u>	<u>2,454,821</u>
Total liabilities and net assets	<u>\$ 2,802,058</u>	<u>\$ 2,899,598</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Changes in net assets, without donor restrictions:</u>		
Support and revenue:		
Contributions and offerings, undesignated	\$ 1,482,882	\$ 1,504,175
Increase in cash surrender value of life insurance (Note C)	44,226	10,744
Interest and dividend income	2,623	1,523
Product sales	1,671	1,210
Other income	1,288	7,047
Contributions and offerings, in-kind (Note A)	1,200	1,350
Gain or (loss) on sale of investments in marketable securities	<u>(467)</u>	<u>1,490</u>
Total support and revenue without donor restrictions, before release of donor-imposed restrictions	1,533,423	1,527,539
Net assets, released from donor imposed restrictions (Note B)	<u>611,621</u>	<u>614,203</u>
Total support and revenue, without donor restrictions	<u>2,145,044</u>	<u>2,141,742</u>
Expenses:		
Program services expenses	1,957,504	1,431,321
Fundraising expenses	131,945	118,688
Management and general expenses	<u>121,276</u>	<u>115,591</u>
Total expenses	<u>2,210,725</u>	<u>1,665,600</u>
Increase or (decrease) in net assets, without donor restrictions	<u>(65,681)</u>	<u>476,142</u>
<u>Changes in net assets, with donor restrictions:</u>		
Support and revenue:		
Contributions and offerings, donor designated	666,423	822,480
Satisfaction of donor restrictions (Note B)	<u>(611,621)</u>	<u>(614,203)</u>
Increase or (decrease) in net assets, with donor restrictions	<u>54,802</u>	<u>208,277</u>
Changes in net assets	(10,879)	684,419
Net assets, beginning of year	<u>2,454,821</u>	<u>1,770,402</u>
Net assets, end of year	<u><u>\$ 2,443,942</u></u>	<u><u>\$ 2,454,821</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 STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31, 2022 and 2021

	For the Year Ended December 31, 2022			2021 Totals:	
	Program Services	Management & General	Fundraising		Totals:
<u>Salaries and related expenses:</u>					
Salaries and wages, officers	\$ 253,460	28,162	\$	\$ 281,622	\$ 204,048
Salaries and wages, other employees	135,032	15,004		150,036	149,785
Other employee benefits	53,565	5,952		59,517	60,084
Payroll taxes	22,502	2,500		25,002	19,820
Total salaries and related expenses	<u>464,559</u>	<u>51,618</u>		<u>516,177</u>	<u>433,737</u>
<u>Project expenses:</u>					
Project expenses, Iran	315,750			315,750	189,891
Project expenses, China	64,252			64,252	54,342
Project expenses, Myanmar	50,900			50,900	107,411
Project expenses, Iraq	49,619			49,619	46,716
Project expenses, Cuba	19,319			19,319	2,364
Project expenses, Other	5,576			5,576	42,967
Project expenses, Afghanistan					78,523
Project expenses, Syria					10,035
Total project expenses	<u>505,416</u>			<u>505,416</u>	<u>532,249</u>
<u>Other functional expenses:</u>					
Donations to missions	433,182			433,182	5,750
Fees for services, other	156,510			156,510	167,928
Printing and publications	37,391	3,931	37,303	78,625	47,733
Donations to ministries	77,125			77,125	54,314
Office expenses	54,956	6,106		61,062	67,711
Partner events			59,072	59,072	54,001
Postage	53,201			53,201	36,575
Occupancy	41,136	4,571		45,707	32,010
Travel and lodging	41,614			41,614	20,001
Depreciation and amortization expense	33,989	3,777		37,766	37,852
Advertising and promotion		3,277	29,495	32,772	42,360
Legal and professional fees		32,612		32,612	33,713
Conferences, conventions and meetings	18,224		6,075	24,299	15,666
Interest expense	16,159	1,795		17,954	21,209
Other miscellaneous expenses	11,221	2,806		14,027	20,181
Information technology, donor software	11,321			11,321	9,993
Insurance		10,429		10,429	8,552
Honorariums	1,500			1,500	
Information technology, other		354		354	3,417
Cost of goods sold					20,648
Total functional expenses	<u>\$ 1,957,504</u>	<u>\$ 121,276</u>	<u>\$ 131,945</u>	<u>\$ 2,210,725</u>	<u>\$ 1,665,600</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 CASH FLOWS  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from supporters	\$ 2,151,461	\$ 2,334,912
Cash paid to suppliers and employees	(2,172,266)	(1,575,967)
Interest income	1,671	1,523
Interest (expense)	(17,954)	(21,209)
	<u>                    </u>	<u>                    </u>
Net cash provided by or (used in) operating activities	(37,088)	739,259
	<u>                    </u>	<u>                    </u>
Cash flows from investing activities:		
Proceeds from sales of investments	33,005	8,764
Purchases of property and equipment		(8,581)
	<u>                    </u>	<u>                    </u>
Net cash provided by or (used in) investing activities	33,005	183
	<u>                    </u>	<u>                    </u>
Cash flows from financing activities:		
Principal payments on notes payable	(69,400)	(66,144)
	<u>                    </u>	<u>                    </u>
Net cash provided by or (used in) financing activities	(69,400)	(66,144)
	<u>                    </u>	<u>                    </u>
Net increase or (decrease) in cash and cash equivalents	(73,483)	673,298
Cash and cash equivalents, beginning of year	2,258,200	1,584,902
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents, end of year	<u>\$ 2,184,717</u>	<u>\$ 2,258,200</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 *	\$ (56,305)	\$ 672,325
	<u>                    </u>	<u>                    </u>
Adjustments to reconcile changes in net assets to net cash provided by or (used in) operating activities:		
Depreciation and amortization expense	37,766	37,852
Gain or loss on sale of investments	(1,288)	(1,490)
	<u>                    </u>	<u>                    </u>
Changes in assets and liabilities:		
(Increase) or decrease in inventory, books, tapes and clothing	-	21,761
(Increase) or decrease in prepaid expenses and other assets	-	11,137
Increase or (decrease) in accounts payable	(17,261)	(2,326)
	<u>                    </u>	<u>                    </u>
Total adjustments and changes in assets and liabilities	19,217	66,934
	<u>                    </u>	<u>                    </u>
Net cash provided by or (used in) operating activities	<u>\$ (37,088)</u>	<u>\$ 739,259</u>

