



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

Consolidated Financial Statements

March 31, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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
July 22, 2021

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

Consolidated Statements of Financial Position

March 31, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents (note 8)	\$ 77,143,680	37,604,298
Investments (notes 3 and 8)	16,670,870	12,887,707
Contributions receivable, net (note 4)	66,742,856	59,291,194
Accounts receivable, net	1,632,374	1,965,997
Prepaid expenses and other (note 7)	7,428,620	6,516,864
Gifts-in-kind inventories (note 1(f))	9,665,110	15,191,993
Total current assets	179,283,510	133,458,053
Property and equipment, net (notes 5, 9 and 10)	73,763,733	77,888,549
Fiduciary assets (notes 6 and 8)	11,636,204	8,892,059
Long-term contributions receivable, net (note 4)	2,100,015	1,697,345
Other assets (note 7)	17,022,872	16,856,221
Total assets	\$ 283,806,334	238,792,227
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,302,531	19,880,465
Current maturities of long-term debt (note 9)	2,596,949	2,484,059
Deferred gifts-in-kind revenue (note 1(f))	9,665,110	15,191,993
Other current liabilities (note 10)	823,619	735,521
Total current liabilities	28,388,209	38,292,038
Fiduciary liabilities (note 6)	6,897,841	6,205,319
Long-term debt, excluding current portion (note 9)	52,932,990	54,371,217
Other long-term liabilities (note 10)	1,047,367	1,333,409
Total liabilities	89,266,407	100,201,983
Net assets:		
Without donor restrictions	94,813,523	57,978,711
With donor restrictions (note 12)	99,726,404	80,611,533
Total net assets	194,539,927	138,590,244
Commitments and contingencies (notes 10 and 16)		
Total liabilities and net assets	\$ 283,806,334	238,792,227

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended March 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Ministry support and other revenue:			
Ministry support	\$ 228,800,482	98,248,077	327,048,559
Gifts-in-kind (note 1(f))	60,696,220	—	60,696,220
Investment gain, net (note 3)	2,027,325	—	2,027,325
Other revenue	1,674,379	—	1,674,379
	<u>293,198,406</u>	<u>98,248,077</u>	<u>391,446,483</u>
Net assets released from restrictions (note 13)	<u>82,425,197</u>	<u>(82,425,197)</u>	<u>—</u>
Total ministry support and revenue	<u>375,623,603</u>	<u>15,822,880</u>	<u>391,446,483</u>
Ministry and program expenses:			
Evangelistic outreach – domestic	81,742,684	—	81,742,684
Evangelistic outreach – international	110,148,433	—	110,148,433
Operation Blessing and humanitarian relief (note 1(f))	90,133,274	—	90,133,274
Prayer ministry	13,170,730	—	13,170,730
Donations to others to further the Gospel	1,793,736	—	1,793,736
Total ministry and program expenses	<u>296,988,857</u>	<u>—</u>	<u>296,988,857</u>
Supporting services:			
Fundraising	28,198,006	—	28,198,006
General and administrative	14,875,196	—	14,875,196
Total supporting services	<u>43,073,202</u>	<u>—</u>	<u>43,073,202</u>
Other activities:			
Land development:			
Revenues	9,744,651	—	9,744,651
Operating expenses	(5,996,636)	—	(5,996,636)
Depreciation and amortization	(2,474,747)	—	(2,474,747)
Land development activities, net	<u>1,273,268</u>	<u>—</u>	<u>1,273,268</u>
Changes in split-interest agreements (note 6)	—	2,228,383	2,228,383
Change in value of restricted investments (note 3 and 6)	—	1,063,608	1,063,608
Total other activities	<u>1,273,268</u>	<u>3,291,991</u>	<u>4,565,259</u>
Increase in net assets	<u>36,834,812</u>	<u>19,114,871</u>	<u>55,949,683</u>
Net assets at beginning of year	<u>57,978,711</u>	<u>80,611,533</u>	<u>138,590,244</u>
Net assets at end of year	<u>\$ 94,813,523</u>	<u>99,726,404</u>	<u>194,539,927</u>

