



**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Consolidated Financial Statements

March 31, 2020 and 2019

(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, 2020 and 2019, 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 consolidated 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, 2020 and 2019, 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

Norfolk, Virginia
September 28, 2020

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Financial Position

March 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents (note 8)	\$ 37,604,298	35,290,116
Investments (notes 3 and 8)	12,887,707	15,833,414
Contributions receivable, net (note 4)	59,291,194	64,946,708
Accounts receivable, net	1,965,997	1,888,631
Prepaid expenses and other (note 7)	6,516,864	6,763,483
Gifts-in-kind inventories (note 1(f))	15,191,993	8,555,023
Total current assets	133,458,053	133,277,375
Property and equipment, net (notes 5, 9 and 10)	77,888,549	82,060,562
Fiduciary assets (notes 6 and 8)	8,892,059	9,700,712
Long-term contributions receivable, net (note 4)	1,697,345	2,217,943
Other assets (note 7)	16,856,221	16,493,083
Total assets	\$ 238,792,227	243,749,675
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,880,465	20,795,560
Current maturities of long-term debt (note 9)	2,484,059	2,480,425
Deferred gifts-in-kind revenue (note 1(f))	15,191,993	8,555,023
Other current liabilities (note 10)	735,521	711,634
Total current liabilities	38,292,038	32,542,642
Fiduciary liabilities (note 6)	6,205,319	6,311,855
Long-term debt, excluding current portion (note 9)	54,371,217	55,764,202
Other long-term liabilities (note 10)	1,333,409	1,003,792
Total liabilities	100,201,983	95,622,491
Net assets:		
Without donor restrictions	57,978,711	64,118,141
With donor restrictions (note 12)	80,611,533	84,009,043
Total net assets	138,590,244	148,127,184
Commitments and contingencies (notes 10 and 16)		
Total liabilities and net assets	\$ 238,792,227	243,749,675

See accompanying notes to consolidated financial statements.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Consolidated Statement of Activities

Year ended March 31, 2020

	Without donor restrictions	With donor restrictions	Total
Ministry support and other revenue:			
Ministry support	\$ 220,560,306	77,374,845	297,935,151
Gifts-in-kind (note 1(f))	52,926,297	—	52,926,297
Investment loss, net (note 3)	(370,668)	—	(370,668)
Other revenue	2,443,244	—	2,443,244
	275,559,179	77,374,845	352,934,024
Net assets released from restrictions (note 13)	79,213,608	(79,213,608)	—
Total ministry support and revenue	354,772,787	(1,838,763)	352,934,024
Ministry and program expenses:			
Evangelistic outreach – domestic	98,194,159	—	98,194,159
Evangelistic outreach – international	112,849,928	—	112,849,928
Operation Blessing and humanitarian relief (note 1(f))	83,214,268	—	83,214,268
Prayer ministry	14,438,706	—	14,438,706
Donations to others to further the Gospel	3,848,592	—	3,848,592
Total ministry and program expenses	312,545,653	—	312,545,653
Supporting services:			
Fundraising	32,186,933	—	32,186,933
General and administrative	16,845,173	—	16,845,173
Total supporting services	49,032,106	—	49,032,106
Other activities:			
Land development:			
Revenues	9,439,045	—	9,439,045
Operating expenses	(6,300,590)	—	(6,300,590)
Depreciation and amortization	(2,472,913)	—	(2,472,913)
Land development activities, net	665,542	—	665,542
Changes in split-interest agreements (note 6)	—	(990,977)	(990,977)
Change in value of restricted investments (note 3 and 6)	—	(567,770)	(567,770)
Total other activities	665,542	(1,558,747)	(893,205)
Decrease in net assets	(6,139,430)	(3,397,510)	(9,536,940)
Net assets at beginning of year	64,118,141	84,009,043	148,127,184
Net assets at end of year	\$ 57,978,711	80,611,533	138,590,244

See accompanying notes to consolidated financial statements.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Consolidated Statement of Activities

