



WORD OF LIFE FELLOWSHIP, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report And
Supplementary Information

December 31, 2021 and 2020

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Word of Life Fellowship, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 consolidated financial position of Word of Life Fellowship, Inc. and Subsidiary as of December 31, 2021 and 2020, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Word of Life Fellowship, Inc. and Subsidiary 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 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Word of Life Fellowship, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- 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 Word of Life Fellowship, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Word of Life Fellowship, Inc. and Subsidiary'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.

Capin Crouse LLP

New York, New York
May 31, 2022

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 27,060,468	\$ 17,439,769
Cash - restricted	14,985,877	2,460,316
	42,046,345	19,900,085
Bible Institute accounts receivable, net	288,211	396,439
Other accounts receivable	229,640	207,874
Prepaid expenses	304,724	374,601
Inventories	612,367	468,078
Pledges receivable, net	397,470	633,143
Assets held for sale	2,869,790	-
Notes receivable	-	200,000
Properties subject to life estates, net	55,000	68,750
Land, buildings and equipment, net	83,917,926	79,551,969
Long-term investments	18,804,008	8,571,340
	\$ 149,525,481	\$ 110,372,279
Total Assets	\$ 149,525,481	\$ 110,372,279
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,067,720	\$ 1,862,013
Deferred revenue	1,510,405	1,486,563
Paycheck Protection Program refundable advance	-	2,854,500
Lines of credit payable	469,083	2,256,466
Gift annuity liability-actuarial reserve	691,715	744,337
Total liabilities	4,738,923	9,203,879
Net assets:		
Without donor restrictions	116,022,465	87,570,156
With donor restrictions	28,764,093	13,598,244
Total net assets	144,786,558	101,168,400
Total Liabilities and Net Assets	\$ 149,525,481	\$ 110,372,279

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statements of Activities

Year Ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RELEASES:						
Support and revenue:						
Contributions	\$ 37,756,270	\$ 36,543,369	\$ 74,299,639	\$ 26,748,407	\$ 13,279,845	\$ 40,028,252
Government grants	2,219,656	-	2,219,656	548,022	-	548,022
Programs (net of student and camp and conference discounts)	11,525,336	-	11,525,336	8,855,640	-	8,855,640
Bookstore and other sales (net of cost of goods sold of 2021 - \$371,524 and 2020 - \$381,025)	289,395	-	289,395	4,858	-	4,858
Interest and dividend income	638,384	90,915	729,299	122,666	94,396	217,062
Realized and unrealized gain (loss) on investments	254,288	(92,366)	161,922	85,450	153,733	239,183
Interest income on notes receivable	2,500	-	2,500	10,000	-	10,000
Change in value of gift annuities	50,522	-	50,522	53,780	-	53,780
Loss on disposal of land, buildings and equipment	-	-	-	(715,370)	-	(715,370)
Gain on forgiveness of Paycheck Protection Program refundable advance (Note 2)	2,854,500	-	2,854,500	-	-	-
Other income (loss)	180,885	(13,830)	167,055	584,559	(15,041)	569,518
Total support and revenue	55,771,736	36,528,088	92,299,824	36,298,012	13,512,933	49,810,945
Releases:						
Satisfaction of time and program restrictions	17,298,209	(17,298,209)	-	17,330,765	(17,330,765)	-
Satisfaction of building and equipment acquisition restrictions	4,064,030	(4,064,030)	-	2,803,585	(2,803,585)	-
Total releases	21,362,239	(21,362,239)	-	20,134,350	(20,134,350)	-
Total support, revenue and releases	77,133,975	15,165,849	92,299,824	56,432,362	(6,621,417)	49,810,945

(continued)

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statements of Activities (continued)

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services:						
Local church ministries	3,778,478	-	3,778,478	3,192,748	-	3,192,748
Bible Institute	12,671,146	-	12,671,146	10,840,119	-	10,840,119
International ministries	18,665,257	-	18,665,257	17,105,464	-	17,105,464
Camps - New York	2,823,550	-	2,823,550	1,710,800	-	1,710,800
Camps - Florida	1,909,665	-	1,909,665	1,551,223	-	1,551,223
Foundation	5,422,711	-	5,422,711	2,783,376	-	2,783,376
Other ministries	362,223	-	362,223	362,853	-	362,853
Total program services	45,633,030	-	45,633,030	37,546,583	-	37,546,583
Supporting services:						
Management and general	1,439,134	-	1,439,134	1,612,068	-	1,612,068
Development	1,609,502	-	1,609,502	1,475,096	-	1,475,096
Total supporting services	3,048,636	-	3,048,636	3,087,164	-	3,087,164
Total expenses	48,681,666	-	48,681,666	40,633,747	-	40,633,747
Change in Net Assets	28,452,309	15,165,849	43,618,158	15,798,615	(6,621,417)	9,177,198
Net Assets, Beginning of Year	87,570,156	13,598,244	101,168,400	71,771,541	20,219,661	91,991,202
Net Assets, End of Year	\$ 116,022,465	\$ 28,764,093	\$ 144,786,558	\$ 87,570,156	\$ 13,598,244	\$ 101,168,400

