

Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
 Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust

OMB No. 1545-0047
1998
 This Form is Open to Public Inspection

Note: The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 1998 calendar year, OR tax year period beginning , 1998, and ending , 19

- B** Check if:
- Change of address
 - Initial return
 - Final return
 - Amended return (required also for state reporting)

C Name of organization
THREE ANGELS BROADCASTING NETWORK INC
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
PO BOX 220
 City or town, state or country, and ZIP+4
WEST FRANKFORT, IL, 62896

D Employer identification number
9056
E Telephone number
01-8618774
F Check if exemption application is pending

G Type of organization— Exempt under section 501(c)() (insert number) OR section 4947(a)(1) nonexempt charitable trust
 Note: Section 501(c)(3) exempt organizations and 4947(a)(1) nonexempt charitable trusts MUST attach a completed Schedule A (Form 990).

H(a) Is this a group return filed for affiliates? Yes No
(b) If "Yes," enter the number of affiliates for which this return is filed: Yes No
(c) Is this a separate return filed by an organization covered by a group ruling? Yes No
I If either box in H is checked "Yes," enter four-digit group exemption number (GEN) Cash Accrual
J Accounting method: Other (specify)

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: Form 990-EZ may be used by organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at end of year.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 13.)

Revenue	1 Contributions, gifts, grants, and similar amounts received:					
	a Direct public support	1a	7,557,624			
	b Indirect public support	1b				
	c Government contributions (grants)	1c				
	d Total (add lines 1a through 1c) (attach schedule of contributors) (cash \$ 7,460,075 noncash \$ 97,549)	1d		7,557,624		
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		519,542		
	3 Membership dues and assessments	3				
	4 Interest on savings and temporary cash investments	4		48,715		
	5 Dividends and interest from securities	5				
	6a Gross rents	6a	17,055			
	b Less: rental expenses	6b	7,846			
	6c Net rental income or (loss) (subtract line 6b from line 6a)	6c		9,209		
7 Other investment income (describe)	7					
	8a Gross amount from sale of assets other than inventory	(A) Securities		(B) Other		
		8a	258,740			
	b Less: cost or other basis and sales expenses	8b	101,012			
	c Gain or (loss) (attach schedule)	8c	157,728			
8d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d		157,728			
	9 Special events and activities (attach schedule)					
	a Gross revenue (not including \$ of contributions reported on line 1a)	9a				
	b Less: direct expenses other than fundraising expenses	9b				
9c Net income or (loss) from special events (subtract line 9b from line 9a)	9c					
	10a Gross sales of inventory, less returns and allowances	10a	796,218			
	b Less: cost of goods sold	10b	712,201			
	10c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c		84,017		
Expenses	11 Other revenue (from Part VII, line 103)	11		200,230		
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12		8,577,065		
	13 Program services (from line 44, column (B))	13		3,496,958		
	14 Management and general (from line 44, column (C))	14		3,263,010		
	15 Fundraising (from line 44, column (D))	15				
	16 Payments to affiliates (attach schedule)	16				
	17 Total expenses (add lines 16 and 44, column (A))	17		6,759,968		
Net Assets	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18		1,817,097		
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19				
	20 Other changes in net assets or fund balances (attach explanation)	20				
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21		9561199		

Ex. J
 Ex. CC
 (J-R)

Revenue 08 1999

SEP 20 1999

Form 990 (1998)

Part VI Other Information (See Specific Instructions on page 23.)

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77	X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	X
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization _____ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.		
81a	Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81. 81a _____		
b	Did the organization file Form 1120-POL for this year?	81b	X
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions for reporting in Part III.) 82b _____		
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	
85	501(c)(4), (5), or (6) organizations.—a Were substantially all dues nondeductible by members?	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b	
c	Dues, assessments, and similar amounts from members	85c	
d	Section 162(e) lobbying and political expenditures	85d	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f?	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	
86	501(c)(7) organizations.—Enter: a Initiation fees and capital contributions included on line 12 86a _____		
b	Gross receipts, included on line 12, for public use of club facilities. 86b _____		
87	501(c)(12) organizations.—Enter: a Gross income from members or shareholders 87a _____		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b _____		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership? If "Yes," complete Part IX	88	X
89a	501(c)(3) organizations.—Enter: Amount of tax imposed on the organization during the year under section 4911 _____; section 4912 _____; section 4955 _____		
b	501(c)(3) and 501(c)(4) organizations.—Did the organization engage in any section 4958 excess benefit transaction during the year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. _____		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization. _____		
90a	List the states with which a copy of this return is filed ILLINOIS	90b	59
b	Number of employees employed in the pay period that includes March 12, 1998 (See instructions.)		
91	The books are in care of Pete Crotsar Telephone no: (618) 627-4651 Located at 3391 CHARLEY GOOD RD WEST FRANKFORT ZIP + 4 62896-0220		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here _____ and enter the amount of tax-exempt interest received or accrued during the tax year 92 _____		

Form 990 (1998)

Page 6

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 27.)

Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a <u>Production & Distribution</u>					
b <u>of religious programming</u>					
c <u>electronic transmission</u>					519,542
d _____					
e _____					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					48,715
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					9,209
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					157,728
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					84,017
103 Other revenue: a <u>VIDEO SALES</u>					200,230
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))					1,019,441
105 Total (add line 104, columns (B), (D), and (E))					1,019,441

Note: (Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.)

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 28.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93	<u>Payment of airtime & production of certain religious programming for electronic transmission</u>
95	
97	
100	
102	
103	<u>Miscellaneous</u>

Part IX Information Regarding Taxable Subsidiaries (Complete this Part if the "Yes" box on line 88 is checked.)

Name, address, and employer identification number of corporation or partnership	Percentage of ownership interest	Nature of business activities	Total income	End-of-year assets
	%			
	%			
	%			
	%			

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. (See General Instruction U, on page 12.)

Signature of officer: Danny Shelton Date: _____ Type or print name and title: Danny Shelton, President

Paid Preparer's Use Only

Preparer's signature: _____ Date: _____ Check if self-employed Preparer's SSN: _____

Firm's name (or yours if self-employed) and address: _____ EIN: _____ ZIP + 4: _____

Part III Statements About Activities

		Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:			
a Sale, exchange, or leasing of property?	2a	X	
b Lending of money or other extension of credit?	2b		X
c Furnishing of goods, services, or facilities?	2c		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	X	
e Transfer of any part of its income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions.	2e		X
3 Does the organization make grants for scholarships, fellowships, student loans, etc.?	3		X
4a Do you have a section 403(b) annuity plan for your employees?	4a		y
b Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See instructions on page 2.)			

Part IV Reason for Non-Private Foundation Status (See instructions on pages 2 through 4.)

The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5** A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6** A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 4.)
- 7** A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8** A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9** A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter the hospital's name, city, and state ▶** _____
- 10** An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a** An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b** A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12** An organization that normally receives: **(1) more than 33 1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and **(2) no more than 33 1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13** An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: **(1)** lines 5 through 12 above; or **(2)** section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions on page 4.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14** An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions on page 4.)

Three Angels Broadcasting Network, Inc.
 Form 990
 For the year ended December 31, 1998

Page 1 Part 1 Line 8C Gain or (Loss)

<u>Item</u>	<u>Book Value</u>	<u>Gross Sale</u>	<u>Gain (loss)</u>
Downlink	47,619.57	\$250,000.00	\$202,380.43
House	52,781.05	6,129.00	(46,652.05)
Piano	0.00	2,000.00	2,000.00
Totals	100,400.62	258,129.00	\$157,728.38

Page 2 Part II Line 42 Depreciation
 Page 3 Part IV Line 57b Accumulated Depreciation

	<u>Cost</u>	<u>Acc Depn</u>
Land	291,296	
Buildings	1,566,389	204,034
Houses	18,850	9,504
Downlink Equipment	4,837,965	1,079,621
Equipment	4,414,352	2,732,025
Vehicles	1,047,369	145,049
Misc Assets	76,000	
Total	12,252,222	4,170,232

Page 3 Part IV Line 64b Notes Payable

<u>Notes Payable</u>	
Maples	30,000
Schuler	34,983
Boatman's	1,282
Mitchell	100,000
Total	166,265

Three Angels Broadcasting Network, Inc.
 Form 990 Page 4 Part V
 For year ended December 31, 1998