Year ended March 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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
	<u>336,367,575</u>	<u>79,696,261</u>	<u>416,063,836</u>
Net assets released from restrictions (note 13)	<u>84,837,860</u>	<u>(84,837,860)</u>	<u>—</u>
Total ministry support and revenue	<u>421,205,435</u>	<u>(5,141,599)</u>	<u>416,063,836</u>
Ministry and program expenses:			
Evangelistic outreach – domestic	103,189,529	—	103,189,529
Evangelistic outreach – international	128,574,012	—	128,574,012
Operation Blessing and humanitarian relief (note 1(f))	123,297,176	—	123,297,176
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	<u>374,192,659</u>	<u>—</u>	<u>374,192,659</u>
Supporting services:			
Fundraising	32,253,913	—	32,253,913
General and administrative	17,475,194	—	17,475,194
Total supporting services	<u>49,729,107</u>	<u>—</u>	<u>49,729,107</u>
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	<u>493,311</u>	<u>(184,248)</u>	<u>309,063</u>
Decrease in net assets	(2,223,020)	(5,325,847)	(7,548,867)
Net assets at beginning of year	<u>66,341,161</u>	<u>89,334,890</u>	<u>155,676,051</u>
Net assets at end of year	<u>\$ 64,118,141</u>	<u>84,009,043</u>	<u>148,127,184</u>

See accompanying notes to consolidated financial statements.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Decrease in net assets	\$ (9,536,940)	(7,548,867)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,814,178	12,367,231
Loss on disposal of property and equipment, net	53,514	30,759
Loss due to currency conversion, net	233,997	191,217
Investment (gain) loss, net	938,438	(780,421)
Changes in assets and liabilities:		
Accounts receivable	(77,366)	(280,458)
Contributions receivable	6,176,112	3,555,559
Prepaid expenses and other	246,619	(240,061)
Fiduciary assets	808,653	1,262,277
Other assets	(4,766,669)	(4,090,823)
Accounts payable and accrued liabilities	(1,023,796)	(65,773)
Fiduciary liabilities	(106,536)	(325,736)
Other liabilities	353,504	622,802
Net cash provided by operating activities	5,113,708	4,697,706
Cash flows from investing activities:		
Proceeds from sale of investments	3,264,728	4,933,004
Purchases of investments	(1,257,459)	(7,052,953)
Purchases of property and equipment	(3,447,506)	(2,708,127)
Proceeds from disposal of property and equipment	53,440	56,324
Net cash used in investing activities	(1,386,797)	(4,771,752)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	96,382	131,172
Payments on long-term debt	(1,509,111)	(1,366,910)
Net cash used in financing activities	(1,412,729)	(1,235,738)
Increase (decrease) in cash and cash equivalents	2,314,182	(1,309,784)
Cash and cash equivalents at beginning of year	35,290,116	36,599,900
Cash and cash equivalents at end of year	\$ 37,604,298	35,290,116
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2,260,750	2,270,974
Supplemental disclosures of noncash operating and investing activities:		
Revaluation of international property and equipment due to change in conversion rates	\$ (233,997)	(191,217)
Acquisition of property and equipment in accounts payable at year-end	108,701	220,277
Acquisition of property and equipment from issuance of other liabilities	221,331	711,555

See accompanying notes to consolidated financial statements.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(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 (loss) 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.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(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 \$961,090 and \$27,370,727 at March 31, 2020 and 2019, 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.

(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

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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, 2020 and 2019:

	2020	2019
Evangelistic outreach – domestic	\$ 61,824,596	66,284,418
Evangelistic outreach – international	2,777,267	3,392,597
Operation blessing and humanitarian relief	325,469	373,365
Prayer ministry	5,509,694	5,990,604
Fundraising	25,795,934	25,675,457
General and administrative	6,261,559	6,544,178
Total joint costs	\$ 102,494,519	108,260,619

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 \$66,781,000 and \$77,113,000 for the years ended March 31, 2020 and 2019, respectively.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(l) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled \$15,191,993 and \$8,555,023 at March 31, 2020 and 2019, 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, 2020 and 2019, CBN has unused net operating loss carryforwards available to offset future tax liabilities. Management has recorded a full valuation allowance of \$17,633,883 and \$18,102,879 as of March 31, 2020 and 2019, 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) 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

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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 September 28, 2020, the date the consolidated financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the Novel Coronavirus Disease (COVID-19) outbreak to be a pandemic. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates, and rising unemployment claims. For the Ministry's March 31, 2020 financial statements, the COVID-19 outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Ministry cannot reasonably estimate the impact these events will have on the Ministry's financial position, results of operations or cash flows in the future.