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services							Total Program Services	Management and Development		Total
	Local Church Ministries	Bible Institute	International Ministries	Camps - New York	Camps - Florida	Foundation	Other Ministries		General	Development	
Salaries and wages	\$ 1,836,740	\$ 3,948,111	\$ 4,780,560	\$ 518,966	\$ 392,311	\$ -	\$ 230,583	\$ 11,707,271	\$ 455,954	\$ 609,683	\$ 12,772,908
Employee benefits	432,442	1,375,024	1,304,711	160,870	112,905	-	29,694	3,415,646	143,002	119,834	3,678,482
Grants	5,751	17,796	11,075,699	2,097	1,877	5,417,948	361	16,521,529	32,413	24,952	16,578,894
Professional and outside services	123,846	498,008	138,003	105,561	102,974	-	754	969,146	12,666	341,723	1,323,535
Travel	215,303	151,497	551,931	24,762	15,841	-	50,044	1,009,378	54,157	52,666	1,116,201
Facility rental and utility costs	281,473	801,717	38,200	477,222	275,224	-	3,286	1,877,122	15,989	107,040	2,000,151
Repairs and maintenance	48,420	578,579	92,379	184,542	191,595	-	7,053	1,102,568	30,008	2,752	1,135,328
Printing and postage	123,516	103,142	98,844	16,845	12,711	-	6,807	361,865	41,743	242,627	646,235
Supplies	156,026	330,206	156,764	138,557	156,005	-	10,665	948,223	46,831	13,108	1,008,162
Non-capitalizable equipment	110,185	468,211	209,155	79,277	68,719	-	5,796	941,343	7,687	3,839	952,869
Other expenses	286,088	260,284	74,042	12,227	21,969	4,763	5,005	664,378	346,987	15,085	1,026,450
Insurance	50,452	517,697	134,188	178,375	76,738	-	2,341	959,791	34,117	733	994,641
Depreciation	72,458	1,764,677	1,961	518,436	167,670	-	7,900	2,533,102	132,531	13,750	2,679,383
Interest	2	888	6	2	3	-	-	901	66,220	-	67,121
Advertising and promotion	2,650	62,930	75	14,316	42,439	-	1,756	124,166	12,581	56,075	192,822
Food	33,126	782,513	8,739	391,495	270,684	-	178	1,486,735	6,248	5,635	1,498,618
HEERF grants to students	-	1,009,866	-	-	-	-	-	1,009,866	-	-	1,009,866
Total Expenses	\$ 3,778,478	\$ 12,671,146	\$ 18,665,257	\$ 2,823,550	\$ 1,909,665	\$ 5,422,711	\$ 362,223	\$ 45,633,030	\$ 1,439,134	\$ 1,609,502	\$ 48,681,666

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services							Total Program Services	Management and Development		Total
	Local Church Ministries	Bible Institute	International Ministries	Camps - New York	Camps - Florida	Foundation	Other Ministries		General	Development	
Salaries and wages	\$ 1,700,579	\$ 3,887,843	\$ 4,483,791	\$ 207,209	\$ 341,381	\$ -	\$ 231,299	\$ 10,852,102	\$ 581,257	\$ 619,162	\$ 12,052,521
Employee benefits	411,969	1,308,959	1,221,173	90,929	104,331	-	34,266	3,171,627	308,347	121,998	3,601,972
Grants	5,180	38,838	10,106,882	14,483	5,095	2,782,112	605	12,953,195	60,086	9,800	13,023,081
Professional and outside services	167,397	289,144	41,844	37,589	117,097	-	4,941	658,012	24,452	329,968	1,012,432
Travel	122,440	72,431	464,696	6,002	11,229	-	35,417	712,215	23,717	23,283	759,215
Facility rental and utility costs	51,274	865,216	59,345	352,760	290,896	-	3,776	1,623,267	162,871	55,588	1,841,726
Repairs and maintenance	38,673	535,240	97,025	73,532	145,240	-	6,458	896,168	39,515	9,351	945,034
Printing and postage	108,251	124,240	90,005	8,786	12,677	-	4,948	348,907	31,173	238,419	618,499
Supplies	50,602	207,003	148,070	52,282	59,673	-	9,326	526,956	25,083	19,683	571,722
Non-capitalizable equipment	48,707	460,497	151,585	69,364	48,953	-	5,803	784,909	20,057	2,435	807,401
Other expenses	343,443	422,786	61,975	106,055	17,943	1,264	2,819	956,285	142,785	4,639	1,103,709
Insurance	69,787	421,881	168,568	184,140	62,030	-	6,944	913,350	1,256	1,248	915,854
Depreciation	67,034	1,216,191	667	498,667	172,423	-	8,203	1,963,185	83,865	13,750	2,060,800
Interest	-	325	-	-	-	-	-	325	101,512	860	102,697
Advertising and promotion	408	66,653	524	4	10,891	-	7,083	85,563	3,030	24,516	113,109
Food	7,004	669,494	9,314	8,998	151,364	-	965	847,139	3,062	396	850,597
HEERF grants to students	-	253,378	-	-	-	-	-	253,378	-	-	253,378
Total Expenses	\$ 3,192,748	\$ 10,840,119	\$ 17,105,464	\$ 1,710,800	\$ 1,551,223	\$ 2,783,376	\$ 362,853	\$ 37,546,583	\$ 1,612,068	\$ 1,475,096	\$ 40,633,747

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,618,158	\$ 9,177,198
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,679,383	2,060,800
Net realized and unrealized gain on investments	(161,922)	(239,183)
Actuarial change in annuities, net of investment income	143,675	46,275
Loss on disposal of land, buildings and equipment	-	715,370
Forgiveness of Paycheck Protection Program refundable advance (Note 2)	(2,854,500)	-
Contributions restricted for:		
Investment in endowment	(420)	(420)
Land, buildings and equipment	(22,969,953)	(16,201,417)
Changes in assets and liabilities:		
Bible Institute accounts receivable	108,228	181,749
Other accounts receivable	(21,766)	90,501
Prepaid expenses	69,877	(140,437)
Inventories	(144,289)	181,944
Pledges receivable for operations	(276,431)	212,896
Accounts payable and accrued expenses	(652,073)	(923,360)
Deferred revenue	23,842	(190,346)
Paycheck Protection Program refundable advance (Note 2)	-	2,854,500
Net Cash Provided (Used) by Operating Activities	19,561,809	(2,173,930)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of land, buildings and equipment	(9,043,600)	(23,550,519)
Proceeds from collection of notes receivable	200,000	2,500
Purchase of investments	(16,018,003)	(3,400,180)
Proceeds from sale of investments	5,947,257	1,577,538
Net Cash Used by Investing Activities	(18,914,346)	(25,370,661)

