KPMG

THE CHRISTIAN BROADCASTING NETWORK, INC. AND AFFILIATED ORGANIZATIONS

Combined Financial Statements

March 31, 2011 and 2010

(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 combined statements of financial position of The Christian Broadcasting Network, Inc. and affiliated organizations (the Ministry) as of March 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the 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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Christian Broadcasting Network, Inc. and affiliated organizations as of March 31, 2011 and 2010, and the combined changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 1, 2011

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

March 31, 2011 and 2010

Assets		**2011**	**2010**
Current assets:			
Cash and cash equivalents (note 7)	$	27,923,638	25,710,677
Investments (notes 2 and 7)		27,546,020	21,607,407
Pledges and contributions receivable, net (note 3)		55,840,998	58,032,071
Accounts receivable (net of allowances of $65,958 and $50,205, respectively)		2,022,614	3,199,250
Prepaid expenses and other		3,295,443	2,945,944
Gifts-in-kind inventories		6,637,771	8,353,798
Total current assets		123,266,484	119,849,147
Property and equipment, net (notes 4 and 8)		70,283,910	67,466,810
Fiduciary assets, net (notes 5 and 7)		2,605,671	2,229,063
Long-term pledges and contributions receivable, net (notes 3, 6, and 7)		19,415,628	17,675,624
Other assets		5,234,781	2,077,767
Total assets	$	220,806,474	209,298,411
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	20,541,082	19,594,537
Current maturities of long-term debt (note 8)		6,835,592	7,113,910
Deferred gifts-in-kind revenue		6,637,771	8,353,798
Other current liabilities		493,197	435,827
Total current liabilities		34,507,642	35,498,072
Long-term debt, excluding current portion (note 8)		12,628,226	10,539,646
Total liabilities		47,135,868	46,037,718
Net assets:			
Unrestricted		139,813,088	132,589,384
Temporarily restricted (note 11)		33,510,698	30,339,336
Permanently restricted (note 11)		346,820	331,973
Total net assets		173,670,606	163,260,693
Commitments and contingencies (notes 9 and 14)			
Total liabilities and net assets	$	220,806,474	209,298,411

See accompanying notes to combined financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Activities

Year ended March 31, 2011

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and revenues:				
Ministry support (note 6)	$ 271,401,276	19,511,132	—	290,912,408
Gifts-in-kind	353,667,000	—	—	353,667,000
Investment gain, net (note 2)	7,913,239	—	—	7,913,239
Other revenue	3,172,112	404	—	3,172,516
	636,153,627	19,511,536	—	655,665,163
Net assets released from restrictions (note 12)	16,728,575	(16,728,575)	—	—
Total ministry support and revenues	652,882,202	2,782,961	—	655,665,163
Ministry and program expenses:				
Evangelistic outreach – domestic	101,566,396	—	—	101,566,396
Evangelistic outreach – international	105,674,126	—	—	105,674,126
Operation Blessing and humanitarian relief	373,739,792	—	—	373,739,792
Counseling and prayer	15,324,189	—	—	15,324,189
Worldwide distribution of religious materials	1,064,980	—	—	1,064,980
Education and training	895,608	—	—	895,608
Donations to others to further the Gospel	3,283,885	—	—	3,283,885
Total ministry and program expenses	601,548,976	—	—	601,548,976
Supporting services:				
Fundraising	28,006,034	—	—	28,006,034
General and administrative	16,103,488	—	—	16,103,488
Total supporting services	44,109,522	—	—	44,109,522
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	388,401	14,847	403,248
Total other gains and losses	—	388,401	14,847	403,248
Increase in net assets	7,223,704	3,171,362	14,847	10,409,913
Net assets at beginning of year	132,589,384	30,339,336	331,973	163,260,693
Net assets at end of year	$ 139,813,088	33,510,698	346,820	173,670,606

See accompanying notes to combined financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Activities

