THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Financial Statements

March 31, 2013 and 2012

(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 financial statements of The Christian Broadcasting Network, Inc. and affiliated organizations, which comprise the combined statements of financial position as of March 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined 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, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 28, 2013

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

March 31, 2013 and 2012

Assets		2013	2012
Current assets:			
Cash and cash equivalents (note 7)	$	31,790,033	28,804,179
Investments (notes 2 and 7)		21,078,040	24,507,415
Pledges and contributions receivable, net (note 3)		56,346,990	53,220,325
Accounts receivable (net of allowances of $5,000 and $40,000, respectively)		2,357,926	2,052,649
Prepaid expenses and other		3,630,890	3,329,363
Gifts-in-kind inventories		83,140,790	19,395,989
Total current assets		198,344,669	131,309,920
Property and equipment, net (notes 4 and 8)		77,938,091	68,055,182
Fiduciary assets, net (notes 5 and 7)		3,640,999	2,819,196
Long-term pledges and contributions receivable, net (notes 3, 6, and 7)		17,072,809	17,620,264
Other assets		13,433,463	8,639,400
Total assets	$	310,430,031	228,443,962
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	21,075,688	22,793,968
Current maturities of long-term debt (note 8)		6,662,568	7,261,146
Deferred gifts-in-kind revenue		83,140,790	19,395,989
Other current liabilities (note 9)		459,442	455,009
Total current liabilities		111,338,488	49,906,112
Long-term debt, excluding current portion (note 8)		22,989,657	12,432,670
Other long-term liabilities (note 9)		2,651,678	—
Total liabilities		136,979,823	62,338,782
Net assets:			
Unrestricted		140,682,551	134,308,527
Temporarily restricted (note 11)		31,963,161	31,471,860
Permanently restricted (note 11)		804,496	324,793
Total net assets		173,450,208	166,105,180
Commitments and contingencies (notes 9 and 14)			
Total liabilities and net assets	$	310,430,031	228,443,962

See accompanying notes to combined financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Activities

Year ended March 31, 2013

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and revenues:				
Ministry support (note 6)	$ 275,941,809	18,283,611	485,739	294,711,159
Gifts-in-kind	244,994,275	—	—	244,994,275
Investment loss, net (note 2)	(18,581)	—	—	(18,581)
Other revenue	2,668,617	—	—	2,668,617
	523,586,120	18,283,611	485,739	542,355,470
Net assets released from restrictions (note 12)	17,876,293	(17,876,293)	—	—
Total ministry support and revenues	541,462,413	407,318	485,739	542,355,470
Ministry and program expenses:				
Evangelistic outreach – domestic	102,700,050	—	—	102,700,050
Evangelistic outreach – international	106,663,073	—	—	106,663,073
Operation Blessing and humanitarian relief	264,369,394	—	—	264,369,394
Prayer ministry	14,410,215	—	—	14,410,215
Worldwide distribution of religious materials	1,174,663	—	—	1,174,663
Education and training	652,631	—	—	652,631
Donations to others to further the Gospel	2,627,257	—	—	2,627,257
Total ministry and program expenses	492,597,283	—	—	492,597,283
Supporting services:				
Fundraising	26,633,952	—	—	26,633,952
General and administrative	15,857,154	—	—	15,857,154
Total supporting services	42,491,106	—	—	42,491,106
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	83,983	(6,036)	77,947
Total other gains and losses	—	83,983	(6,036)	77,947
Increase in net assets	6,374,024	491,301	479,703	7,345,028
Net assets at beginning of year	134,308,527	31,471,860	324,793	166,105,180
Net assets at end of year	$ 140,682,551	31,963,161	804,496	173,450,208

See accompanying notes to combined financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Activities

Year ended March 31, 2012

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and revenues:				
Ministry support (note 6)	$ 274,360,343	15,908,916	—	290,269,259
Gifts-in-kind	197,398,983	—	—	197,398,983
Investment loss, net (note 2)	(3,311,787)	—	—	(3,311,787)
Other revenue	2,728,247	9,081	—	2,737,328
	471,175,786	15,917,997	—	487,093,783
Net assets released from restrictions (note 12)	17,910,241	(17,910,241)	—	—
Total ministry support and revenues	489,086,027	(1,992,244)	—	487,093,783
Ministry and program expenses:				
Evangelistic outreach – domestic	102,497,763	—	—	102,497,763
Evangelistic outreach – international	111,271,199	—	—	111,271,199
Operation Blessing and humanitarian relief	219,279,971	—	—	219,279,971
Prayer ministry	15,155,468	—	—	15,155,468
Worldwide distribution of religious materials	1,075,275	—	—	1,075,275
Education and training	735,784	—	—	735,784
Donations to others to further the Gospel	1,945,589	—	—	1,945,589
Total ministry and program expenses	451,961,049	—	—	451,961,049
Supporting services:				
Fundraising	26,611,435	—	—	26,611,435
General and administrative	16,018,104	—	—	16,018,104
Total supporting services	42,629,539	—	—	42,629,539
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	(46,594)	(22,027)	(68,621)
Total other gains and losses	—	(46,594)	(22,027)	(68,621)
Decrease in net assets	(5,504,561)	(2,038,838)	(22,027)	(7,565,426)
Net assets at beginning of year	139,813,088	33,510,698	346,820	173,670,606
Net assets at end of year	$ 134,308,527	31,471,860	324,793	166,105,180

See accompanying notes to combined financial statements.