(continued)

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and collections on pledges restricted for:		
Investment in endowment	420	420
Land, buildings and equipment	23,482,057	23,397,842
Payments on annuity agreements	(239,119)	(104,646)
Face value of new annuities, net of contribution	42,822	2,357
Proceeds from new borrowings on line of credit	23,298,929	15,933,640
Payments of principal on line of credit	(25,086,312)	(15,778,575)
Net Cash Provided by Financing Activities	21,498,797	23,451,038
 Net Change in Cash, Cash Equivalents and Restricted Cash	22,146,260	(4,093,553)
 Cash, Cash Equivalents and Restricted Cash, Beginning of Year	19,900,085	23,993,638
 Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 42,046,345	\$ 19,900,085
 Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 27,060,468	\$ 17,439,769
Cash - restricted	14,985,877	2,460,316
	\$ 42,046,345	\$ 19,900,085
 SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	\$ 67,121	\$ 102,697
 Non-cash investing and financing transactions:		
Transfer of land, buildings and equipment to assets held for sale	\$ 2,869,790	\$ -
 Paycheck Protection Program refundable advance forgiveness recognized as gain on forgiveness (Note 2)	\$ 2,854,500	\$ -
 Additions to land, buildings and equipment	\$ 9,901,380	\$ 23,550,519
Less: asset additions in accounts payable at year end	(857,780)	-
 Cash paid for land, buildings and equipment	\$ 9,043,600	\$ 23,550,519

See notes to consolidated financial statements

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 affiliated 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 Subsidiary 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 SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND CREDIT RISK

Word of Life considers all highly liquid instruments with maturities of three months or less when purchased 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. Restricted cash includes cash held for building improvements and equipment purchases. At times, these balances may exceed federal deposit insurance limits. At December 31, 2021 and 2020, cash and cash equivalents exceeded FDIC insured limits by approximately \$40,072,000 and \$17,878,000 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. 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, 2021 and 2020, was \$357,896 and \$432,473, 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.

ASSETS HELD FOR SALE

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets designated as held for sale are recorded at the lower of carrying amount at the time the classification as held for sale was made or fair value less costs to sell. Depreciation is not charged against property and equipment classified as held for sale.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR SALE, continued

During the year ended December 31, 2021, Word of Life made the decision to sell its Lodge property. As of December 31, 2021, the net book value of the Lodge property was approximately \$2.9 million, and is reflected as assets held for sale in the consolidated statements of financial position. As of December 31, 2021, Word of Life was in contract with a buyer to sell the Lodge property for \$4.2 million. As of the date the consolidated financial statements were available to be issued, the sale of the Lodge property had not yet closed.

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 notes receivable for impairment on an individual basis if the note is more than 30 days delinquent. The note receivable is then given an 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. There were no notes receivable as of December 31, 2021. The notes receivable as of December 31, 2020, were current; therefore, notes receivable were 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 \$220,000 and \$206,250 for the years ended December 31, 2021 and 2020, 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 land, buildings and equipment 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 land, buildings 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 increases in net assets with donor restrictions. Release from net assets with donor restrictions occurs when the land, buildings and equipment are purchased and placed in to service, unless otherwise specified by a donor. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDINGS AND EQUIPMENT, continued

Estimated useful lives are:

Buildings and improvements	7 to 50 years
Furniture and equipment	5 to 20 years
Vehicles and boats	3 to 10 years

Word of Life reviews its investment in land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such land, buildings and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the land, buildings and equipment to the future net undiscounted cash flow expected to be generated by the assets and any estimated proceeds from the eventual disposition of the assets. If the land, buildings and equipment are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such assets. There were no impairment losses recognized in the years ended December 31, 2021 and 2020.

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 revenue either with or without donor restrictions 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.

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 could fluctuate materially. However, given the nature of Word of Life's investment holdings, this is unlikely. 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.

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.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

Fair values of assets measured on a recurring basis are as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Corporate bonds	\$ -	\$ 3,086,365	\$ -	\$ 3,086,365
Mutual and exchange-traded funds	15,097,028	-	-	15,097,028
Inter-mission gift annuity investment	-	58,610	-	58,610
Common stocks	2,468	-	-	2,468
	<u>\$ 15,099,496</u>	<u>\$ 3,144,975</u>	<u>\$ -</u>	<u>18,244,471</u>
Cash and cash equivalents in brokerage accounts, held at cost				559,537
				<u>\$ 18,804,008</u>
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Corporate bonds	\$ -	\$ 3,276,556	\$ -	\$ 3,276,556
Mutual and exchange-traded funds	3,768,393	-	-	3,768,393
Inter-mission gift annuity investment	-	63,264	-	63,264
Common stocks	3,336	-	-	3,336
	<u>\$ 3,771,729</u>	<u>\$ 3,339,820</u>	<u>\$ -</u>	<u>7,111,549</u>
Cash and cash equivalents in brokerage accounts, held at cost				1,459,791
				<u>\$ 8,571,340</u>

Valuation techniques - fair values for corporate and government agency bonds, mutual and exchange-traded funds, inter-mission gift annuity investments and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

Word of Life was approved for a Paycheck Protection Program loan of \$2,854,500, on April 16, 2020, through the Coronavirus Aid, Relief, and Economic Security Act (CARES) and administered by the Small Business Administration (SBA). The loan accrued interest at 1.00% per annum and matured two years from the date it was funded. As of December 31, 2020, the full amount was recorded as a liability as "Paycheck Protection Program refundable advance" in the consolidated statements of financial position. During the year ended December 31, 2021, Word of Life submitted for loan forgiveness, and notification of full loan forgiveness was received from the SBA on September 7, 2021. Revenue associated with the forgiveness amount is recorded as gain on forgiveness of Paycheck Protection Program refundable advance on the consolidated statements of activities.