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.
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Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 55,949,683	(9,536,940)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,809,933	11,814,178
(Gain) loss on disposal of property and equipment, net	(290,102)	53,514
(Gain) loss due to currency conversion, net	(172,532)	233,997
Investment (gain) loss, net	(3,090,933)	938,438
Changes in assets and liabilities:		
Accounts receivable	333,623	(77,366)
Contributions receivable	(7,854,332)	6,176,112
Prepaid expenses and other	(911,756)	246,619
Fiduciary assets	(2,744,145)	808,653
Other assets	(4,775,090)	(4,766,669)
Accounts payable and accrued liabilities	(4,890,099)	(1,023,796)
Fiduciary liabilities	692,522	(106,536)
Other liabilities	(23,048)	353,504
Net cash provided by operating activities	44,033,724	5,113,708
Cash flows from investing activities:		
Proceeds from sale of investments	768,319	3,264,728
Purchases of investments	(1,460,549)	(1,257,459)
Purchases of property and equipment	(2,730,267)	(3,447,506)
Proceeds from disposal of property and equipment	458,482	53,440
Net cash used in investing activities	(2,964,015)	(1,386,797)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	98,228	96,382
Payments on long-term debt	(1,628,555)	(1,509,111)
Net cash used in financing activities	(1,530,327)	(1,412,729)
Increase in cash and cash equivalents	39,539,382	2,314,182
Cash and cash equivalents at beginning of year	37,604,298	35,290,116
Cash and cash equivalents at end of year	\$ 77,143,680	37,604,298
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2,182,181	2,260,750
Supplemental disclosures of noncash operating and investing activities:		
Revaluation of international property and equipment due to change in conversion rates	\$ 172,532	(233,997)
Acquisition of property and equipment in accounts payable at year-end	312,165	108,701
Acquisition of property and equipment from issuance of other liabilities	—	221,331
Contribution of property and equipment	216,517	—

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

March 31, 2021 and 2020

(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.

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Notes to Consolidated Financial Statements

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(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 \$62,739,442 and \$961,090 at March 31, 2021 and 2020, 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.

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Notes to Consolidated Financial Statements

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(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 consistently based on various statistical bases. Total joint costs and respective allocations are as follows for the years ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Evangelistic outreach – domestic	\$ 49,661,731	61,824,596
Evangelistic outreach – international	3,187,129	2,777,267
Operation blessing and humanitarian relief	291,713	325,469
Prayer ministry	4,885,697	5,509,694
Fundraising	22,901,308	25,795,934
General and administrative	<u>6,214,530</u>	<u>6,261,559</u>
Total joint costs	<u>\$ 87,142,108</u>	<u>102,494,519</u>

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 \$71,418,000 and \$66,781,000 for the years ended March 31, 2021 and 2020, respectively.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
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Notes to Consolidated Financial Statements

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(l) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled \$9,665,110 and \$15,191,993 at March 31, 2021 and 2020, respectively. Gifts-in-kind revenue were \$60,696,220 and \$52,926,297 and gifts-in-kind expense were \$61,610,062 and \$53,438,182 during the years ended March 31, 2021 and 2020.

(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.

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.

The Ministry is subject to taxes on its unrelated business income (UBI) as well as its income generated in its taxable corporate subsidiary. Substantially all of the taxes on UBI were offset by the utilization of NOL carryforwards. The taxable subsidiary continues to generate losses that would be available to offset future taxable income. As of March 31, 2021 and 2020, the Ministry and its taxable subsidiary had unused NOL carryforwards available to offset future tax liabilities. In determining whether a valuation allowance is required, the Ministry evaluates such factors as prior earnings history, expected future earnings, reversal of existing taxable temporary differences, carry back and carry forward periods and tax planning strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. Management has recorded a full valuation allowance of \$14,562,021 and \$17,633,883 as of March 31, 2021 and 2020, respectively, for the future tax benefit of the related deferred tax assets.

(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.

**THE CHRISTIAN BROADCASTING NETWORK, INC.
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Notes to Consolidated Financial Statements

March 31, 2021 and 2020

(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 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 22, 2021.

On May 7, 2021, the Ministry secured a \$1,200,000 commitment for term note borrowing to finance equipment purchases. Additionally, on May 27, 2021, the Ministry entered into non-cancelable operating leases with future minimum commitments totaling \$1,087,000.

On May 17, 2021 the Ministry obtained a loan modification to its nonrecourse mortgage loan maturing April 2054 to reduce the interest rate to 2.67%, effective June 1, 2021. In addition, on June 24, 2021 the Ministry obtained a loan modification to its nonrecourse mortgage loan maturing May 2051 to reduce the interest rate to 2.83%, effective July 1, 2021.

