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**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.