KPMG

THE CHRISTIAN BROADCASTING NETWORK, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

March 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
The Christian Broadcasting Network, Inc.:

We have audited the accompanying consolidated financial statements of The Christian Broadcasting Network, Inc. and affiliated organizations, which comprise the consolidated statements of financial position as of March 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Christian Broadcasting Network, Inc. and affiliated organizations as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 26, 2015

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Financial Position

March 31, 2015 and 2014

Assets		**2015**	**2014**
Current assets:			
Cash and cash equivalents (note 7)	$	31,543,355	33,384,257
Investments (notes 2 and 7)		16,753,658	20,311,094
Pledges and contributions receivable, net (note 3)		57,569,653	56,763,735
Accounts receivable (net of allowances of $141,295 and $178,333, respectively)		2,181,514	2,543,003
Prepaid expenses and other		4,028,943	3,661,717
Gifts-in-kind inventories		94,682,604	34,573,946
Total current assets		206,759,727	151,237,752
Property and equipment, net (notes 4 and 8)		85,101,892	86,901,490
Fiduciary assets, net (notes 5 and 7)		4,514,023	4,270,672
Long-term pledges and contributions receivable, net (notes 3, 6, and 7)		6,038,746	14,756,753
Other assets		17,792,276	16,231,403
Total assets	$	320,206,664	273,398,070
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	21,717,851	20,360,413
Current maturities of long-term debt (note 8)		6,406,624	6,711,755
Deferred gifts-in-kind revenue		94,682,604	34,573,946
Other current liabilities (note 9)		619,850	4,876,476
Total current liabilities		123,426,929	66,522,590
Long-term debt, excluding current portion (note 8)		40,403,336	33,178,691
Other long-term liabilities (note 9)		513,721	126,123
Total liabilities		164,343,986	99,827,404
Net assets:			
Unrestricted		135,986,746	143,267,005
Temporarily restricted (note 11)		19,070,123	29,448,248
Permanently restricted (note 11)		805,809	855,413
Total net assets		155,862,678	173,570,666
Commitments and contingencies (notes 9 and 14)			
Total liabilities and net assets	$	320,206,664	273,398,070

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2015

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and other revenues:				
Ministry support (note 6)	$ 284,049,675	14,396,852	—	298,446,527
Gifts-in-kind	236,345,676	—	—	236,345,676
Investment loss, net (note 2)	(3,607,836)	—	—	(3,607,836)
Other revenue	2,802,119	—	—	2,802,119
	519,589,634	14,396,852	—	533,986,486
Net assets released from restrictions (note 12)	24,878,078	(24,878,078)	—	—
Total ministry support and revenues	544,467,712	(10,481,226)	—	533,986,486
Ministry and program expenses:				
Evangelistic outreach – domestic	106,258,657	—	—	106,258,657
Evangelistic outreach – international	126,496,274	—	—	126,496,274
Operation Blessing and humanitarian relief	255,641,207	—	—	255,641,207
Prayer ministry	14,148,003	—	—	14,148,003
Worldwide distribution of religious materials	1,105,599	—	—	1,105,599
Education and training	645,617	—	—	645,617
Donations to others to further the Gospel	1,261,667	—	—	1,261,667
Total ministry and program expenses	505,557,024	—	—	505,557,024
Supporting services:				
Fundraising	29,567,117	—	—	29,567,117
General and administrative	16,623,830	—	—	16,623,830
Total supporting services	46,190,947	—	—	46,190,947
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	103,101	(49,604)	53,497
Total other gains and losses	—	103,101	(49,604)	53,497
Decrease in net assets	(7,280,259)	(10,378,125)	(49,604)	(17,707,988)
Net assets at beginning of year	143,267,005	29,448,248	855,413	173,570,666
Net assets at end of year	$ 135,986,746	19,070,123	805,809	155,862,678