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

Combined Statements of Cash Flows

Years ended March 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Increase (decrease) in net assets	$	7,345,028	(7,565,426)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation and amortization		11,646,822	11,044,535
(Gain) loss on disposal of assets		248,171	(125,004)
Loss due to currency conversion, net		52,476	472,125
Decrease in allowance for pledges receivable		(2,749,851)	(5,486,967)
Investment loss		18,581	3,311,787
Changes in assets and liabilities:			
Accounts receivable		(305,277)	(30,035)
Pledges and contributions receivable		170,641	9,903,004
Prepaid expenses and other		(301,527)	(33,920)
Fiduciary assets, net		(821,803)	(213,525)
Other assets		(5,552,640)	(3,685,710)
Accounts payable and accrued liabilities		(1,907,600)	1,786,226
Net cash provided by operating activities		7,843,021	9,377,090
Cash flows from investing activities:			
Proceeds from sale of investments		4,660,346	1,693,548
Purchases of investments		(1,184,125)	(1,938,733)
Purchases of property and equipment		(21,367,493)	(8,696,575)
Proceeds from sale of property and equipment		419,585	253,401
Net cash used in investing activities		(17,471,687)	(8,688,359)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		16,738,943	7,378,587
Payments on long-term debt		(6,780,534)	(7,148,589)
Proceeds from issuance of other liabilities		3,511,135	684,472
Payments of other liabilities		(855,024)	(722,660)
Net cash provided by financing activities		12,614,520	191,810
Increase in cash and cash equivalents		2,985,854	880,541
Cash and cash equivalents at beginning of year		28,804,179	27,923,638
Cash and cash equivalents at end of year	$	31,790,033	28,804,179
Supplemental disclosures of noncash operating and investing activities:			
Revaluation of international property and equipment due to change in conversion rates	$	(52,476)	(472,125)
Acquisition of property and equipment in accounts payable at year-end		189,320	466,660
Contribution of assets held for investment		(65,427)	(27,997)

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

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

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

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

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

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

(c) Cash and Cash Equivalents

The Ministry considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents that are utilized within a managed investment portfolio are accounted for as investments. Cash equivalents consisting of certificates of deposit and money market funds totaled $22,041,817 and $20,319,897 at March 31, 2013 and 2012, respectively. Included in cash and cash equivalents is $5,297,202 and $6,046,104 at March 31, 2013 and 2012, respectively, in proceeds from bank note borrowings to be used for capital purchases.

(d) Investments

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

(e) Pledges and Contributions Receivable

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

(f) Gifts-in-Kind

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

(g) Property and Equipment

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

(Continued)

(h) Fiduciary Assets

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

(i) Allocation of Expenses

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

	2013	2012
Evangelistic outreach – domestic	$ 65,225,920	62,571,348
Evangelistic outreach – international	2,539,868	2,064,138
Operation Blessing and humanitarian relief	432,985	420,653
Prayer ministry	6,391,630	6,717,179
Worldwide distribution of religious materials	1,173,948	1,075,275
Education and training	652,631	735,784
Fundraising	23,896,857	24,413,689
General and administrative	6,656,659	6,707,336
Total joint costs	$ 106,970,498	104,705,402

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

(j) Bartered Airtime

The Ministry recognizes the estimated fair value of international airtime received in exchange for providing program content as ministry support and international evangelistic outreach. The amounts recognized in the accompanying combined statements of activities were approximately $59,210,000 and $66,050,000 for the years ended March 31, 2013 and 2012, respectively.

(k) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $83,140,790 and $19,395,989 at March 31, 2013 and 2012, respectively.

(l) Income Taxes

CBN is classified as an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. Contributions to CBN qualify for a charitable contribution deduction to the extent provided by the law. CBN is subject to taxes on its unrelated business income. Substantially all of the taxes on unrelated business income were offset by the utilization of net operating loss carryforwards. As of March 31, 2013, CBN has unused net operating loss carryforwards available to offset future tax liabilities. The carryforwards expire at various dates principally through 2030. Management has recorded a full valuation allowance of $10,739,370 and $11,333,220 as of March 31, 2013 and 2012, respectively, for the future tax benefit of the related deferred tax asset.