(q) Financial Statement Reclassification

During 2020, the Ministry transferred certain international humanitarian activities from international outreach to humanitarian relief. The 2019 program expenses have been reclassified in order to conform to the 2020 presentation. The reclassifications had no effect on net assets, the decrease in net assets, or cash flows as of and for the year ended March 31, 2019.

(2) Liquidity and Availability

The following represents the Ministry's financial assets at March 31, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 37,604,298	35,290,116
Investments	12,887,707	15,833,414
Contributions receivable, net	60,988,539	67,164,651
Accounts receivable, net	1,965,997	1,888,631
Fiduciary assets, net	2,686,740	3,388,857
Total financial assets	116,133,281	123,565,669
Less amounts not available to be used within one year:		
Net assets with donor restrictions	80,611,533	84,009,043
Less net assets with time or purpose restrictions to be met in less than a year	(73,840,936)	(75,158,918)
	6,770,597	8,850,125
Financial assets available to meet general expenditures over the next twelve months	\$ 109,362,684	114,715,544

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,830,880	7,431,478
Equity securities	3,958,587	5,897,506
Fixed income funds	962,957	1,530,540
Gold and silver	1,135,283	973,890
	<u>\$ 12,887,707</u>	<u>15,833,414</u>

Investment gain (loss), net consists of the following for the years ended March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 492,497	366,877
Net realized gains (losses)	(1,104,654)	346,601
Net unrealized gains (losses)	(326,281)	66,943
	<u>\$ (938,438)</u>	<u>780,421</u>

(4) Contributions Receivable, Net

The Ministry has contributions receivable of \$61,073,126 and \$67,386,949 as of March 31, 2020 and 2019, respectively. Contributions receivable expected to be received after one year are netted against a present value discount of 3% equal to \$84,587 and 6% equal to \$222,298, as of March 31, 2020 and 2019, respectively. Contributions receivable at March 31, 2020 and 2019 are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 59,291,194	64,946,708
One to five years	1,670,445	2,183,450
Thereafter	26,900	34,493
	<u>\$ 60,988,539</u>	<u>67,164,651</u>

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(5) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 22,919,552	22,919,905
Buildings and improvements	103,939,667	104,303,158
Production and transmission equipment	49,448,471	49,055,472
Information technology and other equipment	61,208,388	59,883,653
Office furniture and fixtures	<u>11,719,190</u>	<u>11,558,665</u>
	249,235,268	247,720,853
Less accumulated depreciation and amortization	<u>(171,346,719)</u>	<u>(165,660,291)</u>
	<u>\$ 77,888,549</u>	<u>82,060,562</u>

Property and equipment includes buildings and equipment acquired under existing financing agreements of \$6,680,082 and \$6,497,187 at March 31, 2020 and 2019, respectively. Related accumulated depreciation and amortization amounted to \$1,345,800 and \$967,264, 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, 2020 and 2019, for two multi-unit residential housing complexes. Related accumulated depreciation and amortization amounted to \$12,903,225 and \$10,664,517 at March 31, 2020 and 2019, respectively.

(6) Fiduciary Assets and Liabilities

Fiduciary assets and liabilities comprise the following at March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Charitable remainder unitrusts managed	\$ 3,783,241	4,219,527
Split-interest agreements	<u>5,108,818</u>	<u>5,481,185</u>
Assets	<u>\$ 8,892,059</u>	<u>9,700,712</u>
Funds managed for other beneficiaries	\$ (1,055,509)	(1,195,407)
Estimated payments due to donors	<u>(5,149,810)</u>	<u>(5,116,448)</u>
Liabilities	<u>\$ (6,205,319)</u>	<u>(6,311,855)</u>

The change in value of split-interest agreements for net assets with donor restrictions was (\$990,977) and (\$184,248) for the years ended March 31, 2020 and 2019, respectively. Discount rates used to calculate

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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, 2020 and 2019:

	2020	2019
Capitalized film costs – long-term	\$ 43,316,254	38,200,940
Less accumulated amortization	(28,994,218)	(24,590,687)
	\$ 14,322,036	13,610,253

(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 CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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

	March 31, 2020	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	\$ 961,090	961,090	—	—
Investments:				
Money market funds	6,827,704	6,827,704	—	—
Equity securities	3,958,587	3,958,587	—	—
Fixed income	962,957	962,957	—	—
Gold and silver	1,135,283	1,135,283	—	—
Fiduciary assets	8,892,059	8,892,059	—	—
	<u>\$ 22,737,680</u>	<u>22,737,680</u>	<u>—</u>	<u>—</u>