Year ended March 31, 2010

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Ministry support and revenues:				
Ministry support (note 6)	$ 264,464,928	24,909,424	—	289,374,352
Gifts-in-kind	447,855,841	—	—	447,855,841
Investment gain, net (note 2)	7,279,744	—	—	7,279,744
Other revenue	2,609,962	81	—	2,610,043
	722,210,475	24,909,505	—	747,119,980
Net assets released from restrictions (note 12)	17,910,148	(17,910,148)	—	—
Total ministry support and revenues	740,120,623	6,999,357	—	747,119,980
Ministry and program expenses:				
Evangelistic outreach – domestic	105,718,327	—	—	105,718,327
Evangelistic outreach – international	92,112,763	—	—	92,112,763
Operation Blessing and humanitarian relief	469,890,328	—	—	469,890,328
Counseling and prayer	16,954,074	—	—	16,954,074
Worldwide distribution of religious materials	1,098,019	—	—	1,098,019
Education and training	1,142,758	—	—	1,142,758
Donations to others to further the Gospel	2,653,536	—	—	2,653,536
Total ministry and program expenses	689,569,805	—	—	689,569,805
Supporting services:				
Fundraising	29,993,484	—	—	29,993,484
General and administrative	16,594,480	—	—	16,594,480
Total supporting services	46,587,964	—	—	46,587,964
Other gains and losses:				
Changes in split-interest agreements (note 5)	—	1,070,384	88,665	1,159,049
Total other gains and losses	—	1,070,384	88,665	1,159,049
Increase in net assets	3,962,854	8,069,741	88,665	12,121,260
Net assets at beginning of year	128,626,530	22,269,595	243,308	151,139,433
Net assets at end of year	$ 132,589,384	30,339,336	331,973	163,260,693

See accompanying notes to combined financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Cash Flows

Years ended March 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Increase in net assets	$	10,409,913	12,121,260
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		10,547,679	9,613,210
(Gain) loss on sale of assets		(4,881)	43,038
Gain due to currency conversion, net		(20,664)	(354,927)
(Received) donated contributions of property and equipment		(164,100)	70,020
Increase (decrease) in allowance for pledges receivable		(9,910,021)	11,122,105
Investment gain		(7,913,239)	(7,279,744)
Changes in assets and liabilities:			
Accounts receivable		1,176,636	(632,408)
Pledges and contributions receivable		10,361,090	(16,800,983)
Prepaid expenses and other		(349,499)	(224,917)
Fiduciary assets, net		(376,608)	(1,148,760)
Other assets		(3,299,919)	(1,314,705)
Accounts payable and accrued liabilities		752,371	1,684,999
Net cash provided by operating activities		11,208,758	6,898,188
Cash flows from investing activities:			
Proceeds from sale of investments		17,009,574	25,440,779
Purchases of investments		(14,969,060)	(25,115,922)
Purchases of property and equipment		(12,926,926)	(11,203,212)
Proceeds from sale of property and equipment		22,983	8,179
Net cash used in investing activities		(10,863,429)	(10,870,176)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		9,087,890	5,339,483
Payments on long-term debt		(7,277,628)	(6,839,028)
Proceeds from issuance of other liabilities		944,874	420,377
Payments of other liabilities		(887,504)	(431,907)
Net cash provided by (used in) financing activities		1,867,632	(1,511,075)
Increase (decrease) in cash and cash equivalents		2,212,961	(5,483,063)
Cash and cash equivalents at beginning of year		25,710,677	31,193,740
Cash and cash equivalents at end of year	$	27,923,638	25,710,677
Supplemental disclosures of noncash operating and investing activities:			
Revaluation of international property and equipment due to change in conversion rates	$	20,664	354,927
Acquisition of property and equipment in accounts payable at year-end		194,174	398,990
Contribution of property and equipment		164,100	(70,020)

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, 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 spiritual counseling, 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.

(Continued)

(c) Cash and Cash Equivalents

The Ministry considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents that are utilized within a managed investment portfolio or are invested in foreign currency time deposits are accounted for as investments. Cash equivalents consisting of certificates of deposit and money market funds totaled \$17,513,732 and \$15,807,155 at March 31, 2011 and 2010, respectively. Included in cash and cash equivalents is \$5,240,951 and \$7,771,482 at March 31, 2011 and 2010, 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 gain, 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.