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

(m) Impairment of Long-Lived Assets

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

(n) Use of Estimates

The preparation of combined 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 combined financial statements and revenues and expenses recognized during the reporting period. Significant items subject to such estimates and judgments include: the valuation of pledges, contributions, and accounts receivable; future distributions from trusts: bartered airtime; gifts-in-kind contributions; the estimated useful life of property and equipment; and the allocation of joint costs. Actual results could differ from those estimates.

(o) Subsequent Events

The preparation of combined financial statements in conformity with GAAP requires entities to evaluate events that occur after the balance sheet date but before 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 financial statements, the Ministry has evaluated events and transactions for potential recognition or disclosure through June 28, 2013, the date the combined financial statements were available to be issued.

(p) Financial Statement Reclassification

Certain amounts in the 2012 combined financial statements have been reclassified in order to conform to the 2013 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, 2012.

(2) Investments

Investments consist of the following at March 31:

		2013	2012
Cash and cash equivalents	$	5,895,384	9,393,040
Equity securities:			
Domestic		15,476,218	15,136,746
International		—	574,459
Exchange-traded funds:			
Foreign currency		2,950,000	—
Gold and silver		929,339	905,484
Margin loan		(4,172,901)	(1,502,314)
	$	21,078,040	24,507,415

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

		2013	2012
Interest	$	3	3
Margin loan interest expense		(155,695)	(41,774)
Dividends		792,001	563,443
Net realized gains (losses)		1,176,082	(541,554)
Net unrealized losses		(1,830,972)	(3,291,905)
	$	(18,581)	(3,311,787)

(Continued)

(3) Pledges and Contributions Receivable

The Ministry has a gross pledges receivable balance of $108,053,273 and $106,593,914 as of March 31, 2013 and 2012, respectively, which is netted against a present value discount of 6% and allowances for uncollectible pledges of $49,353,474 and $52,103,325, respectively. The Ministry has contributions receivable from a charitable trust of $14,720,000 and $16,350,000 as of March 31, 2013 and 2012, respectively (note 6). Pledges and contributions receivable at March 31, 2013 and 2012 are expected to be received as follows:

		2013	2012
Within one year	$	56,346,990	53,220,325
One to five years		2,352,809	1,270,264
Thereafter		14,720,000	16,350,000
	$	73,419,799	70,840,589

(4) Property and Equipment, Net

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

		2013	2012
Land and improvements	$	15,803,420	15,793,644
Buildings and improvements		55,489,613	55,358,903
Construction in progress		18,447,377	1,940,240
Production and transmission equipment		60,810,186	60,726,030
Information technology and other equipment		63,766,494	61,980,394
Office furniture and fixtures		8,796,735	8,754,082
		223,113,825	204,553,293
Less accumulated depreciation and amortization		(145,175,734)	(136,498,111)
	$	77,938,091	68,055,182

Property and equipment includes equipment acquired under existing financing agreements of $23,016,096 and $24,031,599 at March 31, 2013 and 2012, respectively. Related accumulated depreciation and amortization amounted to $7,602,116 and $6,721,141, respectively.

Property and equipment as of March 31, 2013 also includes financed construction in progress of $17,228,809 for the construction of a multi-unit residential housing complex.

(Continued)

(5) Fiduciary Assets, Net

Fiduciary assets, net comprise the following at March 31:

		2013	2012
Charitable remainder unitrusts managed	$	7,273,131	7,066,834
Split-interest agreements		3,852,834	3,307,612
Funds managed for other beneficiaries		(2,011,444)	(2,302,731)
Estimated payments due to donors		(5,473,522)	(5,252,519)
Fiduciary assets, net	$	3,640,999	2,819,196

The change in value of split-interest agreements for temporarily restricted net assets was $83,983 and ($46,594) and for permanently restricted net assets was ($6,036) and ($22,027) for the fiscal years ended March 31, 2013 and 2012, respectively. Discount rates used to calculate the present value of these assets are the fixed rates associated with each agreement and range from 5% to 10%.

(6) Contribution Receivable from Charitable Trust

In 1990, CBN's Founder established an irrevocable charitable remainder trust with his personal assets for the future benefit of the Ministry. The assets of the trust are not controlled by CBN and will be distributed to the Ministry upon the later of the death of the Founder or his wife. Trust assets are invested in privately held ventures, oil, and gas rights and other investments. The estimated fair value of these assets as of March 31, 2013 and 2012 is $14,720,000 and $16,350,000, respectively. The $1,630,000 and $1,995,000 decrease in estimated fair value for the years ended March 31, 2013 and 2012, respectively, has been recognized as temporarily restricted ministry support in the combined statements of activities.