	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	—	—
	<u>\$ 52,899,991</u>	<u>52,899,991</u>	<u>—</u>	<u>—</u>

There were no transfers between Levels 1, 2 or 3 during the years ended March 31, 2020 and 2019. There were no assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2020 and 2019.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(9) Long-Term Debt

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

	2020	2019
Term and life notes bear interest at rates ranging from 4.5% to 9% payable on demand	\$ 1,321,326	1,376,308
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	32,582,060	33,045,661
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	20,825,890	21,187,237
Mortgage loan, collateralized by land and a commercial office building, bears interest at a rate of 4.5%, maturing July 2024	2,668,058	3,200,857
	57,397,334	58,810,063
Less:		
Debt issuance costs, net	(542,058)	(565,436)
Current maturities	(2,484,059)	(2,480,425)
	\$ 54,371,217	55,764,202

Total interest expense in fiscal years 2020 and 2019 was \$2,302,770 and \$2,280,560, respectively, which includes \$23,378 and \$26,356 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, 2020 are as follows:

Year ending March 31:	
2021	\$ 2,484,059
2022	1,714,319
2023	1,539,150
2024	1,593,995
2025	1,265,193
Thereafter	48,800,618
	\$ 57,397,334

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

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, 2020 and 2019.

(10) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

	Capital leases	Operating leases
Year ending March 31:		
2021	\$ 219,359	3,138,368
2022	204,308	2,545,430
2023	199,904	2,116,951
2024	191,096	1,363,150
2025	142,737	1,048,131
Thereafter	11,507	4,257,117
	968,911	\$ 14,469,147
Less amount representing interest	(118,409)	
Present value of net minimum lease payments under capital leases	850,502	
Less current portion	(174,896)	
	\$ 675,606	

Total rent expense of facilities and equipment amounted to \$5,160,202 and \$5,404,413 in fiscal years 2020 and 2019, 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 \$22,997 and \$2,372,404 in fiscal years 2020 and 2019, respectively.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(12) Net Assets with Donor Restrictions

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

	2020	2019
Operations:		
Fiduciary assets, net (note 6)	\$ 2,686,740	3,388,857
Contributions receivable (note 4)	55,819,359	60,698,875
Donor-restricted contributions (primarily international outreach and operation blessing)	22,105,434	19,921,311
	\$ 80,611,533	84,009,043

Net assets with donor restrictions that are perpetual in nature at March 31, 2020 and 2019 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 \$79,213,608 and \$84,837,860 for the years ended March 31, 2020 and 2019, 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 \$34,534,000 and \$34,350,000, for the years ended March 31, 2020 and 2019, 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 \$1,077,507 and \$954,300 for the years ended March 31, 2020 and 2019, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying consolidated statements of activities.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(15) Schedule of Functional Expenses

The schedule of functional expenses for the year ended March 31, 2020 is as follows:

	Ministry and Program	Fundraising	General and Administrative	Total
Employment expenses	\$ 74,092,985	12,974,528	8,412,282	95,479,795
Airtime	120,259,388	5,751,955	—	126,011,343
Gifts-in-kind	54,729,474	192,596	—	54,922,070
Direct mail	1,228,141	7,582,201	195,478	9,005,820
Production costs	5,636,309	228,702	53,468	5,918,479
Rent expense and utilities	7,253,614	466,341	555,421	8,275,376
Equipment, maintenance and repair	2,850,702	437,035	627,938	3,915,675
Travel	5,461,564	809,062	587,749	6,858,375
Professional services	8,244,528	1,176,692	2,029,131	11,450,351
Licenses and fees	5,007,953	982,056	1,597,372	7,587,381
Humanitarian aid and contributions to others	15,667,636	—	—	15,667,636
Depreciation, amortization and other	12,113,359	1,585,765	2,786,334	16,485,458
	<u>\$ 312,545,653</u>	<u>32,186,933</u>	<u>16,845,173</u>	<u>361,577,759</u>

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
	<u>\$ 374,192,659</u>	<u>32,253,913</u>	<u>17,475,194</u>	<u>423,921,766</u>

**THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

March 31, 2020 and 2019

(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.