(A)	(B)	(C,D,E)
Dr. Walter Tompson, Chairman 40 S Clay, Suite 217 Hinsdale, IL 60521 (630)887-1735	Director	-0-
J. Wayne Coulter Illinois Conference of SDA's 3721 Prairie Ave Brookfield, IL 60513 (708)485-1200	Director	-0-
May E. Chung 155 Manchester Lane San Bernardino, CA 92408 (909)824-3112	Director	-0-
Dr. Robert Ford 2517 NE Kresky Chehalis, WA 98532-2409 (360)748-8632	Director	-0-
Bill Hulsey Box 596 Collegedale, TN 37315 (423)396-9303	Director	-0-
Ellsworth McKee PO Box 750 Collegedale, TN 37315 (423)238-5487	Director	-0-
Danny Shelton 21027 Shawneetown Rd Thompsonville, IL 62890 (618)627-2867	President	49,862.66
Linda Shelton 21027 Shawneetown Rd Thompsonville, IL 62890 (618)627-2867	Vice-President	44,334.10

Stan Smith O.J. Jacobson Foundation Box 185 Lillooet, BC V0K 1V0 Canada (250)256-7535	Director	-0-
G. Ralph Thompson 12501 Old Columbia Pike Silver Spring, MD 20904-6600 (301)680-6000	Director	-0-
Owen Troy 1906 Dana Dr Adelphi, MD 20783-2119 (301)431-0930	Director	-0-
Larry Welch 715 S Mulkey Christopher, IL 62822 (618)724-9488	Maintenance	35,130.91

PT 04-1
Tax Type: Property Tax
Issue: Religious Ownership/Use

**STATE OF ILLINOIS
 DEPARTMENT OF REVENUE
 OFFICE OF ADMINISTRATIVE HEARINGS
 SPRINGFIELD, ILLINOIS**

3 ANGELS BROADCASTING NETWORK

v.

**THE DEPARTMENT OF REVENUE
 OF THE STATE OF ILLINOIS**

A.H. Docket #	01-PT-0027
P. I. #	174-116-11
Docket #	00-28-01
Docket #	01-28-07

**Barbara S. Rowe
 Administrative Law Judge**

RECOMMENDATION FOR DISPOSITION

Appearances: Mr. Kent R. Steinkamp, Special Assistant Attorney General for the Illinois Department of Revenue; Mr. Nicholas P. Miller, Sidley, Austin, Brown, Wood, L.L.C., Mr. Lee Boothby, Boothby and Yingst, and Mr. D. Michael Riva for 3 Angels Broadcasting Network; Ms. Merry Rhodes and Ms. Joanne H. Petty, Robbins, Schwartz, Nicholas, Lifton and Taylor, Ltd. for Thompsonville Community High School District 112.

Synopsis:

The hearing in this matter was held to determine whether Franklin County Parcel Index No. 174-116-11 qualified for exemption during the 2000 and/or 2001 assessment years.

Danny Shelton, president of Three Angels Broadcasting, (hereinafter referred to as the "Applicant" or "3ABN"); Larry Ewing, director of finance in 2002 of applicant; Alan Lovejoy, CPA and accountant; Walter Thompson, chairman of the board in 2002 of applicant; Bill Bishop, minister in the Seventh-day Adventist Church and member of the pastoral staff of applicant; Kenneth Denslow, president of the Illinois Conference of the Seventh-day Adventist Church; Mollie Steenson, department coordinator of applicant; and Linda Shelton, vice president of

60. For 2001, applicant's total revenue and other support were \$13,935,318.64. Applicant's total expenses were \$11,940,167.11 for a net profit of \$1,995,151.53. Under the sub-category entitled "Schedule of Supporting Service Expenses," \$4,026,680.45 is listed; of that amount, \$1,219,639.23 is shown as wages. (Applicant's Ex. No. 15)

61. The Independent Auditor's Reports for 2000 and 2001 state:

Dowlink equipment acquired by gift is not recorded in the financial statements. In our opinion, generally accepted accounting principles require that such donated property be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded equipment on the financial statements.

In connection with the recording of real estate revocable trusts, the fair values of the trusts were based on internal estimates performed by the organization. We were unable to obtain sufficient evidential matter in connection with the estimates of fair value.¹⁴ (Applicant's Ex. Nos. 14, 15)¹⁵

62. Applicant's donations are broken into restricted and unrestricted funds.¹⁶ Restricted funds are for a particular product or project. Applicant had restricted net assets of \$757,891.39 in the year ending December 31, 2000, and \$1,454,857.61 in the year ending December 31, 2001. (Intervenor's Ex. No. 10; Tr. pp. 343-350)

Religious Considerations

63. Applicant is exempt from the payment of Illinois Retailers' Occupation Tax and related taxes pursuant to a finding by the Department of Revenue that applicant is a religious organization under those tax laws. (Applicant's Ex. Nos. 6, 7)

¹⁴ The financial report for 2000 contains additional concerns found by the independent auditors.

¹⁵ Applicant's financial reports raise additional questions and concerns. For example, the unrecorded contribution revenue related to charitable gift annuity agreements were not recorded in conformance with generally accepted accounting principles. The "related party transactions" were acknowledged without identifying the parties. The notes refer to "split interest agreements," where applicant received the assets funding the trusts and applicant is to pay certain amounts for specified periods of time to the donors. There is nothing in the record to identify the donors or the assets. None of the trust agreements were supplied. (Applicant's Ex. Nos. 14, 15)

69. The General Conference of the Seventh-day Adventist Church purchased airtime from applicant during the 2000 and 2001 calendar years. (Tr. pp. 368-369)

70. Applicant is not part of the Seventh-day Adventist Church. (Tr. p. 368)

71. Applicant is not a Seventh-day Adventist institution. (Tr. p. 97)

72. Applicant was established, organized and is operated by lay people. (Intervenor's Ex. No. 8 p. 400033)

73. Applicant is not owned by or controlled by the Seventh-day Adventist Church. (Tr. p. 99)

74. Applicant's staff includes four Seventh-day Adventist ministers that answer telephones and pray with people in the two 14' x 18' offices. The pastors lead daily worship services and view the videotapes for content that is consistent with applicant's purposes.¹⁷ Sabbath services, foot washings, marriages, and baptisms are not held on the property in question. (Tr. pp. 531-541)

Charitable Considerations

75. Applicant is not required to pay federal income tax pursuant to a finding by the Internal Revenue Service that applicant is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. (Applicant's Ex. Nos. 4, 5)

76. Applicant's board has no written policy to give away or donate its satellite systems. If an individual were unable to pay the cost of the system, applicant's secretary would contact Danny Shelton who would determine, with the board's guidance, whether the product should be given away. "Applicant has no policy that says give away." (Tr. pp. 295-303)

77. Applicant has no records of materials given away in 2000 or 2001. Applicant has no specific written policy that outlines what factors are used or what direction is given by

¹⁷ See Finding of Fact No. 7.

its satellite systems, nor was a clear policy even articulated through oral testimony. Rather, if an individual were unable to pay the cost of the system, applicant's secretary would contact Danny Shelton who would determine, with the board's guidance, whether the product should be given away. "Applicant has no policy that says give away." (Tr. pp. 295-303).

In fact, applicant has no records of materials given away in 2000 or 2001. Applicant has no specific written policy that outlines what factors are used or what direction is given by applicant's board or president that allows applicant to distribute items at a reduced rate or free of charge. (Tr. pp. 586-589, 614-616). Applicant has, therefore, failed to establish that the facts relied upon by the Inter-Varsity court to grant the exemption therein are present in this case.

Finally, in Evangelical Teacher Training Ass'n v. Novak, 118 Ill. App.3d 21 (1983) a nonprofit association of religious educational institutions promoted Christian education by sending its officers to lecture at religious colleges, advising religious educators on training seminary students, preparing materials for Bible courses that were written by faculty at member schools, and distributing its publications, often free, to libraries and schools. In affirming the entitlement to a property tax exemption, the appellate court distinguished Scripture Press Foundation in several respects. First the training association constituents were religious organizations and its officers were ministers. Second, upon dissolution, the training association's assets would go to a charitable purpose. Third, the training association did far more than distribute religious materials to others; its officers were deeply involved in religious teaching, which served "to directly accomplish its corporate purpose, the promotion of Christian education, in a manner which could not be achieved through the mere sale or distribution of its books and religious materials." Evangelical Teacher Training 118 Ill. App. 3d at 26. Similar to the circumstances in Scripture Press Foundation and its distinction expressed in Evangelical Teacher Training, 3ABN's officers are not ministers and its constituents are not religious

religious video tapes, audio tapes, and books for Christian organizations world-wide. Those sections of the house qualified for a property tax exemption. The areas of the house used primarily for residential purposes did not qualify for exemption.