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2014

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and other revenues:				
Ministry support (note 6)	$ 284,094,820	19,754,484	—	303,849,304
Gifts-in-kind	317,165,016	—	—	317,165,016
Investment loss, net (note 2)	(934,659)	—	—	(934,659)
Other revenue	2,822,682	—	—	2,822,682
	603,147,859	19,754,484	—	622,902,343
Net assets released from restrictions (note 12)	22,611,664	(22,611,664)	—	—
Total ministry support and revenues	625,759,523	(2,857,180)	—	622,902,343
Ministry and program expenses:				
Evangelistic outreach – domestic	102,725,951	—	—	102,725,951
Evangelistic outreach – international	122,100,988	—	—	122,100,988
Operation Blessing and humanitarian relief	337,144,272	—	—	337,144,272
Prayer ministry	13,481,559	—	—	13,481,559
Worldwide distribution of religious materials	1,119,143	—	—	1,119,143
Education and training	645,961	—	—	645,961
Donations to others to further the Gospel	2,331,800	—	—	2,331,800
Total ministry and program expenses	579,549,674	—	—	579,549,674
Supporting services:				
Fundraising	28,386,785	—	—	28,386,785
General and administrative	15,238,610	—	—	15,238,610
Total supporting services	43,625,395	—	—	43,625,395
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	342,267	50,917	393,184
Total other gains and losses	—	342,267	50,917	393,184
Increase (decrease) in net assets	2,584,454	(2,514,913)	50,917	120,458
Net assets at beginning of year	140,682,551	31,963,161	804,496	173,450,208
Net assets at end of year	$ 143,267,005	29,448,248	855,413	173,570,666

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (17,707,988)	120,458
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,782,558	12,425,040
Loss on disposal of assets	46,789	4,830
Loss due to currency conversion, net	117,292	128,427
Increase in allowance for pledges receivable	3,764,605	173,074
Investment loss, net	3,607,835	934,659
Changes in assets and liabilities:		
Accounts receivable	361,489	(185,077)
Pledges and contributions receivable	4,147,485	1,726,237
Prepaid expenses and other	(367,226)	(30,827)
Fiduciary assets, net	(243,351)	(629,673)
Other assets	(3,855,766)	(5,629,174)
Accounts payable and accrued liabilities	1,244,678	(926,316)
Net cash provided by operating activities	4,898,400	8,111,658
Cash flows from investing activities:		
Proceeds from sale of investments	512,145	331,735
Purchases of investments	(1,344,329)	(309,977)
Purchases of property and equipment	(8,478,865)	(18,687,881)
Proceeds from sale of property and equipment	42,001	18,989
Net cash used in investing activities	(9,269,048)	(18,647,134)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	12,826,483	16,353,354
Payments on long-term debt	(5,906,969)	(6,115,133)
Proceeds from issuance of other liabilities	991,854	3,451,104
Payments of other liabilities	(5,381,622)	(1,559,625)
Net cash provided by financing activities	2,529,746	12,129,700
Increase (decrease) in cash and cash equivalents	(1,840,902)	1,594,224
Cash and cash equivalents at beginning of year	33,384,257	31,790,033
Cash and cash equivalents at end of year	$ 31,543,355	33,384,257
Supplemental disclosures of noncash operating and investing activities:		
Revaluation of international property and equipment due to change in conversion rates	$ (117,292)	(128,427)
Acquisition of property and equipment in accounts payable at year-end	112,760	211,041
Contribution of assets held for investment	(26,416)	(189,471)
Supplemental disclosures of noncash investing and financing activities:		
Acquisition of property and equipment from issuance of other liabilities	$ 520,740	—

See accompanying notes to consolidated financial statements.

(1) The Organization and Summary of Significant Accounting Policies

(a) Organization

The mission of The Christian Broadcasting Network, Inc. and its affiliated organizations (CBN or the Ministry) is to preach the gospel of Jesus Christ to all the world as a witness unto all nations (see Matthew 24:14). In achieving this mission, CBN's chief method is the strategic use of mass communication, especially television (both domestic and international), the internet, and the distribution of teaching materials in the form of CDs, DVDs, films, animation, and literature. CBN's purpose is to train the young and old on the principles of the Kingdom of God, and their application to everyday life. The Ministry also provides prayer ministry, financial, medical and humanitarian aid to the needy 365 days a year, worldwide.