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. 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 for the States of New York and New Jersey. At December 31, 2021 and 2020, 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:

Net assets without donor restrictions include gifts for the general operations of Word of Life, donor advised funds, those resources invested in land, building and equipment (net of related debt) and required annuity reserves.

Net assets with donor restrictions 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. Net assets with donor restrictions 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. Net assets with donor restrictions also include those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to be permanently retained. Generally, the donors of these funds permit Word of Life to use all or part of the income earned on related investments or other assets, and the net capital appreciation thereon, for general or specific purposes.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

SUPPORT 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 net assets with donor restrictions until funds have been expended by Word of Life for the purposes specified. Upon satisfaction of the restriction, net assets with donor restrictions are released and reclassified to net assets without donor restrictions 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.

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.

During the years ended December 31, 2021 and 2020, Word of Life received approximately 57% of its contributions in both years, including contributions to donor advised funds, from two and three donors each year, respectively, which includes board members and other related parties.

Government grants consist of Title IV program funding and Higher Education Emergency Relief Funds (HEERF). For Title IV program funding, Word of Life receives limited authorization by the United States Department of Education and is awarded in full to eligible students. Word of Life received allocations as part of the HEERF, and expended \$2,178,799 and \$506,756 during the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, \$1,009,866 and \$253,378, respectively, was distributed directly to eligible students and \$1,168,933 and \$253,378, respectively, was used to help Word of Life offset the financial impact from the COVID-19 pandemic. These funds are reported as a component of government grants in the consolidated statements of activities. Word of Life has adopted a policy with respect to these funds of reporting the conditional grants for which the restriction is met in the same year as revenue without donor restrictions in accordance with the simultaneous release option.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE

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.

Bible Institute Tuition and Fees Revenue

Bible Institute tuition and fees revenue, which includes fees for room and board, is reported as a component of program income in the consolidated statements of activities. Word of Life recognizes revenue from student tuition and fees within the year in which services are provided. Academic programs are delivered in two academic terms, Spring and Fall. Student discounts, in the form of scholarships and grants, includes amounts funded out of Word of Life's operating budget as well as by endowment and other gifts, and reduces the published price of tuition and fees for students receiving such discounts. As such, student discounts represent the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Payments for tuition are due prior to the start of the academic term, unless the student has enrolled in a payment plan with Word of Life. Word of Life's refund policy provides for a refund of tuition and fees according to the following schedule:

<u>Week of Academic Term</u>	<u>Refund</u>
First	100%
Second	85%
Third	70%
Fourth	55%
Fifth	40%
Sixth	25%
Subsequent Weeks	0%

Tuition and fees are recognized as revenue as performance obligations are met. Revenue from tuition and fees is recognized ratably over the academic term to which it relates. The Spring academic term for both the New York and Florida campus' typically fall entirely within the calendar year. The Fall academic term for the Florida campus typically falls entirely within the calendar year, however the Fall academic term for the New York campus typically crosses calendar years. For the 2021 Fall academic term at the New York campus, 92% of tuition and fees revenue are recognized in the consolidated statements of activities for the year ended December 31, 2021, and 8% of tuition and fees are recorded as deferred income at December 31, 2021. For the 2020 Fall academic term at the New York campus, 88% of tuition and fees revenue are recognized in the consolidated statements of activities for the year ended December 31, 2020, and 12% of tuition and fees are recorded as deferred income at December 31, 2020. See Note 8.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, continued

Students secure enrollment in the academic programs and room and board by completing and signing the *Student Enrollment Agreement*. A nonrefundable housing deposit of \$250 is required at the time the *Student Enrollment Agreement* is signed, which is applied against the charges for room and board.

Tuition and fees included as a component of program income in the consolidated statements of activities is as follows:

	Year Ended December 31,	
	2021	2020
Tuition and fees	\$ 8,615,449	\$ 8,271,120
Less: student discounts	<u>(2,789,181)</u>	<u>(2,620,148)</u>
	<u>\$ 5,826,268</u>	<u>\$ 5,650,972</u>

Camps and Conferences Revenue

Camps and conferences revenue includes fees charged to individuals for reservations for various camps, conferences and retreats and is reported as a component of program income in the consolidated statements of activities. Payments for camps and conferences are generally due at the time a reservation is made, which is typically several weeks to several months in advance of the start date of a reservation. Consequently, associated revenues are earned and recognized on the date a reservation begins. Payments received for camps and conferences reservations are reported as a component of deferred revenue until earned. See Note 8. Discounts are provided to qualifying individuals making reservations and are recorded as a reduction to related camps and conferences revenue.