In Muhammad's Holy Temple of Islam, an Islamic organization owned a three-story building that was used for training in the Islamic religion. At hearing, Muhammad's Holy Temple established that it was, in fact, a religious Islamic organization and that the training was an essential part of its religious purposes.

The Department, as shown by these cases, grants exemptions for religious organizations that use property for exempt religious purposes and not with a view to profit. As discussed above, applicant is not only not a religious organization, but, more importantly, does not primarily use the property for religious purposes without a view to profit.

For the aforementioned reasons it is recommended that Franklin County Parcel Index No. 174-116-11 remain on the tax rolls for the 2000 and 2001 assessment years and be assessed to the applicant, the owner thereof, except for the two pastor's offices, each measuring 14 feet by 18 feet, on the second floor of the administrative production center building, and a corresponding amount of land. That area, I recommend, be granted a property tax exemption as used for religious purposes without a view to profit.

Respectfully Submitted,

Barbara S. Rowe
Administrative Law Judge
January 28, 2004

Ex. L

24130

THREE ANGELS BROADCASTING NETWORK, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2002

RECEIVED
OCT 06 2003

DEPARTMENT OF JUSTICE
PORTLAND LEGAL

THREE ANGELS BROADCASTING NETWORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 9,313,335.34	\$ 1,997,299.10	\$11,310,634.44
Charitable remainder unitrusts (Note 11)	-	51,786.75	51,786.75
Charitable gift annuities (Note 11)	2,694,904.13	-	2,694,904.13
Airtime and production fees	847,979.99	-	847,979.99
Satellite sales	810,645.38	-	810,645.38
Video and other sales	373,652.07	-	373,652.07
Rental income	25,824.35	-	25,824.35
Investment income (Note 3)	26,591.48	-	26,591.48
Gain (loss) on disposal of assets	(43,719.71)	-	(43,719.71)
Net unrealized and realized gains and (losses) on investments	(2,727.71)	(9,647.57)	(12,375.28)
Change in value of split-interest agreements	(230,966.93)	63,605.14	(167,361.79)
Other	40,977.99	-	40,977.99
Net assets released from restrictions (Note 7)	<u>2,653,817.19</u>	<u>(2,653,817.19)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$16,510,313.57</u>	<u>\$ (550,773.77)</u>	<u>\$15,959,539.80</u>
Expenses			
Program service			
Television and radio broadcasting	\$ 8,036,915.21	\$ -	\$ 8,036,915.21
Supporting service			
Management and general	<u>4,935,515.36</u>	<u>-</u>	<u>4,935,515.36</u>
Total Expenses	<u>\$12,972,430.57</u>	<u>\$ -</u>	<u>\$12,972,430.57</u>
Change in Net Assets	\$ 3,537,883.00	\$ (550,773.77)	\$ 2,987,109.23
Net assets, beginning of year as previously reported	15,364,863.91	2,792,666.28	18,157,530.19
Prior period adjustments -			
Record split interest agreements previously unrecorded (Note 15)	-	1,708,917.60	1,708,917.60
Adjustment of revocable cash trusts (Note 15)	<u>25,000.00</u>	<u>-</u>	<u>25,000.00</u>
Net assets, beginning of year, as restated	<u>\$15,389,863.91</u>	<u>\$ 4,501,583.88</u>	<u>\$19,891,447.79</u>
Net assets, end of year	<u>\$18,927,746.91</u>	<u>\$ 3,950,810.11</u>	<u>\$22,878,557.02</u>

See accompanying notes.

The Organization is the beneficiary of several revocable trust agreements. Assets received under revocable trust agreements are recorded as assets and refundable advances at fair value when received. Contribution revenue for the assets received is recognized when the agreements become irrevocable or when the assets are distributed to the Organization for its unconditional use.

The Organization is the beneficiary of several charitable gift annuities under which the assets funding the agreements were transferred to the Organization. Under these agreements the Organization is to pay fixed amounts for specified periods of time to the donors. The assets received are recorded at fair market value in the financial statements. The annuity liabilities are recorded at the present value of expected future cash flows to be paid to the annuity beneficiaries. Various discount rates are used in calculating the present values of the annuity liabilities. Present value calculations on some annuities are based upon single life expectancy, while others are based upon double life expectancy.

12. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent December, 2002 contributions received in January, 2003.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, accounts receivable, contributions receivable, charitable gift annuities, accounts payable, notes payable, funds due to other ministries, accrued expenses, liabilities under unitrust agreements, and liabilities for future group medical insurance claims. The Organization estimates that the fair values of all financial instruments at December 31, 2002, other than investments which are recorded at fair value, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimates, however, are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

14. RELATED PARTY TRANSACTIONS

The Organization regularly engages in transactions with various related parties. Following is a summary of related party transactions for the year ending December 31, 2002:

	<u>Purchases From</u>	<u>Contributions From</u>	<u>Contributions To</u>
D & L Publishing	\$130,612.50	\$ -	\$ -
Three Angels Christian Communications (Canada)	-	469,879.72	-
Three Angels T.V. and Radio Broadcast Network (Russia)	-	-	376,236.02
Tres Anjos Broadcasting Network - LTDA (Brazil)	-	-	49,348.31
3ABN Philippines, Inc. (Philippines)	-	-	113,496.66

Tres Anjos Broadcasting Network - LTDA (Brazil) and 3ABN Philippines, Inc. (Philippines) are separate legal entities. Three Angels Broadcasting Network, Inc. exercises control over these two entities by providing 100% of their revenues. See Note 17 regarding Three Angels T.V. and Radio Broadcast Network (Russia).

THREE ANGELS BROADCASTING NETWORK, INC.

SCHEDULE OF PROGRAM SERVICE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2002

Television and Radio Broadcasting Expenses	
Advertising	\$ 53,572.38
Airtime	1,941,492.50
Broadcast services	69,934.70
Cable promotion and expense	93,412.68
Depreciation	1,639,444.30
Downlink	877,343.46
Dues	9,425.09
Equipment rental	4,507.19
Music production	137,716.40
Love gifts	147,020.37
Newsletter	170,880.00
Program schedules	57,169.50
Provision for bad debts	38,072.61
Registration	48,451.36
Satellite purchases	687,151.69
Special projects	675,240.16
Supplies - broadcasting	117,066.76
Telephone	300,678.50
Utilities	118,907.20
Wages	<u>849,428.36</u>
Total Television and Radio Broadcasting Expenses	<u>\$8,036,915.21</u>

See accompanying notes.

Ex. M

THREE ANGELS BROADCASTING NETWORK, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2003

THREE ANGELS BROADCASTING NETWORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 7,432,304.34	\$ 1,846,535.01	\$ 9,278,839.35
Charitable gift annuities (Note 11)	1,623,816.34	-	1,623,816.34
Airtime and production fees	882,653.67	-	882,653.67
Sales of satellite equipment	991,604.39	-	991,604.39
Other sales	399,341.21	-	399,341.21
Rental income	20,762.56	-	20,762.56
Investment income (Note 3)	28,154.80	-	28,154.80
Gain (loss) on disposal of assets	(2,154.78)	-	(2,154.78)
Net unrealized and realized gains and (losses) on investments (Note 3)	1,526.95	-	1,526.95
Change in value of split-interest agreements	(457,071.37)	(319,744.56)	(776,815.93)
Other	64,114.83	-	64,114.83
Bad debt recoveries	18,895.62	-	18,895.62
Net assets released from restrictions (Note 7)	<u>1,657,737.27</u>	<u>(1,657,737.27)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$12,661,685.83</u>	<u>\$ (130,946.82)</u>	<u>\$12,530,739.01</u>
Expenses			
Program service			
Television and radio broadcasting	\$ 9,665,662.90	\$ -	\$ 9,665,662.90
Supporting service			
Management and general	<u>4,945,225.96</u>	<u>-</u>	<u>4,945,225.96</u>
Total Expenses	<u>\$14,610,888.86</u>	<u>\$ -</u>	<u>\$14,610,888.86</u>
Change in Net Assets	<u>\$(1,949,203.03)</u>	<u>\$ (130,946.82)</u>	<u>\$(2,080,149.85)</u>
Net assets, beginning of year	<u>18,927,746.91</u>	<u>3,950,810.11</u>	<u>22,878,557.02</u>
Net assets, end of year	<u>\$16,978,543.88</u>	<u>\$ 3,819,863.29</u>	<u>\$20,798,407.17</u>

See accompanying notes.