(7) Fair Value Measurement of Assets and Liabilities

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

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, 2013	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 22,041,817	22,041,817	—	—
Investments:				
Equity securities	15,476,218	15,476,218	—	—
Exchange traded funds	2,950,000	2,950,000	—	—
Gold and silver	929,339	929,339	—	—
Fiduciary assets	11,125,965	11,125,965	—	—
Contribution receivable from charitable trust	14,720,000	—	—	14,720,000
	$ 67,243,339	52,523,339	—	14,720,000

	March 31, 2012	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 20,319,897	20,319,897	—	—
Investments:				
Equity securities	15,711,205	15,711,205	—	—
Gold and silver	905,484	905,484	—	—
Fiduciary assets	10,374,446	10,374,446	—	—
Contribution receivable from charitable trust	16,350,000	—	—	16,350,000
	$ 63,661,032	47,311,032	—	16,350,000

The change in Level 3 financial instruments for the years ended March 31, 2013 and 2012 of $1,630,000 and $1,995,000, respectively, is due solely to net unrealized losses attributable to a change in the estimated fair value.

(8) Long-Term Debt

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

	2013	2012
Bank notes payable, notes collateralized by equipment, bear interest at variable rates ranging from 2.47% to 6.09% maturing at various dates through April 2017	$ 14,831,390	18,678,752
Term and life notes bear interest at rates ranging from 4.5% to 9.0% payable on demand	1,008,785	1,015,064
Nonrecourse mortgage loan, $35,088,800 authorized, 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	13,812,050	—
	29,652,225	19,693,816
Less current maturities	(6,662,568)	(7,261,146)
	$ 22,989,657	12,432,670

Total interest incurred and paid in fiscal years 2013 and 2012 was $1,046,160 and $885,847, respectively. Of these amounts, $172,989 and $0, respectively, were capitalized as part of construction in progress.

Aggregate annual maturities of long-term debt at March 31, 2013 are as follows:

Year ending March 31:	
2014	$ 6,662,568
2015	5,692,662
2016	5,280,811
2017	1,906,403
2018	1,368,411
Thereafter	8,741,370
	$ 29,652,225

Subsequent to March 31, 2013, CBN entered into agreements with a bank for $1,700,000 of term note borrowing for the acquisition of equipment.

The Ministry's debt agreements contain certain financial covenants of which the most restrictive requires a $6,000,000 minimum balance of cash and cash equivalents and investments. The Ministry was in compliance with these covenants as of March 31, 2013 and 2012.

(9) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

		Capital leases		Operating leases
Year ending March 31:				
2014	$	58,296		3,470,997
2015		58,296		2,336,617
2016		58,296		1,027,168
2017		58,296		724,309
2018		14,088		302,191
Thereafter		—		733,238
		247,272	$	8,594,520
Less amount representing interest		(16,041)		
Present value of net minimum lease payments under capital leases		231,231		
Less current portion		(51,680)		
	$	179,551		

Total rent expense of facilities and equipment amounted to $5,547,229 and $5,734,882 in fiscal years 2013 and 2012, respectively.

Capital leases are collateralized by their respective equipment.

(10) Retirement Plan

CBN has defined contribution savings and retirement plans available for all regular employees. All contributions to these plans are fully vested. CBN made contributions totaling $238,670 and $1,781,369 in fiscal years 2013 and 2012, respectively.

(11) Temporarily and Permanently Restricted Net Assets

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

		2013	2012
Operations:			
Contribution receivable from charitable trust (note 6)	$	14,720,000	16,350,000
Fiduciary assets, net (note 5)		2,836,503	2,494,403
Long-term pledges and contributions receivable, net (note 3)		2,352,809	1,270,264
Donor-restricted contributions (primarily international outreach and Operation Blessing)		12,053,849	11,357,193
	$	31,963,161	31,471,860

Permanently restricted net assets at March 31, 2013 and 2012 consist of fiduciary assets to be held in perpetuity.

(12) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were $17,876,293 and $17,910,241 for the years ended March 31, 2013 and 2012, respectively.

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

In August 1997, CBN sold its remaining investment in IFE stock. As part of the negotiated sale of its stock in IFE to FOX Kids TV, CBN kept the existing 1990 program time agreement. This agreement continues with ABC, who purchased Family Channel from Fox Kids TV. The agreement provides CBN certain blocks of program time in perpetuity at the discretion of CBN. The fair market value of this airtime is estimated at approximately $40,580,000 and $34,274,000, for the years ended March 31, 2013 and 2012, respectively. This amount is included in ministry support, domestic evangelistic outreach, and fundraising in the accompanying combined statements of activities.

CBN continues to pay ABC Family Channel a monthly fee equal to the direct costs incurred by ABC Family Channel for providing the program time to CBN. This fee totaled $1,171,051 and $1,142,408 for the years ended March 31, 2013 and 2012, respectively.

(14) Commitments and Contingencies

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