KPMG

THE CHRISTIAN BROADCASTING NETWORK, INC. AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

March 31, 2019 and 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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

July 17, 2019

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Financial Position

March 31, 2019 and 2018

Assets	**2019**	**2018**
Current assets:		
Cash and cash equivalents (note 8)	$ 35,290,116	36,599,900
Investments (notes 3 and 8)	15,833,414	12,933,044
Contributions receivable, net (note 4)	64,946,708	66,769,864
Accounts receivable, net	1,888,631	1,608,173
Prepaid expenses and other (note 7)	6,763,483	6,523,422
Gifts-in-kind inventories (note 1(f))	8,555,023	19,327,465
Total current assets	133,277,375	143,761,868
Property and equipment, net (notes 5, 9 and 10)	82,060,562	87,008,276
Fiduciary assets (notes 6 and 8)	9,700,712	10,962,989
Long-term contributions receivable, net (note 4)	2,217,943	3,950,346
Other assets (note 7)	16,493,083	17,145,318
Total assets	$ 243,749,675	262,828,797
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,795,560	20,641,056
Current maturities of long-term debt (note 9)	2,480,425	2,382,702
Deferred gifts-in-kind revenue (note 1(f))	8,555,023	19,327,465
Other current liabilities (note 10)	711,634	580,639
Total current liabilities	32,542,642	42,931,862
Fiduciary liabilities (note 6)	6,311,855	6,637,591
Long-term debt, excluding current portion (note 9)	55,764,202	57,071,308
Other long-term liabilities (note 10)	1,003,792	511,985
Total liabilities	95,622,491	107,152,746
Net assets:		
Without donor restrictions	64,118,141	66,341,161
With donor restrictions (note 12)	84,009,043	89,334,890
Total net assets	148,127,184	155,676,051
Commitments and contingencies (notes 10 and 16)		
Total liabilities and net assets	$ 243,749,675	262,828,797

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Ministry support and other revenue:			
Ministry support	$ 241,024,945	79,696,261	320,721,206
Gifts-in-kind (note 1(f))	91,978,755	—	91,978,755
Investment gain, net (note 3)	780,421	—	780,421
Other revenue	2,583,454	—	2,583,454
	336,367,575	79,696,261	416,063,836
Net assets released from restrictions (note 13)	84,837,860	(84,837,860)	—
Total ministry support and revenue	421,205,435	(5,141,599)	416,063,836
Ministry and program expenses:			
Evangelistic outreach – domestic	103,189,529	—	103,189,529
Evangelistic outreach – international	138,968,659	—	138,968,659
Operation Blessing and humanitarian relief (note 1(f))	112,902,529	—	112,902,529
Prayer ministry	15,519,298	—	15,519,298
Donations to others to further the Gospel	3,612,644	—	3,612,644
Total ministry and program expenses	374,192,659	—	374,192,659
Supporting services:			
Fundraising	32,253,913	—	32,253,913
General and administrative	17,475,194	—	17,475,194
Total supporting services	49,729,107	—	49,729,107
Other activities:			
Land development:			
Revenues	9,146,730	—	9,146,730
Operating expenses	(6,184,341)	—	(6,184,341)
Depreciation and amortization	(2,469,078)	—	(2,469,078)
Land development activities, net	493,311	—	493,311
Changes in split-interest agreements (note 6)	—	(184,248)	(184,248)
Total other activities	493,311	(184,248)	309,063
Decrease in net assets	(2,223,020)	(5,325,847)	(7,548,867)
Net assets at beginning of year	66,341,161	89,334,890	155,676,051
Net assets at end of year	$ 64,118,141	84,009,043	148,127,184