\* Non-cash investing items consisted of increases in cash surrender value of life insurance of \$44,226 and \$10,744 and non-cash contributions of \$1,200 and \$1,350 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

## **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, 2022 and 2021

**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, 2022, and 2021, 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 December 31, 2022 and 2021.

**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, 2022 and 2021

**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, 2022, the Organization held deposits with a total carrying amount that was in excess of FDIC insured account balance limits by a total of \$1,891,907, with the financial institutions. While the Organization’s management believes that the financial institutions are 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 \$2,500. Lesser amounts are expensed. Routine repairs and maintenance are expensed as incurred. Property and equipment are 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, 2022 and 2021, accumulated amortization amounted to \$73,333 and \$71,333, respectively. Amortization expense relating to these assets was \$2,000 and \$2,000 for the years ended December 31, 2022 and 2021, respectively.

Fundraising Costs

Fundraising 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, 2022 and 2021

**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 \$40,272 and \$47,985 for the years ended December 31, 2022 and 2021, respectively.

Date of Management’s Review and Subsequent Events

Management of the Organization has evaluated subsequent events occurring through April 2, 2024, 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, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
<u>Nature of net assets, with donor restrictions:</u>		
Subject to expenditure for specified purpose:		
Purpose restrictions and programs	\$ <u>407,256</u>	\$ <u>352,454</u>
Total net assets, with donor restrictions	\$ <u>407,256</u>	\$ <u>352,454</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>2022</u>	<u>2021</u>
<u>Satisfaction of Program Restrictions:</u>		
Iran	\$ 315,750	\$ 189,891
China	64,252	54,342
Myanmar	50,900	107,411
Iraq	49,619	46,716
Cuba	19,319	2364
Afghanistan	-	78,522
Other programs - Bibles, Disaster Relief, Etc.	<u>111,781</u>	<u>134,957</u>
Total released for satisfaction of program restrictions	\$ <u>611,621</u>	\$ <u>614,203</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, 2022 and 2021

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

The Organization currently holds two life insurance policies on the life of current president. Details of the policies and their cash surrender values at December 31, 2022 and 2021 are as follows:

<u>Policy Number:</u>	<u>Description of Nature of Policy:</u>	<u>2022</u>	<u>2021</u>
# 2423201	Split-Dollar Policy	37,003	28,933
# 21516103	Split-Dollar Policy	<u>12,180</u>	<u>7,133</u>
Total cash surrender value of life insurance policies		<u>\$ 49,183</u>	<u>\$ 36,066</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 owns the 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, 2022 and 2021.

**NOTE D – NOTES PAYABLE:**

Notes payable of the Organization as of December 31, 2022 and 2021, inclusive of long-term debt obligations and amounts due in one year and included in current liabilities, consisted of the following:

	<u>2022</u>	<u>2021</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	<u>\$ 404,476</u>	<u>\$ 470,620</u>
Total notes payable	404,476	470,620
Less: Current portion of notes payable	<u>(69,749)</u>	<u>(71,921)</u>
Notes payable, long-term debt	<u>\$ 334,727</u>	<u>\$ 398,699</u>

The aggregate maturities of principal payments due on the Organization's notes payable for the years ending after December 31, 2022 are as follows; 2022 – \$69,749, 2023 – \$73,135, 2024 – \$76,685, 2025 – \$80,408 and thereafter – \$104,500.

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.

**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, 2022 and 2021

**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, 2022 and 2021, 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, 2022 and 2021

**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>\$ 2,186,472</u>
Less those unavailable for general expenditures within one year, due to:	
With donor restrictions:	
Donor-imposed program and purchase restrictions	<u>(407,256)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,779,216</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.