

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

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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.

**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

RECEIVED

AUG 15 2007

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 | | | | | |
| a Direct public support | | 1a | 14,057,326 | | |
| b Indirect public support | | 1b | | | |
| c Government contributions (grants) | | 1c | | | |
| d Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____) | | 1d | | 14,057,326 | |
| 2 Program service revenue including government fees and contracts (from Part VII, line 93) | | 2 | | 847,980 | |
| 3 Membership dues and assessments | | 3 | | | |
| 4 Interest on savings and temporary cash investments | | 4 | | 26,591 | |
| 5 Dividends and interest from securities | | 5 | | | |
| 6a Gross rents | | 6a | 25,824 | | |
| b Less rental expenses | | 6b | 9,415 | | |
| c Net rental income or (loss) (subtract line 6b from line 6a) | | 6c | | 16,409 | |
| 7 Other investment income (describe ▶) | | 7 | | | |
| 8a Gross amount from sales of assets other than inventory | | (A) Securities | | (B) Other | |
| | | 8a | 38,761 | 147,893 | |
| b Less cost or other basis and sales expenses | | 8b | 40,250 | 191,613 | |
| c Gain or (loss) (attach schedule) | | 8c | (1,489) | (43,720) | |
| d Net gain or (loss) (combine line 8c, columns (A) and (B)) | | 8d | | (45,209) | |
| 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 | | | |
| c Net income or (loss) from special events (subtract line 9b from line 9a) | | 9c | | | |
| 10a Gross sales of inventory, less returns and allowances | | 10a | 1,184,297 | | |
| b Less cost of goods sold | | 10b | 687,151 | | |
| c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) | | 10c | | 497,146 | |
| 11 Other revenue (from Part VII, line 103) | | 11 | | (136,032) | |
| 12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) | | 12 | | 15,264,211 | |
| 13 Program services (from line 44, column (B)) | | 13 | | 7,349,763 | |
| 14 Management and general (from line 44, column (C)) | | 14 | | 4,926,100 | |
| 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 | | 12,275,863 | |
| 18 Excess or (deficit) for the year (subtract line 17 from line 12) | | 18 | | 2,988,348 | |
| 19 Net assets or fund balances at beginning of year (from line 3, column (A)) | | 19 | | 18,157,530 | |
| 20 Other changes in net assets or fund balances (attach explanation) | | 20 | | 1,732,679 | |
| 21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) | | 21 | | 22,878,557 | |

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 IRS-OSC

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 | | |
| 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 | 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 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 | 501(c)(7) orgs 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) orgs 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 | 501(c)(3) organizations 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 | 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 | 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"/> | 90b | 110 |
| b | Number of employees employed in the pay period that includes March 12, 2002 (See instructions) | | |
| 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)

| | 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: _____ 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 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 ▶

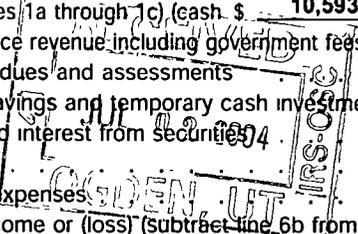
H and I are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes," enter number of affiliates ▶
H(c) Are all affiliates included? Yes No (If "No," attach a list. See instructions.)
H(d) Is this a separate return filed by an organization covered by 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 |
| Revenue | 7 | Other investment income (describe ▶) | 7 | | | | |
| | 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 |
| | 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 | | | | |
| | 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 | |
| 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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23

Form 990 (2003)

Page 5

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

Date: *6/24/04*

Paid Preparer's Use Only: Preparer's signature: _____ Date: _____ Check if self-employed: Preparer's SSN or PTIN (See Gen. Inst. W): _____
 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 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 Hulsey 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> | | |

Ex.
S

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

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)

OMB No. 1545-0047
2004
Open to Public Inspection

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

A For the 2004 calendar year, or tax year beginning **2004**, 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: ▶

J Organization type (check only one) ▶ 501(c) () ◀ (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.)