Camps and conferences revenue included as a component of program income in the consolidated statements of activities is as follows:

	Year Ended December 31,	
	2021	2020
Camps and conferences revenue	\$ 3,621,744	\$ 1,644,013
Less: discounts	<u>(1,008,899)</u>	<u>(532,602)</u>
	<u>\$ 2,612,845</u>	<u>\$ 1,111,411</u>

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL 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. These expenses include depreciation and certain salaries and benefits, utilities, repair and maintenance, printing and postage, and supplies and travel. These expenses are allocated based on estimates of time and effort or based on the programmatic purpose of the asset being depreciated. Word of Life incurred no joint costs for the years ended December 31, 2021 and 2020. Advertising costs are expensed as incurred.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

Word of Life (Bible Institute) participates in the delivery of student financial assistance programs under various programs administered by the United States Department of Education (ED) and acts as an agent to the agency. The government grant amounts reported exclude funds directly awarded and credited to students under the various ED programs, however, substantial portions of tuition and fees revenue and collection of student accounts receivable are depended on Word of Life's continued participation in the various ED programs. The related activity, when exceeding audit requirement thresholds, is subject to audit both by independent certified public accountants and by representatives of the administering agency regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties or the discontinuation of eligibility for participation.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects Word of Life's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, as well as donor advised funds, within one year of the consolidated statements of financial position date.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents and restricted cash	\$ 42,046,345	\$ 19,900,085
Bible Institute accounts receivable, net	288,211	396,439
Other accounts receivable	229,640	207,874
Pledges receivable, net	397,470	633,143
Notes receivable	-	200,000
Long-term investments	18,804,008	8,571,340
Financial assets, at year end	61,765,674	29,908,881
Less those unavailable for general expenditure within one year, due to:		
Gift annuity liability - actuarial reserve	(691,715)	(744,337)
Gift annuity statutorily required surplus	(180,279)	(194,018)
Other accounts receivable collectible beyond one year	(122,300)	(123,550)
Pledges receivable restricted for purchase of buildings and equipment	(106,920)	(619,024)
Notes receivable collectible beyond one year	-	-
Financial assets held in donor advised funds	(29,167,251)	(15,061,397)
Restricted by donors for purchase of buildings and equipment	(14,985,877)	(2,460,316)
Restricted by donors in perpetuity	(1,846,685)	(1,846,265)
Subject to appropriation from endowment	(341,458)	(464,738)
	(47,442,485)	(21,513,645)
Financial assets available to meet cash needs for general expenditures within one year	\$ 14,323,189	\$ 8,395,236

Word of Life is substantially supported by contributions on an unrestricted and restricted basis. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. Word of Life must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Word of Life's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity needs, Word of Life maintains a line of credit amounting to \$2,000,000 as of December 31, 2021 (Note 9). Borrowing capacity on the line of credit was \$1,530,917 and \$743,534 as of December 31, 2021 and 2020, respectively.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

4. PLEDGES RECEIVABLE:

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

	December 31,	
	2021	2020
Amounts due in less than one year	\$ 515,949	\$ 630,094
Amounts due in one to two years	3,900	9,100
Less allowance for uncollectible pledges	(122,379)	(6,051)
	\$ 397,470	\$ 633,143

5. INVENTORIES:

Inventories consist of the following:

	December 31,	
	2021	2020
Bookstore	\$ 304,287	\$ 269,025
Publications and curriculum for resale	148,553	136,939
Recreational vehicles for sale	107,696	4,000
Food supplies	45,208	48,290
Maintenance and housekeeping supplies	6,623	9,824
	\$ 612,367	\$ 468,078

6. LAND, BUILDINGS AND EQUIPMENT, NET:

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

	December 31,	
	2021	2020
Land	\$ 3,101,213	\$ 3,123,828
Buildings and improvements	89,835,545	74,858,742
Furniture and equipment	3,283,872	3,304,627
Vehicles and boats	2,904,360	2,699,730
	99,124,990	83,986,927
Less accumulated depreciation	(26,715,774)	(29,425,287)
	72,409,216	54,561,640
Construction in progress	11,508,710	24,990,329
	\$ 83,917,926	\$ 79,551,969

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

6. LAND, BUILDINGS AND EQUIPMENT, NET, continued:

Depreciation expense on land, buildings and equipment for the years ended December 31, 2021 and 2020, amounted to \$2,665,633 and \$2,047,050, respectively.

Construction in progress relates to numerous improvement projects across Word of Life's various properties. Word of Life has entered in to various construction contracts related to these projects. As of December 31, 2021, those construction contracts total to approximately \$10.2 million, of which approximately \$4.3 million remains to be expended subsequent to December 31, 2021. The projects have primarily been funded through contributions.

7. LONG-TERM INVESTMENTS:

Long-term investments consist of the following:

	December 31,	
	2021	2020
Corporate bonds	\$ 3,086,365	\$ 3,276,556
Mutual and exchange-traded funds	15,097,028	3,768,393
Cash and cash equivalents held in brokerage accounts	559,537	1,459,791
Inter-mission gift annuity investment	58,610	63,264
Common stocks	2,468	3,336
	<u>\$ 18,804,008</u>	<u>\$ 8,571,340</u>

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 \$1,444,719 and \$1,532,484 at December 31, 2021 and 2020, respectively. Investments relating to the endowment fund amounted to \$2,220,143 and \$2,315,623 at December 31, 2021 and 2020, respectively. Investments relating to donor advised funds amounted to \$15,048,593 and \$4,642,516 at December 31, 2021 and 2020, respectively.

