

**Ex. I**

**THREE ANGELS BROADCASTING NETWORK, INC.**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2001**

**11. SPLIT INTEREST AGREEMENTS**

Three Angels Broadcasting Network, Inc. is the beneficiary of several irrevocable charitable remainder unitrust agreements under which the assets funding the trusts were transferred to the Organization. Under these agreements, the Organization is to pay certain amounts for specified periods of time to the donors. The assets received are recorded at fair market value in the financial statements. The liabilities under unitrust agreements are recorded at the present value of expected future cash flows to be paid to the donors. Discount rates range from 5.6% to 7.4% in calculating the present value of the liabilities under unitrust agreements. The present value calculations are based upon single or joint life expectancy as applicable.

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, 2001 contributions received in January, 2002.

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, accounts receivable, accounts payable and notes payable. The Organization estimates that the fair values of all financial instruments at December 31, 2001, 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 purchases a portion of their inventory from an entity that is owned by two Board members. Purchases from this entity totaled \$75,000.00 for the year ending December 31, 2001.

**15. PRIOR PERIOD ADJUSTMENTS**

Subsequent to the issuance of the 2000 financial statements, it was determined that \$75,879.59 of net assets previously classified as unrestricted should have been classified as temporarily restricted. As a result of this determination, a reclassification has been made for this amount as of January 1, 2001. This reclassification had no effect on net income.