

WORD OF LIFE  
FELLOWSHIP, INC.  
AND AFFILIATE

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2017 and 2016

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Word of Life Fellowship, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Word of Life Fellowship, Inc. and Affiliate as of December 31, 2017 and 2016, and the consolidated changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

New York, New York  
July 11, 2018

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statements of Financial Position

	December 31,	
	2017	2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 6,682,252	\$ 8,024,792
Contributions in transit	1,429,376	1,254,358
Bible Institute accounts receivable, net	443,516	297,291
Pledges receivable, net	289,156	294,435
Other accounts receivable	346,059	444,603
Prepaid expenses	367,277	364,398
Accrued interest receivable	95,484	141,716
Inventories	699,692	609,280
Notes receivable	4,109,329	5,983,951
Properties subject to life estates, net	110,000	123,750
Land, buildings and equipment, net	41,625,802	38,700,624
Long-term investments	7,842,831	7,842,125
	<b>\$ 64,040,774</b>	<b>\$ 64,081,323</b>
<b>Total Assets</b>	<b>\$ 64,040,774</b>	<b>\$ 64,081,323</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,669,929	\$ 2,266,802
Funds held for international ministry partners	11,129	51,911
Deferred revenue	1,966,743	1,940,794
Line of credit payable	-	405,079
Gift annuity liability-actuarial reserve	1,014,470	1,050,535
Use obligation on properties subject to life estates	8,944	23,699
Total liabilities	4,671,215	5,738,820
Net assets:		
Unrestricted:		
Undesignated	(3,752,998)	(4,223,310)
Invested in land, buildings and equipment, net	41,625,802	38,700,624
Donor advised	11,759,211	13,076,920
Total unrestricted	49,632,015	47,554,234
Temporarily restricted	7,892,539	8,943,684
Permanently restricted	1,845,005	1,844,585
Total net assets	59,369,559	58,342,503
<b>Total Liabilities and Net Assets</b>	<b>\$ 64,040,774</b>	<b>\$ 64,081,323</b>

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Donor Advised	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT, REVENUE AND RELEASES:						
Operating support and revenue:						
Contributions	\$ 5,028,226	\$ 6,676,037	\$ 11,704,263	\$ 19,779,285	\$ 420	\$ 31,483,968
Programs (net of student discounts of \$2,085,351 and camp and conference discounts of \$2,492,316)	14,619,865	-	14,619,865	-	-	14,619,865
Bookstore and other sales (net of cost of goods sold of \$439,588)	194,630	-	194,630	-	-	194,630
Interest and dividend income	6,345	65,621	71,966	98,434	-	170,400
Other	243,003	-	243,003	-	-	243,003
<b>Total operating support and revenue</b>	<b>20,092,069</b>	<b>6,741,658</b>	<b>26,833,727</b>	<b>19,877,719</b>	<b>420</b>	<b>46,711,866</b>
Releases:						
Donor advised fund distributions	8,200,920	(8,200,920)	-	-	-	-
Satisfaction of time and program restrictions	19,006,575	-	19,006,575	(19,006,575)	-	-
Satisfaction of building and equipment acquisition restrictions	2,047,752	-	2,047,752	(2,047,752)	-	-
<b>Total releases</b>	<b>29,255,247</b>	<b>(8,200,920)</b>	<b>21,054,327</b>	<b>(21,054,327)</b>	<b>-</b>	<b>-</b>
<b>Total operating support, revenue and releases</b>	<b>49,347,316</b>	<b>(1,459,262)</b>	<b>47,888,054</b>	<b>(1,176,608)</b>	<b>420</b>	<b>46,711,866</b>

(continued)

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statement of Activities

Year Ended December 31, 2017

(continued)

	Unrestricted	Donor Advised	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING EXPENSES:</b>						
Program services:						
Local church ministries	3,173,566	-	3,173,566	-	-	3,173,566
Bible Institute	9,730,102	-	9,730,102	-	-	9,730,102
International ministries	17,611,289	-	17,611,289	-	-	17,611,289
Camps - New York	6,096,670	-	6,096,670	-	-	6,096,670
Camps - Florida	1,998,391	-	1,998,391	-	-	1,998,391
Foundation	1,630,745	-	1,630,745	-	-	1,630,745
Other ministries	1,417,958	-	1,417,958	-	-	1,417,958
Total program services	<u>41,658,721</u>	<u>-</u>	<u>41,658,721</u>	<u>-</u>	<u>-</u>	<u>41,658,721</u>
Supporting services:						
Management and general	1,849,172	-	1,849,172	-	-	1,849,172
Development	2,495,719	-	2,495,719	-	-	2,495,719
Total supporting services	<u>4,344,891</u>	<u>-</u>	<u>4,344,891</u>	<u>-</u>	<u>-</u>	<u>4,344,891</u>
Total operating expenses	<u>46,003,612</u>	<u>-</u>	<u>46,003,612</u>	<u>-</u>	<u>-</u>	<u>46,003,612</u>
Change in net assets from operating activities	<u>3,343,704</u>	<u>(1,459,262)</u>	<u>1,884,442</u>	<u>(1,176,608)</u>	<u>420</u>	<u>708,254</u>
<b>NON-OPERATING ACTIVITIES:</b>						
Change in value of gift annuities	36,065	-	36,065	-	-	36,065
Change in annuity statutorily required surplus	9,323	-	9,323	(9,323)	-	-
Change in value of properties subject to life estates	-	-	-	14,755	-	14,755
Interest income on notes receivable	-	126,875	126,875	-	-	126,875
Realized and unrealized gain on investments	6,398	14,678	21,076	120,031	-	141,107
Change in net assets from non-operating activities	<u>51,786</u>	<u>141,553</u>	<u>193,339</u>	<u>125,463</u>	<u>-</u>	<u>318,802</u>
Change in Net Assets	3,395,490	(1,317,709)	2,077,781	(1,051,145)	420	1,027,056
Net Assets, Beginning of Year	<u>34,477,314</u>	<u>13,076,920</u>	<u>47,554,234</u>	<u>8,943,684</u>	<u>1,844,585</u>	<u>58,342,503</u>
Net Assets, End of Year	<u>\$ 37,872,804</u>	<u>\$ 11,759,211</u>	<u>\$ 49,632,015</u>	<u>\$ 7,892,539</u>	<u>\$ 1,845,005</u>	<u>\$ 59,369,559</u>