The Organization is the beneficiary of several revocable trust agreements. Assets received under revocable trust agreements are recorded as assets and refundable advances at fair value when received. Contribution revenue for the assets received is recognized when the agreements become irrevocable or when the assets are distributed to the Organization for its unconditional use.

The Organization is the beneficiary of several charitable gift annuities under which the assets funding the agreements were transferred to the Organization. Under these agreements the Organization is to pay fixed amounts for specified periods of time to the donors. The assets received are recorded at fair market value in the financial statements. The annuity liabilities are recorded at the present value of expected future cash flows to be paid to the annuity beneficiaries. Various discount rates are used in calculating the present values of the annuity liabilities. Present value calculations on some annuities are based upon single life expectancy, while others are based upon double life expectancy.

12. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent December, 2003 contributions received in January, 2004.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, accounts receivable, contributions receivable, charitable gift annuities, accounts payable, notes payable, funds due to other ministries, accrued expenses, liabilities under unitrust agreements, and liabilities for future group medical insurance claims. The Organization estimates that the fair values of all financial instruments at December 31, 2003, other than investments which are recorded at fair value, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimates, however, are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

14. RELATED PARTY TRANSACTIONS

The Organization regularly engages in transactions with various related parties. Following is a summary of related party transactions for the year ending December 31, 2003:

	<u>Purchases</u> <u>From</u>	<u>Contributions</u> <u>From</u>	<u>Contributions</u> <u>To</u>
D & L Publishing	\$ 73,112.50	\$ -	\$ -
Three Angels Christian Communications (Canada)	-	226,500.00	-
Three Angels T.V. and Radio Broadcast Network (Russia)	-	-	218,441.94
Tres Anjos Broadcasting Network - LTDA (Brazil)	-	-	20,472.07
3ABN Philippines, Inc. (Philippines)	-	-	88,798.41

Tres Anjos Broadcasting Network - LTDA (Brazil) and 3ABN Philippines, Inc. (Philippines) are separate legal entities. Three Angels Broadcasting Network, Inc. exercises control over these two entities by providing 100% of their revenues. See Note 16 regarding Three Angels T.V. and Radio Broadcast Network (Russia).

THREE ANGELS BROADCASTING NETWORK, INC.

SCHEDULE OF PROGRAM SERVICE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2003

Television and Radio Broadcasting Expenses	
Airplane operation	\$ 857,528.60
Airtime	1,800,999.00
Broadcast services	79,462.97
Cable promotion and expense	179,252.03
Contract labor	51,819.32
Cost of goods sold and given away - Satellite equipment	887,536.04
Cost of goods sold and given away - Other	154,165.62
Depreciation	1,928,846.23
Downlink	939,729.14
Dues and subscriptions	8,720.47
Music production	177,165.94
Newsletter	117,692.52
Program schedules	69,101.90
Registration	38,251.64
Special projects	327,712.42
Supplies - broadcasting	172,090.53
Telephone	194,650.46
Travel and entertainment	142,229.68
Utilities	147,702.33
Wages and benefits	<u>1,391,006.06</u>
Total Television and Radio Broadcasting Expenses	<u>\$9,665,662.90</u>

See accompanying notes.

**THREE ANGELS BROADCASTING NETWORK, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2004**

THREE ANGELS BROADCASTING NETWORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 9,455,115.40	\$ 2,633,222.89	\$12,088,338.29
Charitable gift annuities (Note 11)	1,493,559.53	-	1,493,559.53
Airtime and production fees	1,106,556.00	-	1,106,556.00
Sales of satellite equipment	713,725.32	-	713,725.32
Rental income	33,173.44	-	33,173.44
Investment income (Note 3)	3,902.49	-	3,902.49
Gain (loss) on disposal of assets	(118,668.38)	-	(118,668.38)
Net unrealized and realized gains and (losses) on investments (Note 3)	(139.90)	-	(139.90)
Change in value of split-interest agreements	(614,273.80)	(185,033.53)	(799,307.33)
Other	38,915.11	-	38,915.11
Net assets released from restrictions (Note 7)	<u>2,107,378.26</u>	<u>(2,107,378.26)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$14,219,243.47</u>	<u>\$ 340,811.10</u>	<u>\$14,560,054.57</u>
Expenses			
Program service			
Television and radio broadcasting	\$10,465,779.14	\$ -	\$10,465,779.14
Supporting service			
Management and general	<u>4,939,865.90</u>	<u>-</u>	<u>4,939,865.90</u>
Total Expenses	<u>\$15,405,645.04</u>	<u>\$ -</u>	<u>\$15,405,645.04</u>
Change in Net Assets	\$(1,186,401.57)	\$ 340,811.10	\$(845,590.47)
Net assets, beginning of year	<u>16,978,543.88</u>	<u>3,919,863.29</u>	<u>20,798,407.17</u>
Net assets, end of year	<u>\$15,792,142.31</u>	<u>\$ 4,150,674.39</u>	<u>\$19,952,815.70</u>

See accompanying notes.

14. RELATED PARTY TRANSACTIONS

The Organization regularly engages in transactions with various related parties. Following is a summary of related party transactions for the year ending December 31, 2004:

	<u>Due From</u>	<u>Sales To</u>	<u>Due To</u>	<u>Purchases From</u>	<u>Contributions To</u>	<u>Contributions From</u>
Employee accounts	\$ 11,135.56	\$ -	\$ -	\$ -	\$ -	\$ -
DLS Publishing, Inc.	-	-	9,724.38	44,724.38	-	-
D & L Publishing	-	-	-	35,000.00	-	-
Three Angels Christian Communications (Canada)	-	321,500.00	-	-	-	2,793.58
Three Angels T.V. and Radio Broadcast (Russia)	-	-	-	-	250,643.98	-
Tres Anjos Broadcasting Network - LTDA (Brazil)	-	-	-	-	-	-
3ABN Philippines, Inc. (Philippines)	-	-	-	-	167,559.99	-
Total	\$ 11,135.56	\$ 321,500.00	\$ 9,724.38	\$ 79,724.38	\$ 418,203.97	\$ 2,793.58

Tres Anjos Broadcasting Network - LTDA (Brazil) and 3ABN Philippines, Inc. (Philippines) are separate legal entities. Three Angels Broadcasting Network, Inc. exercises control over these two entities by providing 100% of their revenues. See Note 16 regarding Three Angels T.V. and Radio Broadcast Network (Russia).

15. CONTINGENT LIABILITY

Management has agreed to return a portion of an \$800,000.00 contribution in the event of a major medical need by the donor.

16. BRANCH

The Organization established a branch of Three Angels Broadcasting Network, Inc. in Nizhny Novgorod, Russia. The official name of the branch is Three Angels TV & Radio Broadcasting Network. The branch is not a separate legal entity, and acts on behalf, by order, and under the responsibility of the Organization. The Organization pays for the majority of operating costs and capital improvements of the branch. All of these costs are expensed as incurred by the Organization. Transactions of the branch are not included in these financial statements.

THREE ANGELS BROADCASTING NETWORK, INC.
SCHEDULE OF PROGRAM SERVICE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

Television and Radio Broadcasting Expenses	
Airplane operation	\$ 989,438.91
Airtime	2,365,273.00
Broadcast services	49,734.09
Cable promotion and expense	37,499.95
Contract labor	99,716.28
Cost of goods sold and given away - Satellite equipment	584,019.94
Cost of goods given away - Other	330,242.46
Depreciation	2,229,468.89
Downlink	1,062,323.85
Dues and subscriptions	5,166.09
Music production	102,776.61
Newsletter	107,411.83
Program schedules	38,340.97
Registration	31,689.16
Special projects	473,875.27
Supplies - broadcasting	112,135.13
Telephone	79,876.22
Travel and entertainment	154,654.42
Utilities	146,637.68
Wages and benefits	<u>1,465,498.39</u>
Total Television and Radio Broadcasting Expenses	<u>\$10,465,779.14</u>

See accompanying notes.