(b) Basis of Presentation

The consolidated financial statements include The Christian Broadcasting Network, Inc. and its subsidiaries and affiliated organizations under common control. All significant intercompany transactions and accounts have been eliminated. The consolidated financial statements of the Ministry have been prepared on the accrual basis of accounting.

These consolidated financial statements have been prepared to focus on the Ministry as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenues, gains, and losses, are classified based on the existence or absence of donor-imposed restrictions. The Ministry's net assets are segregated into three net asset groups:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Ministry and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Ministry. Investment income and unrealized gains and losses from these funds can be either restricted or unrestricted.

Revenues are reported as increases in the unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor-imposed restrictions are reported as increases to temporarily or permanently restricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (note 12). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

(c) Cash and Cash Equivalents

The Ministry considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents that are utilized within a managed investment portfolio are accounted for as investments. Cash equivalents consisting of certificates of deposit and money market funds totaled $14,660,911 and $18,106,246 at March 31, 2015 and 2014, respectively. Included in cash and cash equivalents is $1,942,020 and $3,692,910 at March 31, 2015 and 2014, respectively, in proceeds from bank note borrowings to be used for capital purchases.

(d) Investments

Investments are stated at fair value based on quoted market prices. Realized gains and losses are derived using the specific-identification method and are included in investment loss, net in the accompanying consolidated statements of activities.

(e) Pledges and Contributions Receivable

Pledges receivable to the Ministry are recognized as revenues in the period the unconditional promise is made by the donor. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the pledge. Conditional pledges to give are not recognized until the conditions on which they depend are substantially met. Contributions receivable from irrevocable trusts and estate interests are recorded at CBN's percent interest in the estimated fair value based on the fair value of the underlying assets.

(f) Gifts-in-Kind

Gifts-in-kind primarily comprise medicines, school and medical supplies, dried and canned food, produce, clothing, and other relief products. Gifts-in-kind are recorded at their estimated fair wholesale value when received. There is inherent uncertainty in determining the fair value of donated products. Gifts-in-kind revenue and expense are recognized in the year in which the product is distributed. Amounts at the end of the fiscal year that have not been distributed are included in gifts-in-kind inventories and deferred gifts-in-kind revenue. Expenses associated with these items are predominantly included in Operation Blessing and humanitarian relief in the accompanying consolidated statements of activities based on the fair value of the gifts-in-kind donated.

(g) Property and Equipment

Property and equipment are stated at cost or at estimated fair value at date of gift if acquired by gift, less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are: buildings and improvements, 40 years; production and transmission equipment, 6 years; information technology and other equipment, 6 years; and office furniture and fixtures, 10 years. The cost and associated accumulated depreciation of property sold or retired is removed from the accounts and any gain or loss is reflected in the accompanying consolidated statements of activities.

(Continued)

(h) *Fiduciary Assets*

CBN is the beneficiary of various revocable and irrevocable trusts. Assets in irrevocable trusts, which are controlled by CBN, are recorded as assets and recognized as contribution revenue at the present value of future distributions to the Ministry in the fiscal year the trust is established. The change in fair value of CBN's interest in irrevocable trusts is included in other gains and losses in the accompanying consolidated statements of activities. Trusts that are revocable in nature are not reflected in CBN's consolidated financial statements until the trust assets are received.

(i) *Allocation of Expenses*

The Ministry allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated based on various statistical bases, such as content and purpose. Total joint costs and respective allocations are as follows for the years ended March 31:

		2015	2014
Evangelistic outreach – domestic	$	66,220,168	64,806,226
Evangelistic outreach – international		3,010,010	3,183,763
Operation Blessing and humanitarian relief		217,952	318,956
Prayer ministry		5,750,696	5,669,950
Worldwide distribution of religious materials		1,105,599	1,119,143
Education and training		645,617	645,961
Fundraising		23,680,060	23,180,070
General and administrative		6,601,953	6,347,816
Total joint costs	$	107,232,055	105,271,885

The types of activities for which joint costs have been incurred are program airtime, direct mail, utilities, maintenance, depreciation and amortization, development, and information technology.