(f) Gifts-in-Kind

Gifts-in-kind primarily comprise medicines, school and medical supplies, dried and canned food, produce, clothing, and other relief products. Such items are generally distributed within several weeks after receipt. Gifts-in-kind are recorded at their estimated fair wholesale value when received. 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. Substantially all gifts-in-kind inventories on hand at March 31, 2011 and 2010 were distributed shortly after the end of the fiscal year. Expenses associated with these items are predominantly included in Operation Blessing and humanitarian relief in the accompanying combined statements of activities.

(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 of property sold or retired is removed from the accounts and any gain or loss is reflected in the accompanying combined statements of activities.

(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:

		2011	2010
Evangelistic outreach – domestic	$	62,388,157	66,600,165
Evangelistic outreach – international		1,843,747	1,066,400
Operation Blessing and humanitarian relief		394,591	422,128
Counseling and prayer		6,964,036	8,074,191
Worldwide distribution of religious materials		1,064,980	1,098,019
Education and training		895,608	1,142,758
Fundraising		25,845,436	28,053,457
General and administrative		6,516,448	6,701,957
Total joint costs	$	105,913,003	113,159,075

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 $65,050,000 and $54,370,000 for the years ended March 31, 2011 and 2010, respectively.

(k) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $6,637,771 and $8,353,798 at March 31, 2011 and 2010, 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, 2011, 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 $11,965,000 and $11,748,000 as of March 31, 2011 and 2010, 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 carrying amount 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 July 1, 2011, the date the combined financial statements were available to be issued, and determined that all items are appropriately disclosed.

(p) Financial Statement Reclassification

Certain amounts in the 2010 combined financial statements have been reclassified in order to conform to the 2011 presentation. The reclassifications had no effect on net assets, the increase in net assets, or cash flows as of and for the year ended March 31, 2010.

(2) Investments

Investments consist of the following at March 31:

	2011	2010
Cash	$ 54,499	126,710
Foreign currency time deposits	—	6,776,906
Equity securities:		
Domestic	11,446,691	9,600,133
International	6,709,760	3,863,370
Exchange-traded funds:		
Commodities precious metals	8,600,161	—
International index fund	—	1,053,052
Gold and silver	734,909	187,236
	$ 27,546,020	21,607,407

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

	2011	2010
Interest	$ 64,996	75,378
Dividends	510,298	460,938
Net realized gains	142,005	1,124,047
Net unrealized gains	7,195,940	5,619,381
	$ 7,913,239	7,279,744

(3) Pledges and Contributions Receivable

The Ministry has a gross pledges receivable balance of $114,501,918 and $127,952,309 as of March 31, 2011 and 2010, respectively, which is netted against a present value discount of 6% and allowances for uncollectible pledges of $57,590,292 and $67,500,313, respectively. The Ministry has contributions receivable from a charitable trust of $18,345,000 and $15,255,699 as of March 31, 2011 and 2010, respectively (see note 6). Pledges and contributions receivable at March 31, 2011 and 2010 are expected to be received as follows:

		2011	2010
Within one year	$	55,840,998	58,032,071
One to five years		1,070,628	2,419,925
Thereafter		18,345,000	15,255,699
	$	75,256,626	75,707,695

(4) Property and Equipment, Net

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

		2011	2010
Land and improvements	$	15,838,515	15,806,907
Buildings and improvements		56,019,888	51,928,884
Production and transmission equipment		59,865,302	56,107,559
Information technology and other equipment		59,718,292	58,997,064
Office furniture and fixtures		8,638,325	8,556,391
		200,080,322	191,396,805
Less accumulated depreciation and amortization		(129,796,412)	(123,929,995)
	$	70,283,910	67,466,810

Property and equipment includes equipment acquired under existing financing agreements of $24,925,287 and $23,754,194 at March 31, 2011 and 2010, respectively. Related accumulated depreciation and amortization amounted to $6,949,641 and $7,725,036, respectively.