Ex. O

**THREE ANGELS BROADCASTING NETWORK, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2005**

THREE ANGELS BROADCASTING NETWORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 8,521,172.63	\$ 3,653,742.38	\$ 12,174,915.01
Charitable gift annuities (Note 11)	1,885,360.01	-	1,885,360.01
Airtime and production fees	1,162,106.00	-	1,162,106.00
Sales of satellite equipment	864,361.26	-	864,361.26
Rental income	44,800.93	-	44,800.93
Investment income (Note 3)	6,469.77	-	6,469.77
Gain (loss) on disposal of assets	1,122.28	-	1,122.28
Net unrealized and realized gains and (losses) on investments	(3,655.89)	-	(3,655.89)
Change in value of split-interest agreements	(356,969.05)	(269,396.74)	(626,365.79)
Other	59,909.65	-	59,909.65
Net assets released from restrictions (Note 7)	<u>2,937,827.94</u>	<u>(2,937,827.94)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 15,122,505.53</u>	<u>\$ 446,517.70</u>	<u>\$ 15,569,023.23</u>
Expenses			
Program service			
Television and radio broadcasting	\$ 11,121,126.31	\$ -	\$ 11,121,126.31
Supporting service			
Management and general	<u>4,930,390.27</u>	<u>-</u>	<u>4,930,390.27</u>
Total Expenses	<u>\$ 16,051,516.58</u>	<u>\$ -</u>	<u>\$ 16,051,516.58</u>
Change in Net Assets	\$ (929,011.05)	\$ 446,517.70	\$ (482,493.35)
Net assets, beginning of year	<u>15,792,142.31</u>	<u>4,160,674.40</u>	<u>19,952,816.71</u>
Net assets, end of year	<u>\$ 14,863,131.26</u>	<u>\$ 4,607,192.10</u>	<u>\$ 19,470,323.36</u>

See accompanying notes.

California requires gift annuity assets be maintained in separate reserve funds adequate to meet future payments under outstanding California annuity agreements. The Organization has separately invested funds sufficient to meet the California reserve requirements. A summary of gift annuity assets at December 31, 2005 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
California	\$ 5,206,486.10	\$ 5,163,814.18
All other states	<u>7,494,250.46</u>	<u>7,387,192.45</u>
<u>Total</u>	<u>\$ 12,700,736.56</u>	<u>\$ 12,551,006.63</u>

California requires that 50% of the required reserves be maintained in specified governmental fixed income investments. The remaining 50% can be invested in securities traded on the New York and American Stock Exchanges, regional exchanges, and NASDAQ.

12. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent December, 2005 contributions received in January, 2006.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, accounts receivable, contributions receivable, charitable gift annuities, accounts payable, notes payable, funds due to other ministries, accrued expenses, liabilities under unitrust agreements, and liabilities for future group medical insurance claims. The Organization estimates that the fair values of all financial instruments at December 31, 2005, other than investments which are recorded at fair value, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimates, however, are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

14. RELATED PARTY TRANSACTIONS

The Organization regularly engages in transactions with various related parties. Following is a summary of related party transactions for the year ending December 31, 2005:

	<u>Due From</u>	<u>Contributions To</u>
Employee accounts	\$ 1,940.85	\$ -
Three Angels T.V. and Radio Broadcast (Russia)	-	311,462.85
3ABN Philippines, Inc. (Philippines)	-	71,515.01
Association Three Angels Broadcasting Network (Peru)	-	17,172.80
Tres Anjos Broadcasting Network - LTDA (Brazil)	<u>-</u>	<u>-</u>
<u>Total</u>	<u>\$ 1,940.85</u>	<u>\$ 400,150.66</u>

Tres Anjos Broadcasting Network - LTDA (Brazil), Association Three Angels Broadcasting Network (Peru), and 3ABN Philippines, Inc. (Philippines) are separate legal entities. Three Angels Broadcasting Network, Inc. exercises control over these entities by providing the majority of their revenues. See Note 16 regarding Three Angels T.V. and Radio Broadcast Network (Russia).

The Organization periodically purchases books which are authored by a member of management. The books are purchased from the publisher for giveaway or for a suggested donation. For the year ending December 31, 2005, purchases of these books totaled \$82,712.43. Royalties are paid by the publisher to the author.

15. CONTINGENT LIABILITY

Management has agreed to return a portion of an \$800,000.00 contribution in the event of a major medical need by the donor.

16. BRANCH

The Organization established a branch of Three Angels Broadcasting Network, Inc. in Nizhny Novgorod, Russia. The official name of the branch is Three Angels TV & Radio Broadcasting Network. The branch is not a separate legal entity, and acts on behalf, by order, and under the responsibility of the Organization. The Organization pays for the majority of operating costs and capital improvements of the branch. All of these costs are expensed as incurred by the Organization. Transactions of the branch are not included in these financial statements.

THREE ANGELS BROADCASTING NETWORK, INC.

SCHEDULE OF PROGRAM SERVICE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

Television and Radio Broadcasting Expenses

Airplane operation	\$ 896,993.46
Airtime	2,279,106.83
Broadcast services	134,135.34
Cable promotion	7,266.17
Contract labor	179,408.88
Cost of goods sold and given away - Satellite equipment	609,669.09
Cost of goods given away - Other	605,744.30
Depreciation	2,060,395.80
Downlink	1,000,411.44
Dues and subscriptions	4,075.10
Inventory write-down	278,700.00
Music production	58,375.34
Newsletter	125,451.10
Program schedules	28,470.89
Registration	37,817.04
Special projects	498,882.72
Supplies - broadcasting	143,633.60
Telephone	159,058.21
Travel and entertainment	197,785.21
Utilities	215,193.17
Wages and benefits	<u>1,600,552.62</u>

Total Television and Radio Broadcasting Expenses	<u>\$ 11,121,126.31</u>
---	--------------------------------

See accompanying notes.

Ex. P

THREE ANGELS BROADCASTING NETWORK, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2006

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DEPARTMENT OF JUSTICE
PORTLAND LEGAL

THREE ANGELS BROADCASTING NETWORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 9,687,311.68	\$ 3,516,520.49	\$ 13,203,832.17
Charitable gift annuities (Note 11)	1,871,288.00	-	1,871,288.00
Airtime and production fees	1,431,651.57	-	1,431,651.57
Sales of satellite equipment	1,164,615.08	-	1,164,615.08
Rental income	48,113.82	-	48,113.82
Investment income (Note 3)	10,333.09	-	10,333.09
Gain (loss) on disposal of assets	8,967.57	-	8,967.57
Net unrealized and realized gains and (losses) on investments	(217.51)	-	(217.51)
Change in value of split-interest agreements	(209,575.83)	55,358.74	(154,217.09)
Other	29,105.49	-	29,105.49
Net assets released from restrictions (Note 7)	<u>3,740,522.98</u>	<u>(3,740,522.98)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 17,782,115.94</u>	<u>\$ (168,643.75)</u>	<u>\$ 17,613,472.19</u>
Expenses			
Program service			
Television and radio broadcasting	\$ 15,620,554.74	\$ -	\$ 15,620,554.74
Supporting service			
Management and general	<u>4,988,933.39</u>	<u>-</u>	<u>4,988,933.39</u>
Total Expenses	<u>\$ 20,609,488.13</u>	<u>\$ -</u>	<u>\$ 20,609,488.13</u>
Change in Net Assets	<u>\$ (2,827,372.19)</u>	<u>\$ (168,643.75)</u>	<u>\$ (2,996,015.94)</u>
Net assets, beginning of year as previously reported	\$ 14,863,131.26	\$ 4,607,192.10	\$ 19,470,323.36
Prior-period adjustments (Note 18)	<u>(238,157.39)</u>	<u>-</u>	<u>(238,157.39)</u>
Net assets, beginning of year as restated	<u>\$ 14,624,973.87</u>	<u>\$ 4,607,192.10</u>	<u>\$ 19,232,165.97</u>
Net assets, end of year	<u>\$ 11,797,601.68</u>	<u>\$ 4,438,548.35</u>	<u>\$ 16,236,150.03</u>

See accompanying notes.