| | | | | |
|---|----------------|-------------------|------------------|-------------------|
| 1 Contributions, gifts, grants, and similar amounts received: | | | | |
| a Direct public support | 1a | 13,581,898 | | |
| b Indirect public support | 1b | | | |
| c Government contributions (grants) | 1c | | | |
| d Total (add lines 1a through 1c) (cash \$ 12,811,538 noncash \$ 770,360) | 1d | | | 13,581,898 |
| 2 Program service revenue including government fees and contracts (from Part VII, line 93) | 2 | | | 1,106,556 |
| 3 Membership dues and assessments | 3 | | | |
| 4 Interest on savings and temporary cash investments | 4 | | | 3,903 |
| 5 Dividends and interest from securities | 5 | | | |
| 6a Gross rents | 6a | 33,173 | | |
| b Less: rental expenses | 6b | 898 | | |
| c Net rental income or (loss) (subtract line 6b from line 6a) | 6c | | | 32,275 |
| 7 Other investment income (describe ▶) | 7 | | | |
| 8a Gross amount from sales of assets other than inventory | (A) Securities | | (B) Other | |
| | 21,726 | 8a | 893,177 | |
| b Less: cost or other basis and sales expenses | 21,747 | 8b | 1,011,845 | |
| c Gain or (loss) (attach schedule) | (21) | 8c | (118,668) | |
| d Net gain or (loss) (combine line 8c, columns (A) and (B)) | | 8d | | (118,689) |
| 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: expenses other than fundraising expenses | 9b | | | |
| c Net income or (loss) from special events (subtract line 9b from line 9a) | 9c | | | |
| 10a Gross sales of inventory, less returns and allowances | 10a | 713,725 | | |
| b Less: cost of goods sold | 10b | 584,020 | | |
| c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) | 10c | | | 129,705 |
| 11 Other revenue (from Part VII, line 103) | 11 | | | (760,511) |
| 12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) | 12 | | | 13,975,137 |
| 13 Program services (from line 44, column (B)) | 13 | | | 9,881,759 |
| 14 Management and general (from line 44, column (C)) | 14 | | | 4,938,968 |
| 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 | | | 14,820,727 |
| 18 Excess or (deficit) for the year (subtract line 17 from line 12) | 18 | | | (845,590) |
| 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 | | | 20,798,407 |
| 21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) | 21 | | | 19,952,817 |

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Form 990 (2004)

Page 5

| 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. | 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 ▶ _____ _____ 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 _____ | | |
| 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 | 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 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 | 501(c)(7) orgs. 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) orgs. 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 | 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) 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 | 89b | ✓ |
| 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 ▶ Statement 10 | | |
| b | Number of employees employed in the pay period that includes March 12, 2004 (See instructions.) 90b 125 | | |
| 91 | The books are in care of ▶ Larry Ewing Telephone no. ▶ (618) 627-4651 Located at ▶ 3391 Charlie Good Road, West Frankfort, IL ZIP + 4 ▶ 62896 | | |
| 92 | Section 4947(a)(1) nonexempt charitable trusts filling 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 _____ | | |

Form 990 (2004)

Page 6

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 | | | | | 1,106,556 |
| 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 | | | | | 3,903 |
| 96 Dividends and interest from securities | | | | | |
| 97 Net rental income or (loss) from real estate: | | | | | |
| a debt-financed property | | | | | |
| b not debt-financed property | | | | | 32,275 |
| 98 Net rental income or (loss) from personal property | | | | | |
| 99 Other investment income | | | | | |
| 100 Gain or (loss) from sales of assets other than inventory | | | | | (118,689) |
| 101 Net income or (loss) from special events | | | | | 129,705 |
| 102 Gross profit or (loss) from sales of inventory | | | | | |
| 103 Other revenue: a | | | | | |
| b Change in value of split interest agreements | | | | | (799,307) |
| c Other | | | | | 38,796 |
| d | | | | | |
| e | | | | | |
| 104 Subtotal (add columns (B), (D), and (E)) | | | | | 393,239 |
| 105 Total (add line 104, columns (B), (D), and (E)) | | | | | 393,239 |

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: 5-17-05
 Type or print name and title: Danny Shelton, President

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? | | ✓ |
| 4a | Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds? | | ✓ |
| b | Do you provide credit counseling, debt management, credit repair, or debt negotiation services? | | ✓ |

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 5 of the instructions.)

THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2004

#37-1179056

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

| Other Expenses | Total | Program Services | Management & General | Fundraising |
|---------------------------|------------------|------------------|----------------------|-------------|
| Advertising and Promotion | 206,995 | 37,500 | 169,495 | |
| Bank Charges | 64,189 | | 64,189 | |
| Broadcasting | 49,734 | 49,734 | | |
| Camp Meeting | 37,516 | | 37,516 | |
| Cost of Goods Given Away | 330,242 | 330,242 | | |
| Contract Labor | 111,478 | 99,716 | 11,762 | |
| Dues and Registration | 36,855 | 36,855 | | |
| Insurance | 333,123 | | 333,123 | |
| Miscellaneous | 144,618 | | 144,618 | |
| Music Production | 102,777 | 102,777 | | |
| Special Projects | 529,598 | 473,875 | 55,723 | |
| | <u>1,947,125</u> | <u>1,130,699</u> | <u>816,426</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 |
|--------------------------|-------------------|-------------------|-------------------|
| Buildings | 6,583,111 | 760,019 | 5,823,092 |
| Land | 855,813 | | 855,813 |
| Land Improvements | 290,903 | 61,384 | 229,519 |
| Machinery & Equipment | 18,660,049 | 11,599,773 | 7,060,276 |
| Vehicles | 1,410,066 | 1,194,408 | 215,658 |
| Construction in Progress | 365,220 | | 365,220 |
| | <u>28,165,162</u> | <u>13,615,584</u> | <u>14,549,578</u> |

**THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2004**

#37-1179056

**Statement 5
Form 990 Part IV, Line 58
Other Assets**

| | |
|-----------|-------------------|
| Annuities | 10,814,529 |
| Trusts | 20,486,680 |
| | <u>31,301,209</u> |

**Statement 6
Form 990 Part IV, Line 65
Other Liabilities**

| | |
|---------------------------------------|-------------------|
| Annuities | 11,439,255 |
| Liabilities under Unitrust Agreements | 1,994,212 |
| Revocable Trust Liabilities | 20,486,680 |
| | <u>33,920,147</u> |

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

| | |
|--------------------------------|----------------|
| Cost of Goods Sold - Satelites | 584,020 |
| Rental Expenses | 898 |
| | <u>584,918</u> |

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

| | |
|--------------------------------|----------------|
| Cost of Goods Sold - Satelites | 584,020 |
| Rental Expenses | 898 |
| | <u>584,918</u> |

**THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2004**

#37-1179056

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

| <u>Name and Address</u> | <u>Title & Avg. Hrs/Wk</u> | <u>Comp.</u> | <u>Employee Benefits</u> | <u>Expense Account</u> |
|--|------------------------------------|--------------|------------------------------|----------------------------|
| 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 Chung 155 Manchester Lane San Bernardino, CA 92408 | Director None | 0 | 0 | 0 |
| Larry Ewing PO Box 75 Thompsonville, IL 62890 | Treasurer 40 hrs/wk | 60,729 | | |
| Merlin Fjarli 670 Mason Way Medford, OR 97501 | Director None | 0 | 0 | 0 |
| Bill Hulse PO Box 596 Collegedale, TN 37315 | Director None | 0 | 0 | 0 |
| Ellsworth McKee PO Box 750 Collegedale, TN 37315 | Director None | 0 | 0 | 0 |
| Nicholas Miller 2352 Bond Street Niles, MI 49120 | Director None | 0 | 0 | 0 |
| Wintley Phipps PO Box 8008 Vero Beach, FL 32963 | Director None | 0 | 0 | 0 |
| Danny Shelton 2954 New Lake Road West Frankfort, IL 62896 | President Director 40 hrs/wk | 59,294 | | |

**THREE ANGELS BROADCASTING NETWORK, INC.
990 - SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2004**

#37-1179056

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

| | | | | |
|--|------------------------------------|---------|---|---|
| Mollie Steenson 400 E. 9th Street Johnston City, IL 62951 | Secretary Director 40 hrs/wk | 44,166 | | |
| G. Ralph Thompson 12501 Old Columbia Pike Silver Spring, MD 20904-6600 | Director None | 0 | 0 | 0 |
| Carmelita Troy 4024 Ronda Rd. Pebble Beach, CA 93953 | Director None | 0 | 0 | 0 |
| Larry Welch 715 S Mulkey Christopher, IL 62822 | Director 40 hrs/wk | 40,584 | 0 | 0 |
| | | 204,773 | | |

**Statement 10
Form 990, Part V, Line 90A
List of States Which This Return is Filed**
California
Illinois
Oregon

**Statement 11
Form 990, Part VII
Relationship of Activities to the Accomplishment of Exempt Purposes**
Line # Explanation of Activities

| | |
|------|--|
| 93 | Payment for airtime & production of certain religious programming |
| 95 | Interest income is used to help offset general operating expenses |
| 97 | Rental income is used to help offset general operating expenses |
| 102 | Sale of satellite dishes to enable viewers to receive programming |
| 103b | Recovery of airtime and production revenue relating to religious programming |
| 103c | Other income is used to help offset general operating expenses |