(5) Fiduciary Assets, Net

Fiduciary assets, net comprise the following at March 31:

		2011	2010
Charitable remainder unitrusts managed	$	7,500,435	7,232,090
Split-interest agreements		2,580,598	2,334,155
Funds managed for other beneficiaries		(2,439,504)	(2,127,685)
Estimated payments due to donors		(5,035,858)	(5,209,497)
Fiduciary assets, net	$	2,605,671	2,229,063

The change in value of split-interest agreements for temporarily restricted net assets was $388,401 and $1,070,384 and for permanently restricted net assets was $14,847 and $88,665 for the fiscal years ended March 31, 2011 and 2010, 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, 2011 and 2010 is $18,345,000 and $15,255,699, respectively. The $3,089,301 and $3,905,930 increase in estimated fair value for the years ended March 31, 2011 and 2010, 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 long term debt approximates fair value due to the short duration of the notes.

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, 2011	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 17,513,732	17,513,732	—	—
Investments:				
Equity securities	18,156,451	18,156,451	—	—
Exchange-traded funds	8,600,161	8,600,161	—	—
Gold and silver	734,909	734,909	—	—
Fiduciary assets	10,081,033	10,081,033	—	—
Contribution receivable from charitable trust	18,345,000	—	—	18,345,000
	$ 73,431,286	55,086,286	—	18,345,000

	March 31, 2010	Level 1	Level 2	Level 3
Certificates of deposit and money market funds	$ 15,807,155	15,807,155	—	—
Investments:				
Foreign currency time deposits	6,776,906	6,776,906	—	—
Equity securities	13,463,503	13,463,503	—	—
Exchange-traded funds	1,053,052	1,053,052	—	—
Gold	187,236	187,236	—	—
Fiduciary assets	9,566,245	9,566,245	—	—
Contribution receivable from charitable trust	15,255,699	—	—	15,255,699
	$ 62,109,796	46,854,097	—	15,255,699

The change in Level 3 financial instruments for the years ended March 31, 2011 and 2010 of $3,089,301 and $3,905,930, respectively, is due solely to net unrealized gains attributable to a change in the estimated fair value.

(8) Long-Term Debt

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

	2011	2010
Bank notes payable, notes collateralized by equipment, bear interest at variable rates ranging from 2.72% to 6.76% maturing at various dates through April 2017	$ 18,437,812	16,605,907
Term and life notes bear interest at rates ranging from 4.50% to 9.00% payable on demand	1,026,006	1,047,649
	19,463,818	17,653,556
Less current maturities	(6,835,592)	(7,113,910)
	$ 12,628,226	10,539,646

Total interest incurred and paid in fiscal years 2011 and 2010 was $900,122 and $1,050,778, respectively.

Aggregate annual maturities of long-term debt at March 31, 2011 are as follows:

Year ending March 31:	
2012	$ 6,835,592
2013	4,460,038
2014	3,122,507
2015	1,894,088
2016	2,757,014
Thereafter	394,579
	$ 19,463,818

Subsequent to March 31, 2011, CBN entered into an agreement with a bank for $6,300,000 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, 2011 and 2010.

(9) Lease Commitments

Future minimum commitments for all noncancelable leases are as follows:

		Operating leases
Year ending March 31:		
2012	$	3,537,026
2013		2,869,962
2014		2,590,027
2015		1,713,210
2016		586,034
Thereafter		447,097
	$	11,743,356

Total rent of facilities and equipment amounted to $5,824,204 and $5,794,434 in fiscal years 2011 and 2010, respectively.

(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 $1,744,358 and $1,760,980 in fiscal years 2011 and 2010, respectively.

(11) Temporarily and Permanently Restricted Net Assets

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

		2011	2010
Operations:			
Contribution receivable from charitable trust (note 6)	$	18,345,000	15,255,699
Fiduciary assets, net (note 5)		2,258,851	1,897,090
Long-term pledges and contributions receivable, net (note 3)		760,454	2,023,230
Donor-restricted contributions (primarily international outreach and Operation Blessing)		12,146,393	11,163,317
	$	33,510,698	30,339,336

Permanently restricted net assets at March 31, 2011 and 2010 consist of fiduciary assets to be held in perpetuity.

(Continued)

(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 $16,728,575 and $17,910,148 for the years ended March 31, 2011 and 2010, 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 $34,274,000 and $34,394,000 for fiscal years 2011 and 2010, 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 $1,127,858 and $1,104,627 for the years ended March 31, 2011 and 2010, 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.