California requires gift annuity assets be maintained in separate reserve funds adequate to meet future payments under outstanding California annuity agreements. The Organization has separately invested funds sufficient to meet the California reserve requirements. A summary of gift annuity assets at December 31, 2006 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
California	\$ 5,048,702.37	\$ 4,996,983.85
All other states	<u>7,521,586.32</u>	<u>7,409,934.56</u>
<u>Total</u>	<u>\$ 12,570,288.69</u>	<u>\$ 12,406,918.41</u>

California requires that 50% of the required reserves be maintained in specified governmental fixed income investments. The remaining 50% can be invested in securities traded on the New York and American Stock Exchanges, regional exchanges, and NASDAQ.

12. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent December, 2006 contributions received in January, 2007.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, accounts receivable, contributions receivable, charitable gift annuities, accounts payable, notes payable, funds due to other ministries, accrued expenses, and liabilities under unitrust agreements. The Organization estimates that the fair values of all financial instruments at December 31, 2006, other than investments which are recorded at fair value, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimates, however, are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

14. RELATED PARTY TRANSACTIONS

The Organization regularly engages in transactions with various related parties. Following is a summary of related party transactions for the year ending December 31, 2006:

	<u>Due From</u>	<u>Contributions To</u>
Employee advances	\$ 7,436.35	\$ -
Three Angels T.V. and Radio Broadcast (Russia)	-	377,414.15
3ABN Philippines, Inc. (Philippines)	-	126,147.81
Association Three Angels Broadcasting Network (Peru)	-	16,876.00
Tres Anjos Broadcasting Network - LTDA (Brazil)	<u>-</u>	<u>30,805.11</u>
<u>Total</u>	<u>\$ 7,436.35</u>	<u>\$ 551,243.07</u>

Tres Anjos Broadcasting Network - LTDA (Brazil), Association Three Angels Broadcasting Network (Peru), and 3ABN Philippines, Inc. (Philippines) are separate legal entities. Three Angels Broadcasting Network, Inc. exercises control over these entities by providing the majority of their revenues. See Note 16 regarding Three Angels T.V. and Radio Broadcast Network (Russia).

The Organization periodically purchases books which are authored by a member of management. The books are purchased from the publisher for giveaway or for a suggested donation. For the year ending December 31, 2006, purchases of these books totaled \$2,982,793.71. Royalties are paid by the publisher to the author.

15. CONTINGENT LIABILITY

Management has agreed to return a portion of an \$800,000.00 contribution in the event of a major medical need by the donor.

16. BRANCH

The Organization established a branch of Three Angels Broadcasting Network, Inc. in Nizhny Novgorod, Russia. The official name of the branch is Three Angels TV & Radio Broadcasting Network. The branch is not a separate legal entity, and acts on behalf, by order, and under the responsibility of the Organization. The Organization pays for the majority of operating costs and capital improvements of the branch. All of these costs are expensed as incurred by the Organization. Transactions of the branch are not included in these financial statements.

17. SUBSEQUENT EVENTS

On April 19, 2007, Three Angels Broadcasting Network, Inc. and Amazing Facts issued a media release announcing that the two organizations have agreed to merge. The Board of Directors of Three Angels Broadcasting Network, Inc. approved the merger on April 16, 2007.

18. PRIOR-PERIOD ADJUSTMENTS

The Organization determined that the accrual for real estate taxes was understated for the year ended December 31, 2005, by \$105,357.39.

The Organization determined that Cost of Goods Sold – Satellite Equipment was understated for the year ended December 31, 2005, by \$132,800.00. This resulted in total liabilities being understated and net assets being overstated by \$132,800.00.

The Organization determined that Cash Restricted to Investment in Capital Assets was overstated for the year ended December 31, 2005, by \$133,777.60. This resulted in a reclassification between Cash Restricted to Investment in Capital Assets and Cash, with no effect on total assets, liabilities, net assets, or change in net assets.

THREE ANGELS BROADCASTING NETWORK, INC.
SCHEDULE OF PROGRAM SERVICE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

Television and Radio Broadcasting Expenses

Airplane operation	\$ 929,066.75
Airtime	2,322,256.00
Auto	30,012.02
Broadcast services	444,984.12
Cable promotion	5,229.00
Contract labor	187,919.96
Cost of goods sold and given away - Satellite equipment	1,001,811.09
Cost of goods given away - Other	3,167,235.49
Depreciation	1,915,982.04
Downlink	1,064,810.77
Dues and subscriptions	2,695.16
-Inventory write-down	72,369.00
Music production	93,069.94
Newsletter	301,266.04
Registration	45,594.59
Special projects	768,798.15
Supplies - broadcasting	121,590.44
Telephone	180,321.85
Travel and entertainment	249,709.64
Utilities	213,446.14
Wages and benefits	<u>2,502,386.55</u>
Total Television and Radio Broadcasting Expenses	<u>\$ 15,620,554.74</u>

See accompanying notes.

Form **990**

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2002

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2002 calendar year, or tax year beginning January 1, 2002, and ending December 31, 2002

- B** Check if applicable:
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

Please use IRS label or print or type. See Specific Instructions

C Name of organization
Three Angels Broadcasting Network, Inc

Number and street (or P O box if mail is not delivered to street address) Room/suite
P O Box 220

City or town state or country and ZIP + 4
West Frankfort, IL 62890

D Employer identification number
9056

E Telephone number
(618) 627-4651

F Accounting method: Cash Accrual
 Other (specify) ▶

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

H and **I** are not applicable to section 527 organizations

- H(a)** Is this a group return for affiliates? Yes No
- H(b)** If "Yes" enter number of affiliates ▶
- H(c)** Are all affiliates included? Yes No (If "No," attach a list. See instructions.)
- H(d)** Is this a separate return filed by an organization covered by a group ruling? Yes No
- I** Enter 4-digit GEN ▶

G Web site ▶ **3abn.org**

J Organization type (check only one) ▶ 501(c) (3) ◀ (insert no) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS but if the organization received a Form 990 Package in the mail it should file a return without financial data. Some states require a complete return

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 17 of the instructions)

SCANNED JUL 11 2003

1 Contributions, gifts, grants and similar amounts received					
	1a	14,057,326			
	1b				
	1c				
	1d			14,057,326	
2	Program service revenue including government fees and contracts (from Part VII, line 93)				847,980
3	Membership dues and assessments				
4	Interest on savings and temporary cash investments				26,591
5	Dividends and interest from securities				
6a	6a	25,824			
b	6b	9,415			
c	Net rental income or (loss) (subtract line 6b from line 6a)			16,409	
7	Other investment income (describe ▶)				
8a	(A) Securities		(B) Other		
	38,761	8a	147,893		
	40,250	8b	191,613		
	(1,489)	8c	(43,720)		
8d	Net gain or (loss) (combine line 8c, columns (A) and (B))			(45,209)	
9	Special events and activities (attach schedule)				
a	Gross revenue (not including \$ _____ of contributions reported on line 1a)				
b	Less direct expenses other than fundraising expenses				
c	Net income or (loss) from special events (subtract line 9b from line 9a)				
10a	10a	1,184,297			
	10b	687,151			
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)			497,146	
11	Other revenue (from Part VII, line 103)				(136,032)
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)				15,264,211
Expenses	13	Program services (from line 44, column (B))			7,349,763
	14	Management and general (from line 44, column (C))			4,926,100
	15	Fundraising (from line 44, column (D))			
	16	Payments to affiliates (attach schedule)			
	17	Total expenses (add lines 16 and 44, column (A))			12,275,863
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)			2,988,348
	19	Net assets or fund balances at beginning of year (from line 3, column (A))			18,157,530
	20	Other changes in net assets or fund balances (attach explanation)			1,732,679
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)			22,878,557