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Donor Advised	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING SUPPORT, REVENUE AND RELEASES:</b>						
Operating support and revenue:						
Contributions	\$ 7,275,642	\$ 3,337,852	\$ 10,613,494	\$ 12,435,006	\$ 420	\$ 23,048,920
Programs (net of student discounts of \$2,105,066 and camp and conference discounts of \$2,378,730)	14,833,623	-	14,833,623	-	-	14,833,623
Bookstore and other sales (net of cost of goods sold of \$387,137)	219,186	-	219,186	-	-	219,186
Interest and dividend income	1,934	122,449	124,383	87,341	-	211,724
Other	287,307	-	287,307	-	-	287,307
<b>Total operating support and revenue</b>	<b>22,617,692</b>	<b>3,460,301</b>	<b>26,077,993</b>	<b>12,522,347</b>	<b>420</b>	<b>38,600,760</b>
Releases:						
Donor advised fund distributions	13,134,113	(13,134,113)	-	-	-	-
Satisfaction of time and program restrictions	16,151,190	-	16,151,190	(16,151,190)	-	-
Satisfaction of building and equipment acquisition restrictions	3,358,129	-	3,358,129	(3,358,129)	-	-
<b>Total releases</b>	<b>32,643,432</b>	<b>(13,134,113)</b>	<b>19,509,319</b>	<b>(19,509,319)</b>	<b>-</b>	<b>-</b>
<b>Total operating support, revenue and releases</b>	<b>55,261,124</b>	<b>(9,673,812)</b>	<b>45,587,312</b>	<b>(6,986,972)</b>	<b>420</b>	<b>38,600,760</b>

(continued)

See notes to consolidated financial statements



# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statement of Activities

Year Ended December 31, 2016

(continued)

	Unrestricted	Donor Advised	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING EXPENSES:						
Program services:						
Local church ministries	3,350,607	-	3,350,607	-	-	3,350,607
Bible Institute	9,582,125	-	9,582,125	-	-	9,582,125
International ministries	14,288,640	-	14,288,640	-	-	14,288,640
Camps - New York	5,648,090	-	5,648,090	-	-	5,648,090
Camps - Florida	1,972,385	-	1,972,385	-	-	1,972,385
Foundation	3,012,664	-	3,012,664	-	-	3,012,664
Other ministries	1,529,769	-	1,529,769	-	-	1,529,769
Total program services	39,384,280	-	39,384,280	-	-	39,384,280
Supporting services:						
Management and general	2,039,542	-	2,039,542	-	-	2,039,542
Development	2,082,460	-	2,082,460	-	-	2,082,460
Total supporting services	4,122,002	-	4,122,002	-	-	4,122,002
Total operating expenses	43,506,282	-	43,506,282	-	-	43,506,282
Change in net assets from operating activities	11,754,842	(9,673,812)	2,081,030	(6,986,972)	420	(4,905,522)
NON-OPERATING ACTIVITIES:						
Change in value of gift annuities	53,616	-	53,616	-	-	53,616
Change in annuity statutorily required surplus	14,097	-	14,097	(14,097)	-	-
Change in value of properties subject to life estates	-	-	-	14,014	-	14,014
Interest income on notes receivable	-	169,927	169,927	-	-	169,927
Realized and unrealized loss on investments	264	16,446	16,710	17,642	-	34,352
Change in net assets from non-operating activities	67,977	186,373	254,350	17,559	-	271,909
Change in Net Assets	11,822,819	(9,487,439)	2,335,380	(6,969,413)	420	(4,633,613)
Net Assets, Beginning of Year	22,654,495	22,564,359	45,218,854	15,913,097	1,844,165	62,976,116
Net Assets, End of Year	\$ 34,477,314	\$ 13,076,920	\$ 47,554,234	\$ 8,943,684	\$ 1,844,585	\$ 58,342,503

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,027,056	\$ (4,633,613)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,708,727	1,700,498
Loss on disposal of land, buildings and equipment	322	42,515
Net realized and unrealized (gain) loss on investments	(141,107)	(34,352)
Actuarial change in annuities, net of investment income	98,365	67,459
Contributions restricted for:		
Investment in endowment	(420)	(420)
Land, buildings and equipment	(1,104,877)	(2,032,805)
Changes in assets and liabilities:		
Contributions in transit	(175,018)	(275,333)
Bible Institute accounts receivable	(146,225)	221,365
Pledges receivable	50,679	6,967,219
Other accounts receivable	98,544	57,560
Prepaid expenses	(2,879)	(157,304)
Accrued interest receivable	46,232	44,595
Inventories	(90,412)	258,289
Properties subject to life estates	13,750	13,750
Accounts payable and accrued expenses	(596,873)	544,132
Funds held for international ministry partners	(40,782)	(288,904)
Deferred revenue	25,949	(112,475)
Use obligation on properties subject to life estates	(14,755)	(14,014)
Net Cash Provided by Operating Activities	756,276	2,368,162
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of land, buildings and equipment	(4,634,227)	(12,309,038)
Notes receivable issued	-	(200,000)
Proceeds from collection of notes receivable	1,874,622	1,823,207
Purchase of investments	(912,507)	(7,257,630)
Proceeds from sale of investments	1,052,908	10,870,453
Net Cash Used by Investing Activities	(2,619,204)	(7,073,008)