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Ministry support and other revenue:			
Ministry support	$ 234,763,238	97,004,716	331,767,954
Gifts-in-kind (note 1(f))	245,919,398	—	245,919,398
Investment loss, net (note 3)	(1,757,424)	—	(1,757,424)
Other revenue	3,355,511	—	3,355,511
	482,280,723	97,004,716	579,285,439
Net assets released from restrictions (note 13)	81,067,328	(81,067,328)	—
Total ministry support and revenue	563,348,051	15,937,388	579,285,439
Ministry and program expenses:			
Evangelistic outreach – domestic	108,619,543	—	108,619,543
Evangelistic outreach – international	130,133,992	—	130,133,992
Operation Blessing and humanitarian relief (note 1(f))	268,494,186	—	268,494,186
Prayer ministry	15,513,651	—	15,513,651
Donations to others to further the Gospel	2,005,636	—	2,005,636
Total ministry and program expenses	524,767,008	—	524,767,008
Supporting services:			
Fundraising	31,899,265	—	31,899,265
General and administrative	18,157,240	—	18,157,240
Total supporting services	50,056,505	—	50,056,505
Other activities:			
Land development:			
Revenues	9,104,590	—	9,104,590
Operating expenses	(6,347,473)	—	(6,347,473)
Depreciation and amortization	(2,445,821)	—	(2,445,821)
Land development activities, net	311,296	—	311,296
Changes in split-interest agreements (note 6)	—	366,747	366,747
Total other activities	311,296	366,747	678,043
Increase (decrease) in net assets	(11,164,166)	16,304,135	5,139,969
Net assets at beginning of year	77,505,327	73,030,755	150,536,082
Net assets at end of year	$ 66,341,161	89,334,890	155,676,051

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Increase (decrease) in net assets	$	(7,548,867)	5,139,969
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation and amortization		12,367,231	12,934,449
Loss on disposal of property and equipment		30,759	7,647
Loss due to currency conversion, net		191,217	15,473
Investment (gain) loss, net		(780,421)	1,757,424
Changes in assets and liabilities:			
Accounts receivable		(280,458)	26,197
Contributions receivable		3,555,559	(6,537,976)
Prepaid expenses and other		(240,061)	644,145
Fiduciary assets		1,262,277	(304,920)
Other assets		(4,090,823)	(4,747,015)
Accounts payable and accrued liabilities		(65,773)	(74,484)
Fiduciary liabilities		(325,736)	130,004
Other liabilities		622,802	(20,549)
Net cash provided by operating activities		4,697,706	8,970,364
Cash flows from investing activities:			
Proceeds from sale of investments		4,933,004	1,379,760
Purchases of investments		(7,052,953)	(1,665,953)
Purchases of property and equipment		(2,708,127)	(3,553,541)
Proceeds from disposal of property and equipment		56,324	106,315
Net cash used in investing activities		(4,771,752)	(3,733,419)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		131,172	299,944
Payments on long-term debt		(1,366,910)	(1,407,793)
Net cash used in financing activities		(1,235,738)	(1,107,849)
Increase (decrease) in cash and cash equivalents		(1,309,784)	4,129,096
Cash and cash equivalents at beginning of year		36,599,900	32,470,804
Cash and cash equivalents at end of year	$	35,290,116	36,599,900
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$	2,270,974	2,350,029
Supplemental disclosures of noncash operating and investing activities:			
Revaluation of international property and equipment due to change in conversion rates	$	(191,217)	(15,473)
Acquisition of property and equipment in accounts payable at year-end		220,277	344,571
Acquisition of property and equipment from issuance of other liabilities		711,555	61,000

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 in consolidation. 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 two net asset groups:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Donor-imposed restrictions that are temporary in nature will be met by actions pursuant to the stipulations and/or the passage of time. Donor-imposed restrictions that are perpetual in nature neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Ministry. Investment income and unrealized gains and losses from resources held in perpetuity can be either restricted or unrestricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Certain contributions received with donor-imposed stipulations are reported as increases to ministry support without donor restrictions if the restricted purpose is met in the same period. All other contributions received and contributions receivable with donor-imposed time or purpose stipulations are reported as increases to net assets with donor restrictions as applicable. Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions (note 13). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are placed in service.

(Continued)

(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 $27,370,727 and $27,059,816 at March 31, 2019 and 2018, respectively.

(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 gain (loss), net in the accompanying consolidated statements of activities.