RECEIVED
 JUL 06 2003
 OGDEN, UT
 IRS-OSC

13

EX. Q

Part VI Other Information (See page 27 of the instructions)		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	✓
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	✓
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	✓
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	✓
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	✓
b	If "Yes," enter the name of the organization <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81a	Enter direct or indirect political expenditures See line 81 instructions	81a	
b	Did the organization file Form 1120-POL for this year?	81b	✓
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	✓
b	If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III)	82b	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	✓
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	✓
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	
85	<i>501(c)(4), (5), or (6) organizations</i> a Were substantially all dues nondeductible by members?	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	
c	Dues, assessments, and similar amounts from members	85c	
d	Section 162(e) lobbying and political expenditures	85d	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	
86	<i>501(c)(7) orgs</i> Enter a Initiation fees and capital contributions included on line 12	86a	
b	Gross receipts, included on line 12, for public use of club facilities	86b	
87	<i>501(c)(12) orgs</i> Enter a Gross income from members or shareholders	87a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b	
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	✓
89a	<i>501(c)(3) organizations</i> Enter Amount of tax imposed on the organization during the year under section 4911 <input type="checkbox"/> , section 4912 <input type="checkbox"/> , section 4955 <input type="checkbox"/>		
b	<i>501(c)(3) and 501(c)(4) orgs</i> Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	✓
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <input type="checkbox"/>		0
d	Enter Amount of tax on line 89c, above, reimbursed by the organization <input type="checkbox"/>		0
90a	List the states with which a copy of this return is filed <input type="checkbox"/>		
b	Number of employees employed in the pay period that includes March 12, 2002 (See instructions)	90b	110
91	The books are in care of <input type="checkbox"/> Larry Ewing Telephone no <input type="checkbox"/> (618) 627-4651 (3019) Located at <input type="checkbox"/> 3391 Charlie Good Rd, West Frankfort, IL ZIP + 4 <input type="checkbox"/> 62896-0220		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <input type="checkbox"/> 92		

Part VII Analysis of Income-Producing Activities (See page 31 of the instructions)

Note. Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512 513 or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a Production and distribution					847,980
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					26,591
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					16,409
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					(45,209)
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					123,494
103 Other revenue a Video & Other Sales					373,652
b Change in value of split interest agreements					(177,010)
c Other					40,978
d					
e					
104 Subtotal (add columns (B), (D), and (E))					1,206,885
105 Total (add line 104, columns (B), (D), and (E))					1,206,885

Note Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 32 of the instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	Statement 13

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 32 of the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 33 of the instructions)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return including accompanying schedules and statements and to the best of my knowledge and belief it is true, correct, and complete. Preparation of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here
 Signature of officer: *Danny Shelton*
 Date: *June 30/2003*
 Danny Shelton President
 Type or print name and title

Paid Preparer's Use Only
 Preparer's signature: _____ Date: _____ Check if self-employed:
 Firm's name (or yours if self-employed) address and ZIP + 4: _____ EIN: _____
 Phone no: _____



Part III Statements About Activities (See page 2 of the instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A or line 1 of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1	✓
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?	2a	✓
b Lending of money or other extension of credit?	2b	✓
c Furnishing of goods, services, or facilities?	2c	✓
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	✓
e Transfer of any part of its income or assets?	2e	✓
3 Does the organization make grants for scholarships, fellowships, student loans, etc.? (See Note below)	3	✓
4 Do you have a section 403(b) annuity plan for your employees?	4	✓
Note Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.		

Part IV Reason for Non-Private Foundation Status (See pages 3 through 5 of the instructions)

The organization is not a private foundation because it is (Please check only ONE applicable box.)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the Support Schedule in Part IV-A)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A)
- 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A)
- 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the Support Schedule in Part IV-A)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above or (2) section 501(c)(4) (5) or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions)

THREE ANGELS BROADCASTING NETWORK, INC
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2002

#37-1179056

Statement 3
Form 990, Part I, Line 43
Other Expenses

Other Expenses	Total	Program Services	Management & General	Fundraising
Advertising and promotion	173,277	53,572	119,705	
Bad Debts	38,073	38,073		
Broadcasting	163,347	163,347		
Camp Meeting	32,275		32,275	
Contract Labor	83,377		83,377	
Credit Card Fees	33,764		33,764	
Downlink	877,343	877,343		
Dues and Registration	57,876	57,876		
Insurance	540,377		540,377	
Miscellaneous	388,285	220,460	167,825	
Special Projects	675,240	675,240		
	<u>3,063,234</u>	<u>2,085,911</u>	<u>977,323</u>	

Statement 4
Form 990, Part IV, Line 51
Land, Buildings and Equipment

Note receivable from non related individual on sale of land 29,877

Statement 5
Form 990, Part IV, Line 55
Land, Buildings and Equipment

Land held in Chantable Remainder Unitrusts 3,387,100

Statement 6
Form 990, Part IV, Line 57
Land, Buildings and Equipment

Asset	Cost	Accum Deprec	Net Book Value
Aircraft	1,346,893	145,914	1,200,979
Buildings	3,533,920	513,724	3,020,196
Land	649,778		649,778
Land Improvements	187,511	35,101	152,410
Machinery & Equipment	13,448,834	8,337,343	5,111,491
Vehicles	1,409,015	842,917	566,098
Construction in Progress	1,657,111		1,657,111
	<u>22,233,062</u>	<u>9,874,999</u>	<u>12,358,063</u>

THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2002

#37-1179056

Statement 7
Form 990 Part IV, Line 58
Other Assets

Annuities	12,781,645
Trusts	18,531,147
	<u>31,312,792</u>

Statement 8
Form 990 Part IV, Line 65
Other Liabilities

Annuities	8,424,403
Liabilities under Unitrust Agreements	2,788,511
Revocable Trust Liabilities	18,531,148
	<u>29,744,062</u>

Statement 9
Form 990 Part IV-A, Line B(4)
Other Amounts

Cost of Goods Sold - Satelites	687,153
Rental Expenses	9,415
	<u>696,568</u>

Statement 10
Form 990 Part IV-B, Line B(4)
Other Amounts

Cost of Goods Sold - Satelites	687,153
Rental Expenses	9,415
	<u>696,568</u>

**THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2002**

#37-1179056

**Statement 11
Form 990, Part V
List of Officers, Directors, Trustees, and Key Employees**

Name and Address	Title & Avg Hrs/Wk	Comp	Employee Benefits	Expense Account
Dr Walter Thompson 174 Fox Borough Burr Ridge, IL 60521	Chairman None	0	0	0
Kenneth Denslow 619 Plainfield Rd , 3rd Floor Willowbrook, IL 60521-5381	Director None	0	0	0
May E Chung 155 Manchester Lane San Bernardino, CA 92408	Director None	0	0	0
Dr Robert Ford 2517 NE Kresky Chehalis, Wa 98532-2409	Director None	0	0	0
Bill Hulsey PO Box 596 Collegedale, TN 37315	Director None	0	0	0
Ellsworth McKee PO Box 750 Collegedale, TN 37315	Director None	0	0	0
Danny Shelton 2954 New Lake Road West Frankfort, IL 62896	President Director 40 hrs/wk	53,022		
Linda Shelton 2954 New Lake Road West Frankfort, IL 62896	Vice Pres Director 40 hrs/wk	65,091		
G Ralph Thompson 12501 Old Columbia Pike Silver Spring, MD 20904-6600	Director None	0	0	0
Owen Troy 1906 Dana Drive Adelphi, MD 20783-2119	Director None	0	0	0
Larry Welch 715 S Mulkey Chnstopher, IL 62822	Director 40 hrs/wk	39,019	0	0

157,132

Ex.
R

Form **990**

Return of Organization Exempt From Income Tax

OMB No 1545-0047

2003

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2003 calendar year, or tax year beginning 2003, and ending 2003, and ending 20

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return
 Amended return
 Application pending

C Name of organization: **Three Angels Broadcasting Network, Inc.**
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite: **P.O. Box 220**
 City or town, state or country, and ZIP + 4: **West Frankfort, IL 62896**

D Employer identification number: **9056**

E Telephone number: **(618) 627-4651**

F Accounting method: Cash Accrual
 Other (specify) ▶

G Website: ▶ **3abn.org**

J Organization type (check only one) ▶ 501(c) (**3**) ◀ (insert no.) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶

H and I are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes," enter number of affiliates ▶
H(c) Are all affiliates included? Yes No (If "No," attach a list. See instructions.)
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Group Exemption Number ▶

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions.)