(j) *Bartered Airtime*

The Ministry recognizes the estimated fair value of international airtime received in exchange for providing program content as ministry support and international evangelistic outreach. The amounts recognized in the accompanying consolidated statements of activities were approximately $71,098,000 and $69,915,000 for the years ended March 31, 2015 and 2014, respectively.

(k) *Noncash Transactions*

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $94,682,604 and $34,573,946 at March 31, 2015 and 2014, respectively.

(l) Income Taxes

CBN is classified as an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. Contributions to CBN qualify for a charitable contribution deduction to the extent provided by the law. CBN is subject to taxes on its unrelated business income. Substantially all of the taxes on unrelated business income were offset by the utilization of net operating loss carryforwards. As of March 31, 2015, CBN has unused net operating loss carryforwards available to offset future tax liabilities. The carryforwards expire at various dates principally through 2034. Management has recorded a full valuation allowance of $12,339,058 and $11,512,025 as of March 31, 2015 and 2014, respectively, for the future tax benefit of the related deferred tax asset.

The Ministry recognizes or derecognizes its tax positions based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Ministry does not believe its consolidated financial statements include or reflect any uncertain tax positions.

(m) Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be presented separately in the consolidated statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(n) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management of the Ministry to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting periods. Significant items subject to such estimates and judgments include: the valuation of pledges, contributions, and accounts receivable; future distributions from trusts: bartered airtime; gifts-in-kind contributions; the estimated useful life of property and equipment; and the allocation of joint costs. Actual results could differ from those estimates.

(o) Subsequent Events

The preparation of consolidated financial statements in conformity with GAAP requires entities to evaluate events that occur after the balance sheet date but before the consolidated financial statements are issued for potential recognition or disclosure. Entities are required to disclose the date through which subsequent events were evaluated, as well as the rationale for why that date was selected. In preparing these consolidated financial statements, the Ministry has evaluated events and transactions for potential recognition or disclosure through June 26, 2015, the date the consolidated financial statements were available to be issued.

(2) Investments

Investments consist of the following at March 31:

		2015	2014
Cash and cash equivalents	$	5,920,742	4,702,999
Equity securities:			
Domestic		15,598,166	14,380,603
Exchange-traded funds:			
Precious metals		—	1,249,313
Gold and silver		918,289	946,748
Margin loan		(5,683,539)	(968,569)
	$	16,753,658	20,311,094

Investment loss, net consists of the following for the years ended March 31:

		2015	2014
Interest	$	15,893	8,074
Margin loan interest expense		(75,567)	(152,933)
Dividends		599,109	991,948
Net realized gains (losses)		(1,563,454)	440,394
Net unrealized losses		(2,583,817)	(2,222,142)
	$	(3,607,836)	(934,659)

(3) Pledges and Contributions Receivable

The Ministry has a gross pledges receivable balance of $114,949,551 and $110,402,036 as of March 31, 2015 and 2014, respectively, which is netted against a present value discount of 3.50% and 2.51% and allowances for uncollectible pledges of $53,291,152 and $49,526,548, respectively. The Ministry has contributions receivable from a charitable trust of $1,950,000 and $10,645,000 as of March 31, 2015 and 2014, respectively (note 6). Pledges and contributions receivable at March 31, 2015 and 2014 are expected to be received as follows:

		2015	2014
Within one year	$	57,569,653	56,763,735
One to five years		4,088,746	4,111,753
Thereafter		1,950,000	10,645,000
	$	63,608,399	71,520,488

(4) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31:

		2015	2014
Land and improvements	$	23,667,205	23,661,406
Buildings and improvements		83,559,766	77,827,257
Construction in progress		—	200,337
Production and transmission equipment		59,675,280	60,952,798
Information technology and other equipment		66,130,578	66,043,816
Office furniture and fixtures		11,632,696	11,526,003
		244,665,525	240,211,617
Less accumulated depreciation and amortization		(159,563,633)	(153,310,127)
	$	85,101,892	86,901,490

Property and equipment includes buildings and equipment acquired under existing financing agreements of $21,478,856 and $19,845,848 at March 31, 2015 and 2014, respectively. Related accumulated depreciation and amortization amounted to $7,949,225 and $7,878,252, respectively.