(e) Contributions Receivable

Contributions receivable are recognized as revenues in the period the unconditional promise is made by the donor. Contributions 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 promise. Conditional promises 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, canned and packaged 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, Net

Property and equipment are stated at cost or at estimated fair value at the 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 and Liabilities

CBN is the beneficiary of various revocable and irrevocable trusts. Assets in irrevocable trusts, which are controlled by CBN, and related deferred income and estimated beneficial interests to others, are recorded as assets and liabilities, respectively, 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 changes in split-interest agreements 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) Other Assets

Other assets comprise certain long-lived assets held for the benefit of the Ministry and are recorded at cost, cost of development, or estimated fair value of the gift, if acquired by gift. Assets held for use by the Ministry are amortized over their estimated beneficial lives.

(j) Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the Ministry's various programs and supporting services benefited. 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. Total joint costs and respective allocations are as follows for the years ended March 31, 2019 and 2018:

		2019	2018
Evangelistic outreach – domestic	$	70,683,747	70,392,886
Evangelistic outreach – international		3,392,597	3,886,517
Operation Blessing and humanitarian relief		373,365	286,485
Prayer ministry		5,990,904	5,783,048
Fundraising		25,962,397	24,457,319
General and administrative		6,544,178	7,059,802
Total joint costs	$	112,947,188	111,866,057

Joint costs incurred for program airtime, digital media, direct mail and development are allocated based on content and purpose; utilities, maintenance, property and general liability insurance, depreciation and amortization are allocated based on square footage; information technology and telephone ministry are allocated based on time and effort; and personnel costs related to worker's compensation and life and disability insurances, and medical claims expense are allocated based on employee headcount.

(k) 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 $77,113,000 and $68,384,000 for the years ended March 31, 2019 and 2018, respectively.

(l) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $8,555,023 and $19,327,465 at March 31, 2019 and 2018, respectively.

(m) 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, 2019 and 2018, CBN has unused net operating loss carryforwards available to offset future tax liabilities. Management has recorded a full valuation allowance of $18,102,879 and $18,848,654 as of March 31, 2019 and 2018, for the future tax benefit of the related deferred tax assets, respectively.

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 consolidated financial statements do not include any uncertain tax positions.

(n) 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.

(o) 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 contributions and accounts receivable; future distributions from fiduciary assets: bartered airtime; gifts-in-kind contributions; the estimated useful life of property and equipment and other long-lived assets; and the allocation of joint costs. Actual results could differ from those estimates.

(p) New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Ministry implemented ASU 2016-14 and applied it retrospectively to all periods presented.

(q) 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 July 17, 2019, the date the consolidated financial statements were available to be issued.

(r) Financial Statement Reclassification

During 2019, the Ministry combined activities of two programs with other existing program activities in the statement of activities. The 2018 program expenses have been reclassified in order to conform to the 2019 presentation. The reclassifications had no effect on net assets, the increase in net assets, or cash flows as of and for the year ended March 31, 2018.

(Continued)

(2) Liquidity and Availability

The following represents the Ministry's financial assets at March 31, 2019 and 2018:

		2019	2018
Financial assets at year end:			
Cash and cash equivalents	$	35,290,116	36,599,900
Investments		15,833,414	12,933,044
Contributions receivable, net		67,164,651	70,720,210
Accounts receivable, net		1,888,631	1,608,173
Fiduciary assets, net		3,388,857	4,325,398
Total financial assets		123,565,669	126,186,725
Less amounts not available to be used within one year:			
Net assets with donor restrictions		84,009,043	89,334,890
Less net assets with time or purpose restrictions to be met in less than a year		(75,158,918)	(77,744,814)
		8,850,125	11,590,076
Financial assets available to meet general expenditures over the next twelve months	$	114,715,544	114,596,649

CBN regularly monitors liquidity and maintains liquidity reserves required to meet its operational needs. In addition to financial assets available to meet general expenditures over the next year, the Ministry operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

(3) Investments

Investments consist of the following at March 31, 2019 and 2018:

		2019	2018
Cash and cash equivalents	$	7,431,478	2,388,042
Equity securities		5,897,506	9,496,988
Fixed income funds		1,530,540	—
Gold and silver		973,890	1,048,014
	$	15,833,414	12,933,044

Investment gain (loss), net consists of the following for the years ended March 31, 2019 and 2018:

	2019	2018
Interest and dividends	$ 366,877	717,210
Margin loan interest expense	—	(42,183)
Net realized gains (losses)	346,601	(2,223,960)
Net unrealized gains (losses)	66,943	(208,491)
	$ 780,421	(1,757,424)