(continued)

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and collections on pledges restricted for:		
Investment in endowment	420	420
Land, buildings and equipment	1,059,477	2,032,805
Payments on annuity agreements	(139,242)	(140,596)
Face value of new annuities, net of contribution	4,812	19,521
Proceeds from new borrowings on line of credit	19,593,888	4,467,270
Payments of principal on line of credit	<u>(19,998,967)</u>	<u>(5,778,801)</u>
Net Cash Provided by Financing Activities	<u>520,388</u>	<u>600,619</u>
Net Change in Cash	(1,342,540)	(4,104,227)
Cash, Beginning of Year	<u>8,024,792</u>	<u>12,129,019</u>
Cash, End of Year	<u>\$ 6,682,252</u>	<u>\$ 8,024,792</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	<u>\$ 34,673</u>	<u>\$ 75,655</u>

See notes to consolidated financial statements

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 1. NATURE OF ORGANIZATION:

The purpose of Word of Life Fellowship, Inc. (the Fellowship) is worldwide evangelism and discipleship through various means, including camps, evangelistic rallies and outreach, gospel musical/drama productions, Bible Institutes, Bible clubs, and radio. The Fellowship is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Fellowship is subject to federal income tax on any unrelated business taxable income. In addition, the Fellowship is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The Fellowship's primary sources of revenue are contributions and program revenue primarily consisting of Bible Institute, camps and conference revenues.

The Word of Life Foundation, Inc. (Foundation) is organized as a New York non profit corporation. The Foundation is organized and operated exclusively to support the overall mission and vision of the Fellowship. The Fellowship will oversee the affairs of the Foundation and ensure that all actions of the Foundation are consistent with the mission, vision, values and purposes of the Fellowship. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Foundation is subject to federal income tax on any unrelated business taxable income. In addition, the Foundation is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

#### PRINCIPLES OF CONSOLIDATION

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

#### ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

Word of Life considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. Certain items meet the definition of cash equivalents but are part of a larger pool of investments and are classified as long-term investments in the consolidated statements of financial position. At times, these balances may exceed federal deposit insurance limits. At December 31, 2017 and 2016, the cash and cash equivalents exceeded FDIC insured limits by approximately \$6,182,000 and \$7,525,000, respectively. However, Word of Life has not experienced losses on these accounts and management does not believe it is exposed to any significant risk.

#### ACCOUNTS RECEIVABLE

Bible Institute accounts receivable and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. In accordance with policy, Word of Life management determines a Bible Institute receivable to be delinquent when the academic year has been completed and a student still has an outstanding payment due and has not made arrangement for such payment. Other accounts receivable balances are considered delinquent when they remain unpaid more than 30 days after the occurrence of the event or service that generated the receivable. Management's policy for placing receivables on nonaccrual status is determined on a case by case basis. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts as of December 31, 2017 and 2016, was \$377,927 and \$328,791, respectively, for Bible Institute accounts receivable. There was no allowance for other accounts receivable as management believes all are collectible.

#### INVENTORY

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

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NOTES RECEIVABLE

Notes receivable are carried at unpaid principal balances. Interest on notes receivable are recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Word of Life evaluates all notes receivable for impairment on an individual basis if the note receivable is more than 30 days delinquent. The note receivable is then given a specific allowance based on estimated net realizable value. Status for performing and nonperforming notes receivable is based on payment activity for the year. Payment activity is reviewed by management and notes receivable are considered to be nonperforming when payments are not received in accordance with the agreed upon schedule. All notes receivable were current as of December 31, 2017 and 2016; therefore, all notes receivable are considered performing and no impairment was recorded.

#### PROPERTIES SUBJECT TO LIFE ESTATES

A life estate agreement exists between Word of Life and one of its donors. The agreement gives Word of Life a one hundred percent interest in the personal residence of the donor. The donor has the sole right to occupy the premises as a life tenant with Word of Life being the remainder beneficiary of one hundred percent interest in the property. On an annual basis, Word of Life revalues the present value of the remaining future liability based upon appropriate assumptions. Properties subject to life estates are reported net of accumulated depreciation of \$165,000 and \$151,250 for the years ended December 31, 2017 and 2016, respectively.

#### LAND, BUILDINGS AND EQUIPMENT

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

Estimated useful lives are:

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

#### LONG-TERM INVESTMENTS

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

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FAIR VALUE MEASUREMENTS

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

Fair values of assets measured on a recurring basis at December 31, 2017, are as follows:

	Level 1	Level 2	Level 3	Total
Long-term investments:				
Money market mutual funds	\$ 294,252	\$ -	\$ -	\$ 294,252
Bonds:				
Corporate bonds	-	3,217,284	-	3,217,284
U.S. Government agency bonds	-	1,763,671	-	1,763,671
	-	4,980,955	-	4,980,955
Common stocks	9,853	-	-	9,853
Inter-mission gift annuity investment	-	66,512	-	66,512
Mutual and exchange traded funds:				
Fixed income funds	1,972,825	-	-	1,972,825
Index funds	348,730	-	-	348,730
Blend funds	116,732	-	-	116,732
Emerging market funds	17,881	-	-	17,881
Growth funds	35,091	-	-	35,091
	2,491,259	-	-	2,491,259
	\$ 2,795,364	\$ 5,047,467	\$ -	\$ 7,842,831

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FAIR VALUE MEASUREMENTS, continued

Fair values of assets measured on a recurring basis at December 31, 2016, are as follows:

	Level 1	Level 2	Level 3	Total
Long-term investments:				
Money market mutual funds	\$ 339,571	\$ -	\$ -	\$ 339,571
Bonds:				
Corporate bonds	-	3,468,548	-	3,468,548
U.S. Government agency bonds	-	1,919,764	-	1,919,764
	-	5,388,312	-	5,388,312
Common stocks:	94,887	-	-	94,887
Inter-mission gift annuity investment	-	66,504	-	66,504
Mutual and exchange traded funds:				
Fixed income funds	1,472,939	-	-	1,472,939
Index funds	365,408	-	-	365,408
Blend funds	92,380	-	-	92,380
Emerging market funds	13,654	-	-	13,654
Growth funds	8,470	-	-	8,470
	1,952,851	-	-	1,952,851
	<u>\$ 2,387,309</u>	<u>\$ 5,454,816</u>	<u>\$ -</u>	<u>\$ 7,842,125</u>

#### Valuation techniques

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

#### ANNUITIES PAYABLE

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



# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ANNUITIES PAYABLE, continued

The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. Upon the death of the annuitant (or the last joint annuitant) income distributions cease. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. The resulting actuarial gain or loss is recorded as change in value in the consolidated statements of activities. Word of Life is required to maintain legally mandated reserves and investment guidelines for the States of New York and New Jersey. At December 31, 2017 and 2016, Word of Life was in compliance with each of these requirements.

#### CLASSES OF NET ASSETS

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

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

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

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

#### DONOR ADVISED FUNDS

Word of Life maintains certain donor advised funds which are funds that are separately identified on the books and records of Word of Life by reference to contributions by a donor or donors. These funds are owned and controlled by Word of Life, with respect to which such donor (or other persons appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such funds. At December 31, 2017 and 2016, net assets related to donor advised funds totaled \$11,759,211 and \$13,076,920, respectively.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE AND RELEASES

Contributions are recorded when made, which may be when cash is received, or when unconditional promises are made. Contributions restricted by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until funds have been expended by Word of Life for the purposes specified. Upon satisfaction of the restriction, temporarily restricted net assets are released and reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donated assets are recorded at their fair market value on the date of donation. Word of Life received approximately 24% and 30% of its contributions, including donations to donor advised funds, from two and three donors during 2017 and 2016, respectively.

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

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

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

#### ALLOCATION OF EXPENSES

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

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

3. PLEDGES RECEIVABLE:

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

	December 31,	
	2017	2016
Amounts due in less than one year	\$ 413,079	\$ 401,165
Less unamortized discount	(123,923)	(106,730)
	\$ 289,156	\$ 294,435

4. OTHER ACCOUNTS RECEIVABLE:

Other accounts receivable consist of the following:

	December 31,	
	2017	2016
Other receivables	\$ 170,725	\$ 188,055
Conference center and RV Park	62,764	59,165
Conference room contract fees	53,626	60,610
Temporary advances	34,394	111,073
Permanent advances	24,550	25,700
	\$ 346,059	\$ 444,603

5. INVENTORIES:

Inventories consist of the following:

	December 31,	
	2017	2016
Bookstore	\$ 274,747	\$ 309,926
Publications and curriculum for resale	227,246	166,745
Recreational vehicles for sale	131,430	66,317
Food supplies	56,227	57,927
Maintenance and housekeeping supplies	10,042	8,365
	\$ 699,692	\$ 609,280

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

6. NOTES RECEIVABLE:

Word of Life has certain notes receivable that are in place because of their benefit to Word of Life and/or the furtherance of Word of Life's mission. Notes receivable consist of the following:

	December 31,	
	2017	2016
Note receivable from a company controlled by a board member. The board member made gifts of closely held stock to Word of Life. The company then agreed to repurchase the stock from Word of Life in the form of an interest bearing note receivable with a fixed interest rate of 2.82%, maturing in February 2019. The note receivable is payable in nine consecutive annual installments commencing in February 2011. Current annual payments of principal and interest are \$2,037,029.	\$ 3,909,329	\$ 5,783,951
Note receivable from an unrelated ministry, with a fixed interest rate of 5%, maturing in July 2021. Current quarterly payments of \$2,500 are interest only with the full balance due on or before the maturity date.	200,000	200,000
	\$ 4,109,329	\$ 5,983,951

Accrued interest receivable on notes receivable amounted to \$95,484 and \$141,716 for the years ended December 31, 2017 and 2016, respectively.

Principal payments on the notes receivable for the succeeding four years are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 1,927,486
2019	1,981,843
2020	-
2021	200,000
	\$ 4,109,329

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

7. LAND, BUILDINGS AND EQUIPMENT, NET:

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

	December 31,	
	2017	2016
Land	\$ 3,148,828	\$ 3,148,828
Buildings and improvements	53,622,008	38,530,294
Furniture and equipment	2,950,634	2,906,196
Vehicles and boats	2,262,924	2,105,299
	61,984,394	46,690,617
Less accumulated depreciation	(24,161,321)	(22,485,103)
	37,823,073	24,205,514
Construction in progress	3,802,729	14,495,110
	\$ 41,625,802	\$ 38,700,624

Depreciation expense for the years ended December 31, 2017 and 2016, amounted to \$1,708,727 and \$1,700,498, respectively.