Property and equipment also includes land, land improvements, buildings, and equipment in the amount of $29,464,061 and $29,845,746 at March 31, 2015 and 2014, respectively, for a multi-unit residential housing complex. Related accumulated depreciation and amortization amounted to $2,020,289 and $386,496, respectively.

(5) Fiduciary Assets, Net

Fiduciary assets, net comprise the following at March 31:

		2015	2014
Charitable remainder unitrusts managed	$	6,858,133	7,273,386
Split-interest agreements		4,736,175	4,502,093
Funds managed for other beneficiaries		(1,891,328)	(2,036,543)
Estimated payments due to donors		(5,188,957)	(5,468,264)
Fiduciary assets, net	$	4,514,023	4,270,672

The change in value of split-interest agreements for temporarily restricted net assets was $103,101 and $342,267 and for permanently restricted net assets was ($49,604) and $50,917 for the fiscal years ended March 31, 2015 and 2014, respectively. Discount rates used to calculate the present value of these assets are the fixed rates associated with each agreement and range from 5% to 10%.

(6) Contribution Receivable from Charitable Trust

In 1990, CBN's Founder established an irrevocable charitable remainder trust with his personal assets for the future benefit of the Ministry. The assets of the trust are not controlled by CBN and will be distributed to the Ministry upon the later of the death of the Founder or his wife. Trust assets are invested in privately held ventures, oil, and gas rights and other investments. The estimated fair value of these assets as of March 31, 2015 and 2014 is $1,950,000 and $10,645,000, respectively. The $8,695,000 and $4,075,000 decrease in estimated fair value for the years ended March 31, 2015 and 2014, respectively, has been recognized as temporarily restricted ministry support in the consolidated statements of activities.

(7) Fair Value Measurement of Assets and Liabilities

The carrying amount of cash and cash equivalents, accounts receivable, prepaid and other assets, accounts payable and accrued liabilities, and other current liabilities reported in the consolidated statements of financial position approximates fair value due to the short maturity of these instruments. The carrying value of pledges receivables and fiduciary liabilities approximates fair value, since the expected cash flows have been present valued. Also, the carrying value of certain long-term debt and other long-term liabilities approximates fair value due to either their short term nature or variable rates. The carrying value of the debt maturing July 2024 approximates fair value due to the recent acquisition. The carrying value of the debt maturing April 2054 approximates fair value due to low fluctuation of interest rates.

Financial assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories known as the "Fair Value Hierarchy":

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Ministry has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are primarily unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets and liabilities that are measured at fair value on a recurring basis:

	March 31, 2015	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 14,660,911	14,660,911	—	—
Investments:				
Equity securities	15,598,166	15,598,166	—	—
Gold and silver	918,289	918,289	—	—
Margin loan	(5,683,539)	(5,683,539)	—	—
Fiduciary assets	11,594,308	11,594,308	—	—
Contribution receivable from charitable trust	1,950,000	—	—	1,950,000
	$ 39,038,135	37,088,135	—	1,950,000

	March 31, 2014	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 18,106,246	18,106,246	—	—
Investments:				
Equity securities	14,380,603	14,380,603	—	—
Exchange traded funds	1,249,313	1,249,313		
Gold and silver	946,748	946,748	—	—
Margin loan	(968,569)	(968,569)	—	—
Fiduciary assets	11,775,479	11,775,479	—	—
Contribution receivable from charitable trust	10,645,000	—	—	10,645,000
	$ 56,134,820	45,489,820	—	10,645,000

The change in Level 3 financial instruments for the years ended March 31, 2015 and 2014 of $8,695,000 and $4,075,000, respectively, is due solely to net unrealized losses attributable to a change in the estimated fair value. There were no transfers between Levels 1 and 2 during the years ended March 31, 2015 and 2014. There were no assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2015 and 2014.