(4) Contributions Receivable, Net

The Ministry has contributions receivable of $67,386,949 and $70,990,322 as of March 31, 2019 and 2018, respectively. Contributions receivable expected to be received after one year are netted against a present value discount of 6% equal to $222,298 and 3.5% equal to $270,112, as of March 31, 2019 and 2018, respectively. Contributions receivable at March 31, 2019 and 2018 are expected to be received as follows:

	2019	2018
Within one year	$ 64,946,708	66,769,864
One to five years	2,183,450	3,868,298
Thereafter	34,493	82,048
	$ 67,164,651	70,720,210

(5) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2019 and 2018:

	2019	2018
Land and improvements	$ 22,919,905	22,920,502
Buildings and improvements	104,303,158	104,928,982
Production and transmission equipment	49,055,472	49,655,904
Information technology and other equipment	59,883,653	60,955,666
Office furniture and fixtures	11,558,665	11,446,807
	247,720,853	249,907,861
Less accumulated depreciation and amortization	(165,660,291)	(162,899,585)
	$ 82,060,562	87,008,276

(Continued)

Property and equipment includes buildings and equipment acquired under existing financing agreements of $6,497,187 and $5,777,329 at March 31, 2019 and 2018, respectively. Related accumulated depreciation and amortization amounted to $967,264 and $723,895, respectively.

Property and equipment also includes land, land improvements, buildings, and equipment acquired under existing financing agreements in the amount of $51,801,550 at March 31, 2019 and 2018, for two multi-unit residential housing complexes. Related accumulated depreciation and amortization amounted to $10,664,517 and $8,430,311 at March 31, 2019 and 2018, respectively.

(6) Fiduciary Assets and Liabilities

Fiduciary assets and liabilities comprise the following at March 31, 2019 and 2018:

		2019	2018
Charitable remainder unitrusts managed	$	4,219,527	5,259,761
Split-interest agreements		5,481,185	5,703,228
Assets	$	9,700,712	10,962,989
Funds managed for other beneficiaries	$	(1,195,407)	(1,430,051)
Estimated payments due to donors		(5,116,448)	(5,207,540)
Liabilities	$	(6,311,855)	(6,637,591)

The change in value of split-interest agreements for net assets with donor restrictions was ($184,248) and $366,747 for the years ended March 31, 2019 and 2018, 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%.

(7) Capitalized Film Costs

The Ministry is engaged in the creation of children's animation and documentary films for distribution via DVDs, broadcast television, the internet and theatrical release. The costs of program development are capitalized when incurred. The children's animation is amortized over an estimated economic life of five years and is included in other assets on the consolidated statements of financial position. Capitalized film costs, net, consist of the following at March 31, 2019 and 2018:

		2019	2018
Capitalized film costs – long-term	$	38,200,940	35,157,792
Less accumulated amortization		(24,590,687)	(19,847,630)
	$	13,610,253	15,310,162

(8) Fair Value Measurement of Assets and Liabilities

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, 2019	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 27,370,727	27,370,727	—	—
Investments:				
Money market funds	7,426,616	7,426,616	—	—
Equity securities	5,897,506	5,897,506	—	—
Fixed income	1,530,540	1,530,540	—	—
Gold and silver	973,890	973,890	—	—
Fiduciary assets	9,700,712	9,700,712	—	—
	$ 52,899,991	52,899,991	—	—

	March 31, 2018	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 27,059,816	27,059,816	—	—
Investments:				
Money market funds	2,384,939	2,384,939	—	—
Equity securities	9,496,988	9,496,988	—	—
Gold and silver	1,048,014	1,048,014	—	—
Fiduciary assets	10,962,989	10,962,989	—	—
	$ 50,952,746	50,952,746	—	—

There were no transfers between Levels 1, 2 or 3 during the years ended March 31, 2019 and 2018. There were no assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2019 and 2018.