In addition to the investment income recorded on the consolidated statements of activities, the annuity investments earned \$56,516 in interest and dividends and \$30,286 in realized and unrealized gains for a total of \$86,802 for the year ended December 31, 2021. The annuity investments earned \$58,498 in interest and dividends and \$104,446 in realized and unrealized gains for a total of \$162,944 for the year ended December 31, 2020. This is reflected on the consolidated statements of activities as a component of the change in value of gift annuities.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. DEFERRED REVENUE:

The activity and balances for deferred revenue related to contracts with customers, as well as other deferred revenue, are as follows:

	December 31,	
	2021	2020
Beginning balance, related to contracts with customers	\$ 1,486,563	\$ 1,676,909
Revenue recognized for tuition, fees, room and board	(708,737)	(588,453)
Revenue recognized for camps and conferences	(764,557)	(539,731)
Refunds of prior year deferred revenue for cancelled camps and conferences	(13,269)	(262,943)
Payments received for future performance obligations - tuition, fees, room and board	585,093	708,737
Payments received for future performance obligations - camps and conferences	862,912	492,044
Ending balance, related to contracts with customers	1,448,005	1,486,563
Other deferred revenue	62,400	-
	<u>\$ 1,510,405</u>	<u>\$ 1,486,563</u>

Of the \$1,448,005 and \$1,486,563 of deferred revenue related to contracts with customers at December 31, 2021 and 2020, respectively, \$585,093 and \$708,737, respectively, is related to tuition, fees, room and board and \$862,912 and \$777,826, respectively, is related to camps and conferences.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

9. LINES OF CREDIT PAYABLE:

Lines of credit payable consists of the following:

	December 31,	
	2021	2020
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 of 3.5% at December 31, 2020), expiring in September 2022.	\$ 469,083	\$ 1,456,466
Line of credit payable to a bank (\$1,000,000 limit) secured by Word of Life properties and due on demand with an interest rate of prime plus 1% (with a 4.5% floor) adjusted monthly (interest rate of 4.5% at December 31, 2020), expiring in September 2021. The line of credit was not renewed.	-	800,000
	\$ 469,083	\$ 2,256,466

Both lines of credit require monthly payments of interest only with the principal balance due upon maturity. As of December 31, 2021 and 2020, Word of Life was in compliance with all loan covenants.

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

Change in value of gift annuity liability actuarial reserve consists of the following:

	Year Ended December 31,	
	2021	2020
Investment income:		
Interest and dividend income	\$ 56,516	\$ 58,498
Investment fees	(7,609)	(7,515)
Realized gain (loss) on sale of investments	49,282	(2,381)
Unrealized gain (loss) on investments	(18,996)	106,827
	79,193	155,429
New annuities - whole amount	75,000	5,000
New annuities - gift portion	(32,178)	(2,643)
Payments to annuitants	(239,119)	(104,646)
Change in actuarial reserve	66,582	(106,920)
	\$ (50,522)	\$ (53,780)

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. NET ASSETS:

Net assets consist of the following:

	December 31,	
	2021	2020
Without donor restrictions:		
Undesignated	\$ 2,937,288	\$ (7,043,210)
Donor advised funds	29,167,251	15,061,397
Invested in land, buildings and equipment, net	83,917,926	79,551,969
Total without donor restrictions	116,022,465	87,570,156
With donor restrictions:		
Subject to expenditure for specified purpose or passage of time	26,917,408	11,751,979
Subject to restriction in perpetuity - endowment	1,846,685	1,846,265
Total with donor restrictions	28,764,093	13,598,244
Total net assets	\$ 144,786,558	\$ 101,168,400

DONOR ADVISED FUNDS

Donor advised fund activity consists of the following:

	Year Ended December 31,	
	2021	2020
Donor advised fund net assets, beginning of year	\$ 15,061,397	\$ 20,876,124
Changes in donor advised funds:		
Contributions to donor advised funds	31,996,345	23,914,710
Investment income on assets in donor advised funds	890,659	220,503
Distributions from donor advised funds	(18,781,150)	(29,949,940)
	14,105,854	(5,814,727)
Donor advised fund net assets, end of year	\$ 29,167,251	\$ 15,061,397

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. NET ASSETS, continued:

NET ASSETS WITH RESTRICTIONS SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSES OR PASSAGE OF TIME

Net assets with restrictions subject to expenditure for specified purposes or passage of time were as follows:

	Year Ended December 31,			
	2021		2020	
	Net Assets	Releases	Net Assets	Releases
Purpose restricted:				
International ministries missions support	\$ 4,912,953	\$ 12,546,506	\$ 3,693,009	\$ 12,059,984
Local church ministries missions support	596,081	2,262,099	473,620	2,189,391
Evangelism and short-term missions	266,742	299,849	45,895	484,499
Bible Institute scholarships	304,364	111,145	400,419	103,869
Needy camper aid	230,315	14,544	238,672	22,942
Fellowship projects	15,024,227	4,116,803	2,530,941	2,771,453
International ministries projects	4,818,078	1,889,996	3,359,082	2,406,316
Local church ministries projects	131,899	107,547	114,430	82,146
	26,284,659	21,348,489	10,856,068	20,120,600
Time restricted:				
Properties subject to life estates	55,000	13,750	68,750	13,750
Gift annuity statutorily required surplus	180,279	-	194,018	-
Pledges receivable	397,470	-	633,143	-
	632,749	13,750	895,911	13,750
	\$ 26,917,408	\$ 21,362,239	\$ 11,751,979	\$ 20,134,350

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. NET ASSETS, continued:

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. Word of Life has interpreted New York State UPMIFA (NYPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, Word of Life classifies as net assets with donor restrictions in perpetuity: (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment; and, (c) the accumulations to the donor restricted endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund, if any.