(Continued)

(8) Long-Term Debt

Long-term debt consists of the following at March 31:

		2015	2014
Bank notes payable, notes collateralized by equipment, bear interest at variable rates ranging from 2.47% to 6.09% maturing at various dates through July 2017	$	6,018,396	11,079,131
Term and life notes bear interest at rates ranging from 4.5% to 9% payable on demand		949,882	1,041,223
Nonrecourse mortgage loan, collateralized by land and buildings associated with multi-unit residential housing complex, guaranteed by U.S. Department of Housing and Urban Development, bears interest at a rate of 3.75% maturing April 2054		34,735,840	27,770,092
Mortgage loan, collateralized by land and a commercial office building, bears interest at a rate of 4.5%, maturing July 2024		5,105,842	—
		46,809,960	39,890,446
Less current maturities		(6,406,624)	(6,711,755)
	$	40,403,336	33,178,691

Total interest incurred and paid in fiscal years 2015 and 2014 was $1,654,451 and $1,560,653, respectively. Included in interest incurred and paid in fiscal year 2014 was $727,645 that was capitalized as part of construction in progress.

Aggregate annual maturities of long-term debt at March 31, 2015 are as follows:

Year ending March 31:		
2016	$	6,406,624
2017		2,082,211
2018		1,118,640
2019		955,968
2020		996,400
Thereafter		35,250,117
	$	46,809,960

The Ministry's debt agreements contain certain financial covenants of which the most restrictive requires a $10,000,000 minimum balance of cash and cash equivalents and investments. The Ministry was in compliance with these covenants as of March 31, 2015 and 2014.

(9) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

	Capital leases	Operating leases
Year ending March 31:		
2016	$ 58,297	2,964,853
2017	58,297	2,769,266
2018	14,086	2,178,131
2019	—	1,835,600
2020	—	1,344,349
Thereafter	—	2,878,489
	130,680	$ 13,970,688
Less amount representing interest	(4,557)	
Present value of net minimum lease payments under capital leases	126,123	
Less current portion	(55,178)	
	$ 70,945	

Total rent expense of facilities and equipment amounted to $5,108,949 and $5,269,752 in fiscal years 2015 and 2014, respectively.

Capital leases are collateralized by their respective equipment.

(10) Retirement Plan

CBN has defined contribution savings and retirement plans available for all regular employees. All contributions to these plans are fully vested.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at March 31:

	2015	2014
Operations:		
Contribution receivable from charitable trust (note 6)	$ 1,950,000	10,645,000
Fiduciary assets, net (note 5)	3,708,214	3,415,259
Long-term pledges and contributions receivable, net (note 3)	4,088,746	4,111,753
Donor-restricted contributions (primarily international outreach and Operation Blessing)	9,323,163	11,276,235
	$ 19,070,123	29,448,247

(Continued)

Permanently restricted net assets at March 31, 2015 and 2014 consist of fiduciary assets to be held in perpetuity with earnings to be used for unrestricted program activities.

(12) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were $24,878,078 and $22,611,664 for the years ended March 31, 2015 and 2014, respectively.

(13) Sale of International Family Entertainment (IFE) Stock

In August 1997, CBN sold its remaining investment in IFE stock. As part of the negotiated sale of its stock in IFE to FOX Kids TV, CBN kept the existing 1990 program time agreement. This agreement continues with ABC, who purchased Family Channel from Fox Kids TV. The agreement provides CBN certain blocks of program time in perpetuity at the discretion of CBN. The fair market value of this airtime is estimated at approximately $42,429,000 and $40,733,000, for the years ended March 31, 2015 and 2014, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying consolidated statements of activities.

CBN continues to pay ABC Family Channel a monthly fee equal to the direct costs incurred by ABC Family Channel for providing the program time to CBN. This fee totaled $1,149,121 and $1,236,841 for the years ended March 31, 2015 and 2014, respectively.

(14) Commitments and Contingencies

The Ministry is subject to various legal proceedings and claims, which arise in the ordinary course of its business. Management believes that the outcome of these matters will not have a material adverse effect on the Ministry’s consolidated statements of financial position or consolidated statements of activities.