(9) Long-Term Debt

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

		2019	2018
Term and life notes bear interest at rates ranging from 4.5% to 9% payable on demand	$	1,376,308	1,307,211
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		33,045,661	33,492,224
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 3.52% maturing May 2051		21,187,237	21,536,104
Mortgage loan, collateralized by land and a commercial office building, bears interest at a rate of 4.5%, maturing July 2024		3,200,857	3,710,261
		58,810,063	60,045,800
Less:			
Debt issuance costs, net		(565,436)	(591,790)
Current maturities		(2,480,425)	(2,382,702)
	$	55,764,202	57,071,308

Total interest expense in fiscal years 2019 and 2018 was $2,280,560 and $2,366,406, respectively, which includes $26,356 and $20,847 of amortization of debt issuance costs, respectively. Debt issuance costs are being amortized using imputed interest rates of 3.62% to 3.82%.

Aggregate annual maturities of long-term debt at March 31, 2019 are as follows:

Year ending March 31:		
2020	$	2,480,425
2021		1,647,613
2022		1,481,631
2023		1,537,646
2024		1,591,957
Thereafter		50,070,791
	$	58,810,063

The Ministry's debt agreements contain certain financial covenants of which the most restrictive requires a $4,000,000 minimum balance of cash and cash equivalents and investments. The Ministry was in compliance with these covenants as of March 31, 2019 and 2018.

(10) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

		Capital leases		Operating leases
Year ending March 31:				
2020	$	218,483		3,005,952
2021		173,331		2,316,828
2022		158,280		1,776,977
2023		158,280		1,433,972
2024		145,068		1,237,972
Thereafter		96,708		1,537,385
		950,150	$	11,309,086
Less amount representing interest		(151,583)		
Present value of net minimum lease payments under capital leases		798,567		
Less current portion		(169,396)		
	$	629,171		

Total rent expense of facilities and equipment amounted to $5,404,413 and $5,343,924 in fiscal years 2019 and 2018, respectively.

Capital leases are collateralized by their respective equipment.

(11) Retirement Plan

CBN has defined contribution savings and retirement plan available for all regular employees. All contributions to these plans are fully vested. CBN made contributions totaling $2,372,404 and $2,326,990 in fiscal years 2019 and 2018, respectively.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at March 31:

		2019	2018
Operations:			
Fiduciary assets, net (note 6)	$	3,388,857	4,325,397
Contributions receivable (note 4)		60,698,875	64,043,848
Donor-restricted contributions (primarily international outreach and Operation Blessing)		19,921,311	20,965,645
	$	84,009,043	89,334,890

Net assets with donor restrictions that are perpetual in nature at March 31, 2019 and 2018 consist of investments and fiduciary assets to be held in perpetuity with earnings to be used for unrestricted program activities.

(13) 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 $84,837,860 and $81,067,328 for the years ended March 31, 2019 and 2018, respectively.

(14) 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, now called Freeform, 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 $34,350,000 and $39,532,000, for the years ended March 31, 2019 and 2018, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying consolidated statements of activities.

CBN continues to pay Freeform a monthly fee equal to the direct costs incurred by Freeform for providing the program time to CBN. This fee totaled $954,300 and $810,469 for the years ended March 31, 2019 and 2018, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying consolidated statements of activities.

(15) Schedule of Functional Expenses

The schedule of functional expenses for the year ended March 31, 2019 is as follows:

	Ministry and Program	Fundraising	General and Administrative	Total
Employment expenses	$ 77,520,730	13,540,530	9,705,274	100,766,534
Airtime	130,581,361	4,770,284	—	135,351,645
Gifts-in-kind	94,027,532	222,008	—	94,249,540
Direct mail	1,764,598	7,114,825	188,274	9,067,697
Production costs	6,308,475	218,831	7,738	6,535,044
Rent expense and utilities	7,560,805	423,345	488,632	8,472,782
Equipment, maintenance and repair	3,028,578	549,439	612,439	4,190,456
Travel	6,571,115	868,574	608,236	8,047,925
Professional services	9,258,969	1,223,958	1,487,382	11,970,309
Licenses and fees	5,708,988	1,053,374	1,641,100	8,403,462
Humanitarian aid and contributions to others	19,282,365	—	—	19,282,365
Depreciation, amortization and other	12,579,143	2,268,745	2,736,119	17,584,007
	$ 374,192,659	32,253,913	17,475,194	423,921,766

(16) 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.