8. LONG-TERM INVESTMENTS:

Long-term investments consist of the following:

	December 31,	
	2017	2016
Government and corporate bonds	\$ 4,980,955	\$ 5,388,312
Mutual and exchange traded funds	2,491,259	1,952,851
Money market mutual funds	294,252	339,571
Inter-mission gift annuity investment	66,512	66,504
Common stocks	9,853	94,887
	\$ 7,842,831	\$ 7,842,125

A substantial portion of investments are related to Word of Life's gift annuity program, endowment fund, and donor advised funds. Investments relating to the gift annuity program amounted to \$1,587,956 and \$1,581,063 at December 31, 2017 and 2016, respectively. Investments relating to the endowment fund amounted to \$2,112,228 and \$2,003,195 at December 31, 2017 and 2016, respectively. Investments relating to donor advised funds amounted to \$4,065,474 and \$4,106,394 at December 31, 2017 and 2016, respectively.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

8. LONG-TERM INVESTMENTS, continued:

In addition to the investment income recorded on the consolidated statements of activities, the annuity investments earned \$66,781 and \$69,215 in interest and dividends and \$75,433 and \$51,178 in realized and unrealized gains (losses) for a total of \$142,214 and \$120,393 for the years ended December 31, 2017 and 2016, respectively. This is reflected on the consolidated statements of activities as a component of the change in value of gift annuities.

Risks and Uncertainties Related to Investments

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

9. DEFINED CONTRIBUTION PENSION PLAN:

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

Word of Life provides a matching contribution of 25 percent of the employee contribution, up to 6 percent of compensation. Employees are allowed to contribute to the plan through 401(k) salary deferrals. The employer's portion expensed for 2017 and 2016, was \$115,876 and \$113,544, respectively.

10. INTERNATIONAL MINISTRY PARTNERS:

Word of Life held funds totaling \$11,129 and \$51,911 for several of its international ministry partners as of December 31, 2017 and 2016, respectively. These amounts represent funds that Word of Life is holding for its international ministry partners, and are held in accounts that these ministries have access to but are in Word of Life's name. The international ministry partners have full access to the funds and can withdraw them at any time as the funds are considered theirs for use. The related assets are included in cash and cash equivalents on the consolidated statements of financial position.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

10. INTERNATIONAL MINISTRY PARTNERS, continued:

Word of Life facilitates a procedure that allows missionaries working for Word of Life's international ministry partners to save for retirement. Word of Life administers investment accounts on behalf of the missionaries who participate. The "plan" is open only to approved missionaries who reside outside of the United States, are not United States citizens and are not on Word of Life's payroll. Word of Life offered a 10 percent match on contributions to the "plan" for the years ended December 31, 2017 and 2016. Word of Life expensed matching funds of \$69,975 and \$78,150 for the years ended December 31, 2017 and 2016, respectively.

11. DEFERRED REVENUE:

Deferred revenue consists of the following:

	December 31,	
	2017	2016
Short-term deferred revenue:		
Bible Institute tuition, student activities, and room and board	\$ 797,271	\$ 999,054
Advance seasonal reservations	862,458	576,001
Multi-year advance conference reservations	77,659	82,991
	1,737,388	1,658,046
Long-term deferred revenue:		
Advance seasonal reservations	92,405	130,678
Multi-year rental and advance conference reservations	136,950	152,070
	229,355	282,748
	\$ 1,966,743	\$ 1,940,794

12. LINE OF CREDIT PAYABLE:

Notes and lines of credit payable consist of the following:

	December 31,	
	2017	2016
Line of credit payable to a bank (\$2,000,000 limit) secured by Word of Life properties and due on demand with an interest rate of prime plus .25% adjusted monthly (interest rate at December 31 was 4.75%), expiring in September 2018.	\$ -	\$ 405,079

Word of Life also has three letters of credit outstanding with a bank. There are two for \$25,000 each expiring in June 2018 and the other is for \$95,400 expiring in December 2018. The letters of credit were unused at both December 31, 2017 and 2016.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

	December 31,	
	2017	2016
Investment income:		
Interest and dividend income	\$ 66,781	\$ 69,215
Investment fees	(8,470)	(8,595)
Realized gain on sale of investments	31,804	19,502
Unrealized gain (loss) on investments	43,629	31,676
	133,744	111,798
New annuities - whole amount	10,000	30,014
New annuities - gift portion	(5,188)	(10,493)
Payments to annuitants	(139,242)	(140,595)
Change in actuarial reserve	(35,379)	(44,340)
	\$ (36,065)	\$ (53,616)

During 2017, Word of Life received \$10,000 from new gift annuity agreements, of which \$5,188 is recorded as a contribution and \$4,812 was added to gift annuity liabilities – actuarial reserve. Additionally, the statutorily required surplus decreased by \$9,323 in 2017.

During 2016, Word of Life received \$30,014 from new gift annuity agreements, of which \$10,493 is recorded as a contribution and \$19,521 was added to gift annuity liabilities – actuarial reserve. Additionally, the statutorily required surplus decreased by \$14,097 in 2016.



# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

14. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are for the following purposes:

	Year Ended December 31, 2017			Ending Balance
	Beginning Balance	Additions and Other Changes	Releases	
Purpose restricted:				
International ministries missions support	\$ 2,899,956	\$ 11,772,930	\$ (11,945,896)	\$ 2,726,990
Local church ministries missions support	576,840	2,029,234	(2,069,022)	537,052
Evangelism and short-term missions	73,776	525,191	(564,891)	34,076
Bible Institute scholarships	244,744	189,428	(97,655)	336,517
Needy camper aid	38,134	83,070	(39,019)	82,185
Fellowship projects	1,608,148	1,138,295	(2,115,801)	630,642
International ministries projects	2,741,843	4,175,801	(4,110,040)	2,807,604
Local church ministries projects	91,384	89,080	(98,253)	82,211
	8,274,825	20,003,029	(21,040,577)	7,237,277
Time restricted:				
Properties subject to life estates	100,051	14,755	(13,750)	101,056
Gift annuity statutorily required surplus	274,373	(9,323)	-	265,050
Pledges receivable	294,435	(5,279)	-	289,156
	668,859	153	(13,750)	655,262
	\$ 8,943,684	\$ 20,003,182	\$ (21,054,327)	\$ 7,892,539