The remaining portion of a donor-restricted endowment fund not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions, time and purpose until those amounts are appropriated for expenditure by Word of Life in a manner consistent with the uses, benefits, purposes and duration for which the endowment was established and the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, Word of Life considers the following factors in making a determination to appropriate or accumulate 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
8. Appropriate situations (i.e. underwater) to curtail or eliminate spending

As of December 31, 2021 and 2020, all endowment funds held by Word of Life are donor-restricted permanent endowments. Word of Life did not hold any term endowments or board-designated quasi-endowments as of and for the years ended December 31, 2021 or 2020.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. NET ASSETS, continued:

ENDOWMENT FUNDS, continued

Changes in donor-restricted endowment net assets are as follows:

	Year Ended December 31, 2021		
	Original Gift Amount	Accumulated Gains (Losses)	Total
Endowment net assets, beginning of year	\$ 1,846,265	\$ 464,738	\$ 2,311,003
Investment return	-	(11,480)	(11,480)
Contributions	420	-	420
Amounts appropriated for expenditure	-	(111,800)	(111,800)
	420	(123,280)	(122,860)
Endowment net assets, end of year	\$ 1,846,685	\$ 341,458	\$ 2,188,143
	Year Ended December 31, 2020		
	Original Gift Amount	Accumulated Gains (Losses)	Total
Endowment net assets, beginning of year	\$ 1,845,845	\$ 321,042	\$ 2,166,887
Investment return	-	238,196	238,196
Contributions	420	-	420
Amounts appropriated for expenditure	-	(94,500)	(94,500)
	420	143,696	144,116
Endowment net assets, end of year	\$ 1,846,265	\$ 464,738	\$ 2,311,003

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, 2021 and 2020, there were no endowments for which the fair value of assets associated with individual donor-restricted endowment funds fell below the level required by the donor.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

11. NET ASSETS, continued:

ENDOWMENT FUNDS, continued

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.

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.

12. 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 40 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 2021 and 2020, was \$216,832 and \$193,165, respectively.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

13. 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 health and athletic center totaling \$33,087 and \$6,276,091 during the years ended December 31, 2021 and 2020, respectively, were provided to Word of Life by a company whose CEO is a former board member;
- Word of Life purchased vehicles totaling \$34,526 and \$34,656 from a company controlled by a board member during the years ended December 31, 2021 and 2020, respectively;
- supplemental retirement and benevolence payments were provided for the benefit of a former management co-director and current board member, and benevolence payments were provided to the spouse of a former board member totaling \$18,333 and \$67,000 during the years ended December 31, 2021 and 2020, respectively;
- donated rent from a company controlled by a board member valued at \$108,000 for both years ended December 31, 2021 and 2020.

14. MANAGEMENT AND SHARED SERVICES AGREEMENTS:

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 \$120,000 in both 2021 and 2020. These transactions were eliminated in consolidation.

During 2018, Word of Life was approached by Davis College concerning the prospects of merging in to Word of Life Bible Institute. Word of Life responded with a memorandum of understanding (MOU) containing terms. In early 2019, the MOU was approved by the board of Davis College. Since the date of the approval of the MOU, Word of Life and Davis College have begun the due diligence process and have been in consultation with appropriate accrediting agencies and the New York State Department of Education. As of the date of these consolidated financial statements, that process is ongoing.

In the interim, the accrediting agencies and the New York State Department of Education have approved a shared services agreement between the two schools to initiate the process of moving forward, which was signed in May 2019. Under the shared services agreement, Word of Life provides certain administrative services to Davis College relating to admissions, marketing and student development. Payments received from Davis College amounted to approximately \$186,000 and \$27,000 for the years ended December 31, 2021 and 2020, respectively.

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

15. INTERNATIONAL MINISTRY PARTNERS:

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 does not make matching contributions.

16. 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 \$130,000 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 consolidated statements of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was approximately \$265,000 at both December 31, 2021 and 2020.

17. 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 consolidated financial position or results of operations of Word of Life.

18. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which continues to impact the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidated financial position and results of Word of Life for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

19. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 31, 2022, which is the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

We have audited the consolidated financial statements of Word of Life Fellowship, Inc. and Subsidiary as of and for the years ended December 31, 2021 and 2020, and our report thereon dated May 31, 2022, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was 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 audit 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
May 31, 2022

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidating Schedule of Financial Position

December 31, 2021

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 12,941,810	\$ 14,118,658	\$ -	\$ 27,060,468
Cash - restricted	14,985,877	-	-	14,985,877
	27,927,687	14,118,658	-	42,046,345
Bible Institute accounts receivable, net	288,211	-	-	288,211
Other accounts receivable	229,640	-	-	229,640
Prepaid expenses	304,724	-	-	304,724
Inventories	612,367	-	-	612,367
Pledges receivable, net	397,470	-	-	397,470
Assets held for sale	2,869,790	-	-	2,869,790
Notes receivable	-	-	-	-
Properties subject to life estates, net	55,000	-	-	55,000
Land, buildings and equipment, net	83,917,926	-	-	83,917,926
Long-term investments	3,755,415	15,048,593	-	18,804,008
	\$ 120,358,230	\$ 29,167,251	\$ -	\$ 149,525,481
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,067,720	\$ -	\$ -	\$ 2,067,720
Deferred revenue	1,510,405	-	-	1,510,405
Lines of credit payable	469,083	-	-	469,083
Gift annuity liability-actuarial reserve	691,715	-	-	691,715
Total liabilities	4,738,923	-	-	4,738,923
Net assets:				
Without donor restrictions	86,855,214	29,167,251	-	116,022,465
With donor restrictions	28,764,093	-	-	28,764,093
Total net assets	115,619,307	29,167,251	-	144,786,558
	\$ 120,358,230	\$ 29,167,251	\$ -	\$ 149,525,481

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidating Schedule of Financial Position