Revenue	1	Contributions, gifts, grants, and similar amounts received.					
	a	Direct public support	1a	10,902,656			
	b	Indirect public support	1b				
	c	Government contributions (grants)	1c				
	d	Total (add lines 1a through 1c) (cash \$ <u>10,593,517</u> noncash \$ <u>309,139</u>)	1d				10,902,656
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2				882,654
	3	Membership dues and assessments	3				
	4	Interest on savings and temporary cash investments	4				28,155
	5	Dividends and interest from securities	5				
	6a	Gross rents	6a	20,763			
	b	Less: rental expenses	6b	7,259			
	c	Net rental income or (loss) (subtract line 6b from line 6a)	6c				13,504
7	Other investment income (describe ▶)	7					
Revenue	8a	Gross amount from sales of assets other than inventory	(A) Securities	124,895	8a	(B) Other	24,000
	b	Less: cost or other basis and sales expenses	118,712	8b		26,155	
	c	Gain or (loss) (attach schedule)	6,183	8c		(2,155)	
	d	Net gain or (loss) (combine line 8c, columns (A) and (B))		8d			4,028
Revenue	9	Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>					
	a	Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a				
	b	Less: direct expenses other than fundraising expenses	9b				
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c					
Revenue	10a	Gross sales of inventory, less returns and allowances	10a	1,390,946			
	b	Less: cost of goods sold	10b	1,041,702			
	c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c				349,244
Revenue	11	Other revenue (from Part VII, line 103)	11				(698,462)
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12				11,481,779
Expenses	13	Program services (from line 44, column (B))	13				8,623,961
	14	Management and general (from line 44, column (C))	14				4,937,968
	15	Fundraising (from line 44, column (D))	15				
	16	Payments to affiliates (attach schedule)	16				
	17	Total expenses (add lines 16 and 44, column (A))	17				13,561,929
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18				(2,080,150)
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19				22,878,557
	20	Other changes in net assets or fund balances (attach explanation)	20				
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21				20,798,407

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Form 990 (2003)

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Part VI Other Information (See page 28 of the instructions.)

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		✓
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.		✓
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		✓
78b	b If "Yes," has it filed a tax return on Form 990-T for this year?		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		✓
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		
81a	b If "Yes," enter the name of the organization ▶ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.		
81a	Enter direct and indirect political expenditures See line 81 instructions 81a		
81b	b Did the organization file Form 1120-POL for this year?		✓
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		✓
82b	b If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b		
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	✓	
83b	b Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	✓	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?		✓
84b	b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
85a	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?		
85b	b Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
85c	c Dues, assessments, and similar amounts from members		
85d	d Section 162(e) lobbying and political expenditures		
85e	e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
85f	f Taxable amount of lobbying and political expenditures (line 85d less 85e)		
85g	g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
85h	h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
86a	501(c)(7) orgs Enter: a Initiation fees and capital contributions included on line 12		
86b	b Gross receipts, included on line 12, for public use of club facilities		
87a	501(c)(12) orgs Enter: a Gross income from members or shareholders		
87b	b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		✓
89a	501(c)(3) organizations Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶		
89b	b 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction.		✓
	c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ 0		
	d Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ 0		
90a	List the states with which a copy of this return is filed ▶		
90b	b Number of employees employed in the pay period that includes March 12, 2003 (See instructions.) 90b 120		
91	The books are in care of ▶ Larry Ewing Telephone no ▶ (618) 627-4651 Located at ▶ 3391 Charley Good Road, West Frankfort, IL ZIP + 4 ▶ 62896		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 —Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92		

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a Production and distribution					882,653
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					28,155
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					13,504
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					4,028
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					(50,097)
103 Other revenue: a Video and other sales					399,341
b Change in value of split interest agreements					(776,816)
c Bad debt recovery					18,896
d Other					59,459
e					
104 Subtotal (add columns (B), (D), and (E))					579,123
105 Total (add line 104, columns (B), (D), and (E)).					

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
▼	Statement 11

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: *Danny Shelton* Date: *6/24/04*

Danny Shelton, President

Type or print name and title

Paid Preparer's Use Only

Preparer's signature: _____ Date: _____ Check if self-employed:

Firm's name (or yours if self-employed), address, and ZIP + 4: _____ Preparer's SSN or PTIN (See Gen. Inst. W): _____

EIN: _____ Phone no: _____



Part III Statements About Activities (See page 2 of the instructions.)		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		✓
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a	Sale, exchange, or leasing of property?		✓
b	Lending of money or other extension of credit?		✓
c	Furnishing of goods, services, or facilities?	✓	
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?		✓
e	Transfer of any part of its income or assets?		✓
3a	Do you make grants for scholarships, fellowships, student loans, etc? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments)		✓
b	Do you have a section 403(b) annuity plan for your employees?		✓
4	Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		✓

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

The organization is not a private foundation because it is. (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶ _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in. (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 6 of the instructions.)

THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2003

#37-1179056

Statement 2
Form 990, Part I, Line 43
Other Expenses

Other Expenses	Total	Program Management Services	& General Fundraising
Advertising and Promotion	426,191	179,252	246,939
Bank Charges	49,307		49,307
Broadcasting	79,463	79,463	
Camp Meeting	26,141		26,141
Contract Labor	102,479	51,819	50,660
Dues and Registration	46,972	46,972	
Insurance	244,012		244,012
Miscellaneous	192,799		192,799
Music Production	177,166	177,166	
Special Projects	459,752	327,715	132,037
	<u>1,804,282</u>	<u>862,387</u>	<u>941,895</u>

Statement 3
Form 990, Part IV, Line 55
Land, Buildings and Equipment

Land held in Charitable Remainder Unitrusts 3,387,100

Statement 4
Form 990, Part IV, Line 57
Land, Buildings and Equipment

Asset	Cost	Accum. Deprec.	Net Book Value
Aircraft	1,346,893	280,611	1,066,282
Buildings	3,662,186	621,826	3,040,360
Land	834,778		834,778
Land Improvements	187,511	48,060	139,451
Machinery & Equipment	18,017,648	9,809,342	8,208,306
Vehicles	1,402,866	1,003,488	399,378
Construction in Progress	2,558,824		2,558,824
	<u>28,010,706</u>	<u>11,763,327</u>	<u>16,247,379</u>

THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2003

#37-1179056

Statement 5
Form 990 Part IV, Line 58
Other Assets

Annuities	10,074,843
Trusts	19,941,522
	<u>30,016,365</u>

Statement 6
Form 990 Part IV, Line 65
Other Liabilities

Annuities	10,078,854
Liabilities under Unitrust Agreements	2,296,540
Revocable Trust Liabilities	19,941,522
	<u>32,316,916</u>

Statement 7
Form 990 Part IV-A, Line B(4)
Other Amounts

Cost of Goods Sold - Satellites	1,041,702
Rental Expenses	7,258
	<u>1,048,960</u>

Statement 8
Form 990 Part IV-B, Line B(4)
Other Amounts

Cost of Goods Sold - Satellites	1,041,702
Rental Expenses	7,258
	<u>1,048,960</u>

**THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2003**

#37-1179056

**Statement 9
Form 990, Part V
List of Officers, Directors, Trustees, and Key Employees**

Name and Address	Title & Avg. Hrs/Wk	Comp.	Employee Benefits	Expense Account
Dr. Walter Thompson 174 Fox Borough Burr Ridge, IL 60521	Chairman None		0	0
Kenneth Denslow 619 Plainfield Rd., 3rd Floor Willowbrook, IL 60521-5381	Director None		0	0
May E. Chung 155 Manchester Lane San Bernardino, CA 92408	Director None		0	0
Dr. Robert Ford 2517 NE Kresky Chehalis, Wa 98532-2409	Director None		0	0
Bill Hulse PO Box 596 Collegedale, TN 37315	Director None		0	0
Ellsworth McKee PO Box 750 Collegedale, TN 37315	Director None		0	0
Danny Shelton 2954 New Lake Road West Frankfort, IL 62896	President Director 40 hrs/wk	53,695		
Linda Shelton 2954 New Lake Road West Frankfort, IL 62896	Vice Pres. Director 40 hrs/wk	58,169		
G. Ralph Thompson 12501 Old Columbia Pike Silver Spring, MD 20904-6600	Director None		0	0
Owen Troy 1906 Dana Drive Adelphi, MD 20783-2119	Director None		0	0
Larry Welch 715 S Mulkey Christopher, IL 62822	Director 40 hrs/wk	40,567	0	0
		<u>152,431</u>		