The Ministry is not aware of any other specific events or transactions occurring after March 31, 2021 and up to July 22, 2021, the date the consolidated financial statement were available to be issued, that could have a material impact on the presentation of the accompanying consolidated financial statement

**THE CHRISTIAN BROADCASTING NETWORK, INC.
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Notes to Consolidated Financial Statements

March 31, 2021 and 2020

(2) Liquidity and Availability

The following represents the Ministry's financial assets at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 77,143,680	37,604,298
Investments	16,670,870	12,887,707
Contributions receivable, net	68,842,871	60,988,539
Accounts receivable, net	1,632,374	1,965,997
Fiduciary assets, net	4,738,363	2,686,740
Non-managed trusts	1,019,208	—
Total financial assets	<u>170,047,366</u>	<u>116,133,281</u>
Less amounts not available to be used within one year:		
Minimum cash and cash equivalents and investments to be held for compliance with existing debt covenants	4,000,000	4,000,000
Net assets with donor restrictions	99,726,404	80,611,533
Less net assets with time or purpose restrictions to be met in less than a year	<u>(88,484,624)</u>	<u>(73,840,936)</u>
	<u>15,241,780</u>	<u>10,770,597</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 154,805,586</u>	<u>105,362,684</u>

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 724,910	6,830,880
Equity securities	11,715,159	3,958,587
Fixed income funds	2,892,804	962,957
Gold and silver	1,337,997	1,135,283
	<u>\$ 16,670,870</u>	<u>12,887,707</u>

**THE CHRISTIAN BROADCASTING NETWORK, INC.
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Notes to Consolidated Financial Statements

March 31, 2021 and 2020

Investment gain (loss), net consists of the following for the years ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 331,828	492,497
Net realized gains (losses)	599,868	(1,104,654)
Net unrealized gains (losses)	<u>2,159,237</u>	<u>(326,281)</u>
	<u>\$ 3,090,933</u>	<u>(938,438)</u>

(4) Contributions Receivable, Net

The Ministry has contributions receivable of \$68,906,972 and \$61,073,126 as of March 31, 2021 and 2020, respectively. Contributions receivable expected to be received after one year are netted against a present value discount of 2.65% equal to \$64,100 and 3.00% equal to \$84,587, as of March 31, 2021 and 2020, respectively. Contributions receivable at March 31, 2021 and 2020 are expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 66,742,856	59,291,194
One to five years	2,079,921	1,670,445
Thereafter	<u>20,094</u>	<u>26,900</u>
	<u>\$ 68,842,871</u>	<u>60,988,539</u>

(5) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 22,920,404	22,919,552
Buildings and improvements	102,538,725	103,939,667
Production and transmission equipment	49,079,017	49,448,471
Information technology and other equipment	61,353,916	61,208,388
Office furniture and fixtures	<u>12,018,140</u>	<u>11,719,190</u>
	247,910,202	249,235,268
Less accumulated depreciation and amortization	<u>(174,146,469)</u>	<u>(171,346,719)</u>
	<u>\$ 73,763,733</u>	<u>77,888,549</u>

Property and equipment includes buildings and equipment acquired under existing financing agreements of \$6,680,560 and \$6,680,082 at March 31, 2021 and 2020, respectively. Related accumulated depreciation and amortization amounted to \$1,724,635 and \$1,345,800, respectively.

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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, 2021 and 2020, for two multi-unit residential housing complexes. Related accumulated depreciation and amortization amounted to \$15,130,926 and \$12,903,225 at March 31, 2021 and 2020, respectively.

(6) Fiduciary Assets and Liabilities

Fiduciary assets and liabilities comprise the following at March 31, 2021 and 2020:

	2021	2020
Charitable remainder unitrusts managed	\$ 4,501,146	3,783,241
Split-interest agreements	7,135,058	5,108,818
Assets	\$ 11,636,204	8,892,059
Funds managed for other beneficiaries	\$ (1,662,612)	(1,055,509)
Estimated payments due to donors	(5,235,229)	(5,149,810)
Liabilities	\$ (6,897,841)	(6,205,319)

The change in value of split-interest agreements for net assets with donor restrictions was \$2,228,383 and (\$990,977) for the years ended March 31, 2021 and 2020, 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, 2021 and 2020:

	2021	2020
Capitalized film costs – long-term	\$ 46,881,786	43,316,254
Less accumulated amortization	(33,602,657)	(28,994,218)
	\$ 13,279,129	14,322,036

(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.