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

14. TEMPORARILY RESTRICTED NET ASSETS, continued:

	Year Ended December 31, 2016			Ending Balance
	Beginning Balance	Additions and Other Changes	Releases	
Purpose restricted:				
International ministries missions support	\$ 2,462,688	\$ 10,852,915	\$ (10,415,647)	\$ 2,899,956
Local church ministries missions support	571,631	2,227,702	(2,222,493)	576,840
Evangelism and short-term missions	100,543	500,145	(526,912)	73,776
Bible Institute scholarships	262,187	99,486	(116,929)	244,744
Needy camper aid	22,319	43,721	(27,906)	38,134
Fellowship projects	2,566,023	2,386,511	(3,344,386)	1,608,148
International ministries projects	2,172,153	3,326,324	(2,756,634)	2,741,843
Local church ministries projects	105,642	70,404	(84,662)	91,384
	8,263,186	19,507,208	(19,495,569)	8,274,825
Time restricted:				
Properties subject to life estates	99,787	14,014	(13,750)	100,051
Gift annuity statutorily required surplus	288,470	(14,097)	-	274,373
Pledges receivable	7,261,654	(6,967,219)	-	294,435
	7,649,911	(6,967,302)	(13,750)	668,859
	\$ 15,913,097	\$ 12,539,906	\$ (19,509,319)	\$ 8,943,684

During 2014, Word of Life began a capital campaign to construct a Student Life Center (SLC) on the New York Bible Institute campus. The SLC was built to provide the dining space needed to accommodate the entire student body at one sitting. It will also offer meeting rooms and space for student activities. The total cost of the SLC was approximately \$14.5 million. Word of Life raised approximately \$14.5 million in cash and marketable securities through December 31, 2017 to fund the project. The SLC was completed and placed in service as of December 31, 2017.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 15. ENDOWMENT FUNDS:

Word of Life's endowments include donor-restricted funds and consist of individual funds established for the Bible Institute scholarships and Needy Camper aid. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Word of Life classifies as permanently restricted net assets (a) the original value of gifts and subsequent gifts donated to the donor-restricted permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Word of Life.

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

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

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

15. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2016	\$ 34,941	\$ 152,448	\$ 1,844,585	\$ 2,031,974
Investment return:				
Interest and dividends, net of fees	-	89,002	-	89,002
Realized gains	-	28,743	-	28,743
Unrealized gains	-	91,288	-	91,288
Total investment return	-	209,033	-	209,033
Contributions	-	-	420	420
Amounts appropriated for expenditure	92,114	(92,114)	-	-
Amounts withdrawn from pool	(99,905)	-	-	(99,905)
Endowment net assets, December 31, 2017	\$ 27,150	\$ 269,367	\$ 1,845,005	\$ 2,141,522

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

15. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ (51,478)	\$ 143,185	\$ 1,844,165	\$ 1,935,872
Investment return:				
Interest and dividends, net of fees	-	78,040	-	78,040
Realized gains	-	85,446	-	85,446
Unrealized losses	-	(67,804)	-	(67,804)
Total investment return	-	95,682	-	95,682
Contributions	-	-	420	420
Amounts appropriated for expenditure	86,419	(86,419)	-	-
Amounts withdrawn from pool	-	-	-	-
Endowment net assets, December 31, 2016	<u>\$ 34,941</u>	<u>\$ 152,448</u>	<u>\$ 1,844,585</u>	<u>\$ 2,031,974</u>

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by relevant law.	<u>\$ 1,845,005</u>	<u>\$ 1,844,585</u>
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a purpose restriction either by explicit donor stipulations or by relevant law.	<u>\$ 269,367</u>	<u>\$ 152,448</u>

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 15. ENDOWMENT FUNDS, continued:

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the endowment agreement requires Word of Life to retain as a fund of perpetual duration. As of December 31, 2017 and 2016, there were no deficiencies in the unrestricted portion of the endowment.

#### Return objectives and risk parameters

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

#### Strategies employed for achieving objectives

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

#### Spending policies and how the investment objectives relate to spending policy

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

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 16. MANAGEMENT AGREEMENT:

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

The Foundation shall reimburse the Fellowship for the services provided by said assigned employee of the Fellowship. The reimbursement for those services amounted to \$107,000 in both 2017 and 2016. These transactions were eliminated in consolidation.

### 17. TRANSACTIONS WITH RELATED PARTIES:

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

- construction services relating to the student life center totaling \$1,417,338 and \$9,556,631 during the years ended December 31, 2017 and 2016, respectively, were provided to Word of Life by a company whose CFO is a board member;
- Word of Life purchased vehicles totaling \$115,295 and \$38,578 from a company controlled by a board member during the years ended December 31, 2017 and 2016, respectively;
- consulting services and speaking honorariums totaling \$16,290 during the year ended December 31, 2017, and \$14,370 during the year ended December 31, 2016, were provided to Word of Life by two current board members and a former board member. A former executive director provided consulting services totaling \$27,312 during the year ended December 31, 2016. No services were provided by the former executive director during the year ended December 31, 2017;
- supplemental retirement plan payments were provided for the benefit of a board member totaling \$40,000 during both years ended December 31, 2017 and 2016;
- donated rent from a company controlled by a board member valued at \$87,685 for both years ended December 31, 2017 and 2016.

### 18. HEALTH CARE CONTINGENCY:

Word of Life maintains a self-insurance program for its employee's health care costs. Word of Life is liable for losses on claims up to \$110,000 per claim. Word of Life has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$306,398 and \$302,705 at December 31, 2017 and 2016, respectively.

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

19. CONTINGENT LIABILITIES:

Word of Life is subject to claims and other legal matters that arise in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of Word of Life.

20. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 11, 2018, which is the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.



## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

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

We have audited the consolidated financial statements of Word of Life Fellowship, Inc. and Affiliate as of and for the years ended December 31, 2017 and 2016, and our report thereon dated July 11, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Capin Crouse LLP*

New York, New York  
July 11, 2018

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidating Schedule of Financial Position

December 31, 2017

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,198,328	\$ 3,483,924	\$ -	\$ 6,682,252
Contributions in transit	1,429,376	-	-	1,429,376
Bible Institute accounts receivable, net	443,516	-	-	443,516
Pledges receivable, net	289,156	-	-	289,156
Other accounts receivable	346,059	-	-	346,059
Prepaid expenses	367,277	-	-	367,277
Accrued interest receivable	-	95,484	-	95,484
Inventories	699,692	-	-	699,692
Notes receivable	-	4,109,329	-	4,109,329
Properties subject to life estates, net	110,000	-	-	110,000
Land, buildings and equipment, net	41,625,802	-	-	41,625,802
Long-term investments	3,787,275	4,055,556	-	7,842,831
	<u>\$ 52,296,481</u>	<u>\$ 11,744,293</u>	<u>\$ -</u>	<u>\$ 64,040,774</u>
<b>LIABILITIES AND NET ASSETS:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,669,929	\$ -	\$ -	\$ 1,669,929
Funds held for international ministry partners	11,129	-	-	11,129
Deferred revenue	1,966,743	-	-	1,966,743
Line of credit payable	-	-	-	-
Gift annuity liability-actuarial reserve	1,014,470	-	-	1,014,470
Use obligation on properties subject to life estates	8,944	-	-	8,944
Total liabilities	<u>4,671,215</u>	<u>-</u>	<u>-</u>	<u>4,671,215</u>
<b>Net assets:</b>				
<b>Unrestricted:</b>				
Undesignated	(3,752,998)	-	-	(3,752,998)
Invested in land, buildings and equipment, net	41,625,802	-	-	41,625,802
Donor advised	14,918	11,744,293	-	11,759,211
Total unrestricted	<u>37,887,722</u>	<u>11,744,293</u>	<u>-</u>	<u>49,632,015</u>
Temporarily restricted	7,892,539	-	-	7,892,539
Permanently restricted	1,845,005	-	-	1,845,005
Total net assets	<u>47,625,266</u>	<u>11,744,293</u>	<u>-</u>	<u>59,369,559</u>
Total Liabilities and Net Assets	<u>\$ 52,296,481</u>	<u>\$ 11,744,293</u>	<u>\$ -</u>	<u>\$ 64,040,774</u>

See auditors' report on supplementary information

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidating Schedule of Financial Position

December 31, 2016

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 5,183,934	\$ 2,840,858	\$ -	\$ 8,024,792
Contributions in transit	1,254,358	-	-	1,254,358
Bible Institute accounts receivable, net	297,291	-	-	297,291
Pledges receivable, net	294,435	-	-	294,435
Other accounts receivable	444,603	-	-	444,603
Prepaid expenses	364,398	-	-	364,398
Accrued interest receivable	-	141,716	-	141,716
Inventories	609,280	-	-	609,280
Notes receivable	-	5,983,951	-	5,983,951
Properties subject to life estates, net	123,750	-	-	123,750
Land, buildings and equipment, net	38,700,624	-	-	38,700,624
Long-term investments	3,747,290	4,094,835	-	7,842,125
	<u>\$ 51,019,963</u>	<u>\$ 13,061,360</u>	<u>\$ -</u>	<u>\$ 64,081,323</u>
<b>Total Assets</b>				
	<u>\$ 51,019,963</u>	<u>\$ 13,061,360</u>	<u>\$ -</u>	<u>\$ 64,081,323</u>
<b>LIABILITIES AND NET ASSETS:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 2,265,802	\$ 1,000	\$ -	\$ 2,266,802
Funds held for international ministry partners	51,911	-	-	51,911
Deferred revenue	1,940,794	-	-	1,940,794
Line of credit payable	405,079	-	-	405,079
Gift annuity liability-actuarial reserve	1,050,535	-	-	1,050,535
Use obligation on properties subject to life estates	23,699	-	-	23,699
	<u>5,737,820</u>	<u>1,000</u>	<u>-</u>	<u>5,738,820</u>
<b>Total liabilities</b>	<u>5,737,820</u>	<u>1,000</u>	<u>-</u>	<u>5,738,820</u>
<b>Net assets:</b>				
<b>Unrestricted:</b>				
Undesignated	(4,223,310)	-	-	(4,223,310)
Invested in land, buildings and equipment, net	38,700,624	-	-	38,700,624
Donor advised	16,560	13,060,360	-	13,076,920
	<u>34,493,874</u>	<u>13,060,360</u>	<u>-</u>	<u>47,554,234</u>
<b>Total unrestricted</b>	<u>34,493,874</u>	<u>13,060,360</u>	<u>-</u>	<u>47,554,234</u>
Temporarily restricted	8,943,684	-	-	8,943,684
Permanently restricted	1,844,585	-	-	1,844,585
	<u>45,282,143</u>	<u>13,060,360</u>	<u>-</u>	<u>58,342,503</u>
<b>Total net assets</b>	<u>45,282,143</u>	<u>13,060,360</u>	<u>-</u>	<u>58,342,503</u>
	<u>\$ 51,019,963</u>	<u>\$ 13,061,360</u>	<u>\$ -</u>	<u>\$ 64,081,323</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 51,019,963</u>	<u>\$ 13,061,360</u>	<u>\$ -</u>	<u>\$ 64,081,323</u>

See auditors' report on supplementary information

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidating Schedule of Activities