December 31, 2020

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 7,229,242	\$ 10,210,527	\$ -	\$ 17,439,769
Cash - restricted	2,460,316	-	-	2,460,316
	9,689,558	10,210,527	-	19,900,085
Bible Institute accounts receivable, net	396,439	-	-	396,439
Other accounts receivable	207,874	-	-	207,874
Prepaid expenses	374,601	-	-	374,601
Inventories	468,078	-	-	468,078
Pledges receivable, net	633,143	-	-	633,143
Notes receivable	-	200,000	-	200,000
Properties subject to life estates, net	68,750	-	-	68,750
Land, buildings and equipment, net	79,551,969	-	-	79,551,969
Long-term investments	3,932,349	4,638,991	-	8,571,340
	95,322,761	15,049,518	-	110,372,279
Total Assets	\$ 95,322,761	\$ 15,049,518	\$ -	\$ 110,372,279
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,862,013	\$ -	\$ -	\$ 1,862,013
Deferred revenue	1,955,471	-	(468,908)	1,486,563
Paycheck Protection Program refundable advance	2,854,500	-	-	2,854,500
Lines of credit payable	2,256,466	-	-	2,256,466
Gift annuity liability-actuarial reserve	744,337	-	-	744,337
Total liabilities	9,672,787	-	(468,908)	9,203,879
Net assets:				
Without donor restrictions	72,051,730	15,049,518	468,908	87,570,156
With donor restrictions	13,598,244	-	-	13,598,244
Total net assets	85,649,974	15,049,518	468,908	101,168,400
Total Liabilities and Net Assets	\$ 95,322,761	\$ 15,049,518	\$ -	\$ 110,372,279

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidating Schedule of Activities

Year Ended December 31, 2021

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 56,036,900	\$ 31,996,345	\$ (13,733,606)	\$ 74,299,639
Government grants	2,219,656	-	-	2,219,656
Programs (net of student and camp and conference discounts)	11,525,336	-	-	11,525,336
Bookstore and other sales (net of cost of goods sold of \$371,524)	289,395	-	-	289,395
Interest and dividend income	94,959	634,340	-	729,299
Realized and unrealized gain (loss) on investments	(88,900)	250,822	-	161,922
Interest income on notes receivable	-	2,500	-	2,500
Change in value of gift annuities	50,522	-	-	50,522
Gain on forgiveness of Paycheck Protection Program refundable advance (Note 2)	2,854,500	-	-	2,854,500
Other income	167,055	-	-	167,055
Total support and revenue	73,149,423	32,884,007	(13,733,606)	92,299,824
EXPENSES:				
Program services:				
Local church ministries	3,778,478	-	-	3,778,478
Bible Institute	12,671,146	-	-	12,671,146
International ministries	18,665,257	-	-	18,665,257
Camps - New York	2,823,550	-	-	2,823,550
Camps - Florida	1,909,665	-	-	1,909,665
Foundation	-	18,591,109	(13,168,398)	5,422,711
Other ministries	362,223	-	-	362,223
Total program services	40,210,319	18,591,109	(13,168,398)	45,633,030
Supporting services:				
Management and general	1,398,650	104,684	(64,200)	1,439,134
Development	1,571,121	70,481	(32,100)	1,609,502
Total supporting services	2,969,771	175,165	(96,300)	3,048,636
Total expenses	43,180,090	18,766,274	(13,264,698)	48,681,666
Change in Net Assets	29,969,333	14,117,733	(468,908)	43,618,158
Net Assets, Beginning of Year	85,649,974	15,049,518	468,908	101,168,400
Net Assets, End of Year	<u>\$ 115,619,307</u>	<u>\$ 29,167,251</u>	<u>\$ -</u>	<u>\$ 144,786,558</u>

See auditors' report on supplementary information

WORD OF LIFE FELLOWSHIP, INC. AND SUBSIDIARY

Consolidating Schedule of Activities

Year Ended December 31, 2020

	Word of Life Fellowship, Inc.	Word of Life Foundation, Inc.	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 42,763,823	\$ 23,914,710	\$ (26,650,281)	\$ 40,028,252
Government grants	548,022	-	-	548,022
Programs (net of student and camp and conference discounts)	8,855,640	-	-	8,855,640
Bookstore and other sales (net of cost of goods sold of \$381,025)	4,858	-	-	4,858
Interest and dividend income	96,707	120,355	-	217,062
Realized and unrealized gain on investments	151,041	88,142	-	239,183
Interest income on notes receivable	-	10,000	-	10,000
Change in value of gift annuities	53,780	-	-	53,780
Loss on disposal of land, buildings and equipment	(715,370)	-	-	(715,370)
Other income	569,518	-	-	569,518
Total support and revenue	52,328,019	24,133,207	(26,650,281)	49,810,945
EXPENSES:				
Program services:				
Local church ministries	3,192,748	-	-	3,192,748
Bible Institute	10,840,119	-	-	10,840,119
International ministries	17,105,464	-	-	17,105,464
Camps - New York	1,710,800	-	-	1,710,800
Camps - Florida	1,551,223	-	-	1,551,223
Foundation	-	29,806,265	(27,022,889)	2,783,376
Other ministries	362,853	-	-	362,853
Total program services	34,763,207	29,806,265	(27,022,889)	37,546,583
Supporting services:				
Management and general	1,601,325	74,943	(64,200)	1,612,068
Development	1,438,464	68,732	(32,100)	1,475,096
Total supporting services	3,039,789	143,675	(96,300)	3,087,164
Total expenses	37,802,996	29,949,940	(27,119,189)	40,633,747
Change in Net Assets	14,525,023	(5,816,733)	468,908	9,177,198
Net Assets, Beginning of Year	71,124,951	20,866,251	-	91,991,202
Net Assets, End of Year	<u>\$ 85,649,974</u>	<u>\$ 15,049,518</u>	<u>\$ 468,908</u>	<u>\$ 101,168,400</u>

See auditors' report on supplementary information