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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, 2021	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	\$ 62,739,442	62,739,442	—	—
Investments:				
Money market funds and time deposits	587,702	587,702	—	—
Equity securities	11,715,159	11,715,159	—	—
Fixed income	2,892,804	2,892,804	—	—
Gold and silver	1,337,997	1,337,997	—	—
Fiduciary assets	11,636,204	11,636,204	—	—
Non-managed trusts	1,019,208	1,019,208	—	—
	<u>\$ 91,928,516</u>	<u>91,928,516</u>	<u>—</u>	<u>—</u>

	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>

There were no transfers between Levels 1, 2 or 3 during the years ended March 31, 2021 and 2020. There were no assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2021 and 2020.

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(9) Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Term and life notes bear interest at rates ranging from 4.5% to 9%, payable on demand	\$ 1,379,418	1,321,326
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	32,100,772	32,582,060
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	20,451,616	20,825,890
Mortgage loan, collateralized by land and a commercial office building, bears interest at a rate of 4.5%, maturing July 2024	<u>2,110,096</u>	<u>2,668,058</u>
	56,041,902	57,397,334
Less:		
Debt issuance costs, net	(511,963)	(542,058)
Current maturities	<u>(2,596,949)</u>	<u>(2,484,059)</u>
	<u>\$ 52,932,990</u>	<u>54,371,217</u>

Total interest expense in fiscal years 2021 and 2020 was \$2,237,770 and \$2,302,770, respectively, which includes \$30,095 and \$23,378 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, 2021 are as follows:

Year ending March 31:	
2022	\$ 2,596,949
2023	1,785,147
2024	1,593,995
2025	1,265,193
2026	1,026,557
Thereafter	<u>47,774,061</u>
	<u>\$ 56,041,902</u>

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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, 2021 and 2020.

(10) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

	Capital leases	Operating leases
Year ending March 31:		
2022	\$ 204,308	3,165,995
2023	199,904	2,944,623
2024	191,096	2,155,722
2025	142,737	1,778,526
2026	11,507	1,694,886
Thereafter	—	4,243,100
	749,552	\$ <u>15,982,852</u>
Less amount representing interest	(73,946)	
Present value of net minimum lease payments under capital leases	675,606	
Less current portion	(170,412)	
	\$ 505,194	

Total rent expense of facilities and equipment amounted to \$4,339,775 and \$5,160,202 in fiscal years 2021 and 2020, 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 \$950,447 and \$22,997 in fiscal years 2021 and 2020, respectively.

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(12) Net Assets with Donor Restrictions

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

	2021	2020
Operations:		
Fiduciary assets, net (note 6)	\$ 4,738,363	2,686,740
Contributions receivable (note 4)	61,972,564	55,819,359
Donor-restricted contributions (primarily international outreach and operation blessing)	33,015,477	22,105,434
	\$ 99,726,404	80,611,533

Net assets with donor restrictions that are perpetual in nature at March 31, 2021 and 2020 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 \$82,425,197 and \$79,213,608 for the years ended March 31, 2021 and 2020, 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 \$24,706,000 and \$34,534,000, for the years ended March 31, 2021 and 2020, 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 \$1,213,859 and \$1,077,507 for the years ended March 31, 2021 and 2020, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying consolidated statements of activities.

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(15) Schedule of Functional Expenses

The schedule of functional expenses for the year ended March 31, 2021 is as follows:

	Ministry and Program	Fundraising	General and Administrative	Total
Employment expenses	\$ 65,945,876	11,883,216	7,247,512	85,076,604
Airtime	115,750,183	3,696,341	—	119,446,524
Gifts-in-kind	62,362,453	19,469	—	62,381,922
Direct mail	1,298,082	7,484,321	197,809	8,980,212
Production costs	4,565,620	144,324	46,770	4,756,714
Rent expense and utilities	6,415,937	389,147	480,656	7,285,740
Equipment, maintenance and repair	2,966,213	573,936	731,895	4,272,044
Travel	1,664,885	68,171	145,830	1,878,886
Professional services	5,784,973	1,023,052	1,863,541	8,671,566
Licenses and fees	5,357,867	956,677	1,813,764	8,128,308
Humanitarian aid and contributions to others	13,877,923	—	—	13,877,923
Depreciation, amortization and other	10,998,845	1,959,352	2,347,419	15,305,616
	<u>\$ 296,988,857</u>	<u>28,198,006</u>	<u>14,875,196</u>	<u>340,062,059</u>

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>

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(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.