Year Ended December 31, 2017

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
<b>OPERATING SUPPORT AND REVENUE:</b>				
Contributions	\$ 31,218,507	\$ 6,676,037	\$ (6,410,576)	\$ 31,483,968
Programs (net of student discounts of \$2,085,351 and camp and conference discounts of \$2,492,316)	14,619,865	-	-	14,619,865
Bookstore and other sales (net of cost of goods sold of \$439,588)	194,630	-	-	194,630
Interest and dividend income	103,137	67,263	-	170,400
Other	350,003	-	(107,000)	243,003
<b>Total operating support and revenue</b>	<b>46,486,142</b>	<b>6,743,300</b>	<b>(6,517,576)</b>	<b>46,711,866</b>
<b>OPERATING EXPENSES:</b>				
Program services:				
Local church ministries	3,173,566	-	-	3,173,566
Bible Institute	9,730,102	-	-	9,730,102
International ministries	17,611,289	-	-	17,611,289
Camps - New York	6,096,670	-	-	6,096,670
Camps - Florida	1,998,391	-	-	1,998,391
Foundation	-	8,052,021	(6,421,276)	1,630,745
Other ministries	1,417,958	-	-	1,417,958
<b>Total program services</b>	<b>40,027,976</b>	<b>8,052,021</b>	<b>(6,421,276)</b>	<b>41,658,721</b>
Supporting services:				
Management and general	1,833,495	79,877	(64,200)	1,849,172
Development	2,458,797	69,022	(32,100)	2,495,719
<b>Total supporting services</b>	<b>4,292,292</b>	<b>148,899</b>	<b>(96,300)</b>	<b>4,344,891</b>
<b>Total operating expenses</b>	<b>44,320,268</b>	<b>8,200,920</b>	<b>(6,517,576)</b>	<b>46,003,612</b>
<b>Change in net assets from operating activities</b>	<b>2,165,874</b>	<b>(1,457,620)</b>	<b>-</b>	<b>708,254</b>
<b>NON-OPERATING ACTIVITIES:</b>				
Change in value of gift annuities	36,065	-	-	36,065
Change in value of properties subject to life estates	14,755	-	-	14,755
Interest income on notes receivable	-	126,875	-	126,875
Realized and unrealized gain on investments	126,429	14,678	-	141,107
<b>Change in net assets from non-operating activities</b>	<b>177,249</b>	<b>141,553</b>	<b>-</b>	<b>318,802</b>
<b>Change in Net Assets</b>	<b>2,343,123</b>	<b>(1,316,067)</b>	<b>-</b>	<b>1,027,056</b>
<b>Net Assets, Beginning of Year</b>	<b>45,282,143</b>	<b>13,060,360</b>	<b>-</b>	<b>58,342,503</b>
<b>Net Assets, End of Year</b>	<b>\$ 47,625,266</b>	<b>\$ 11,744,293</b>	<b>\$ -</b>	<b>\$ 59,369,559</b>

See auditors' report on supplementary information

# WORD OF LIFE FELLOWSHIP, INC. AND AFFILIATE

## Consolidating Schedule of Activities

Year Ended December 31, 2016

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
<b>OPERATING SUPPORT AND REVENUE:</b>				
Contributions	\$ 29,720,783	\$ 3,337,852	\$ (10,009,715)	\$ 23,048,920
Programs (net of student discounts of \$2,105,066 and camp and conference discounts of \$2,378,730)	14,833,623	-	-	14,833,623
Bookstore and other sales (net of cost of goods sold of \$387,137)	219,186	-	-	219,186
Interest and dividend income	92,391	119,333	-	211,724
Other	394,307	-	(107,000)	287,307
Total operating support and revenue	<u>45,260,290</u>	<u>3,457,185</u>	<u>(10,116,715)</u>	<u>38,600,760</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Local church ministries	3,355,332	-	(4,725)	3,350,607
Bible Institute	9,599,450	-	(17,325)	9,582,125
International ministries	14,295,990	-	(7,350)	14,288,640
Camps - New York	5,656,490	-	(8,400)	5,648,090
Camps - Florida	1,975,535	-	(3,150)	1,972,385
Foundation	-	13,033,079	(10,020,415)	3,012,664
Other ministries	1,530,032	-	(263)	1,529,769
Total program services	<u>36,412,829</u>	<u>13,033,079</u>	<u>(10,061,628)</u>	<u>39,384,280</u>
Supporting services:				
Management and general	2,027,810	87,088	(75,356)	2,039,542
Development	2,048,245	66,446	(32,231)	2,082,460
Total supporting services	<u>4,076,055</u>	<u>153,534</u>	<u>(107,587)</u>	<u>4,122,002</u>
Total operating expenses	<u>40,488,884</u>	<u>13,186,613</u>	<u>(10,169,215)</u>	<u>43,506,282</u>
Change in net assets from operating activities	<u>4,771,406</u>	<u>(9,729,428)</u>	<u>52,500</u>	<u>(4,905,522)</u>
<b>NON-OPERATING ACTIVITIES:</b>				
Change in value of gift annuities	53,616	-	-	53,616
Change in value of properties subject to life estates	14,014	-	-	14,014
Interest income on notes receivable	-	222,427	(52,500)	169,927
Realized and unrealized gain on investments	17,906	16,446	-	34,352
Change in net assets from non-operating activities	<u>85,536</u>	<u>238,873</u>	<u>(52,500)</u>	<u>271,909</u>
Change in Net Assets	4,856,942	(9,490,555)	-	(4,633,613)
Net Assets, Beginning of Year	<u>40,425,201</u>	<u>22,550,915</u>	<u>-</u>	<u>62,976,116</u>
Net Assets, End of Year	<u>\$ 45,282,143</u>	<u>\$ 13,060,360</u>	<u>\$ -</u>	<u>\$ 58,342,503</u>

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