KPMG

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

March 31, 2023 and 2022

(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.:

Opinion

We have audited the consolidated financial statements of The Christian Broadcasting Network, Inc. and its subsidiaries (collectively, the Ministry), which comprise the consolidateds statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Ministry and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(o) to the consolidated financial statements, the Ministry has changed its method of accounting for leases as of April 1, 2022 due to the adoption of Accounting Standards Codification Topic 842, Leases. Moreover, the Ministry adopted the Financial Accounting Standards Board (FASB) Financial Accounting Standards update No. 2020-07 - Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ministry's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Norfolk, Virginia
July 13, 2023

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Financial Position

March 31, 2023 and 2022

Assets		2023	2022
Current assets:			
Cash and cash equivalents (note 8)	$	116,682,758	106,872,088
Investments (notes 3 and 8)		30,912,329	32,028,067
Contributions receivable, net (note 4)		73,025,636	70,718,242
Accounts receivable, net		1,508,649	1,337,668
Prepaid expenses and other (note 7)		11,553,913	11,436,761
Gifts-in-kind inventories (note 1(f))		6,575,634	8,073,041
Total current assets		240,258,919	230,465,867
Property and equipment, net (notes 5, 9 and 10)		72,172,425	73,705,206
Operating lease right-of-use assets (note 10)		15,632,101	—
Fiduciary assets (notes 6 and 8)		9,416,308	10,476,759
Long-term contributions receivable, net (note 4)		685,125	1,189,100
Other assets (note 7)		5,413,582	12,880,133
Total assets	$	343,578,460	328,717,065
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	18,445,482	17,954,756
Current maturities of long-term debt (note 9)		3,128,593	2,848,321
Current portion of lease liabilities (note 10)		3,431,913	—
Deferred gifts-in-kind revenue (note 1(f))		6,575,634	8,073,041
Other current liabilities (note 10)		460,413	897,686
Total current liabilities		32,042,035	29,773,804
Fiduciary liabilities (note 6)		6,098,826	6,506,737
Long-term debt, excluding current portion (note 9)		50,230,989	51,484,245
Long-term lease liabilities, excluding current portion (note 10)		12,929,594	—
Other long-term liabilities (note 10)		705,520	880,972
Total liabilities		102,006,964	88,645,758
Net assets:			
Without donor restrictions		128,299,997	127,495,635
With donor restrictions (note 12)		113,271,499	112,575,672
Total net assets		241,571,496	240,071,307
Commitments and contingencies (notes 10 and 15)			
Total liabilities and net assets	$	343,578,460	328,717,065

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2023

		Without donor restrictions	With donor restrictions	Total
Ministry support and other revenue:				
Ministry support (note 1(k))	$	188,045,925	114,728,276	302,774,201
Gifts-in-kind (note 1(f))		48,125,406	—	48,125,406
Investment loss, net (note 3)		(864,013)	—	(864,013)
Other revenue		3,471,331	891,860	4,363,191
		238,778,649	115,620,136	354,398,785
Net assets released from restrictions (note 13)		113,888,963	(113,888,963)	—
Total ministry support and revenue		352,667,612	1,731,173	354,398,785
Ministry and program expenses:				
Evangelistic outreach – domestic		68,597,371	—	68,597,371
Evangelistic outreach – international		128,896,421	—	128,896,421
Operation Blessing and humanitarian relief (note 1(f))		94,057,685	—	94,057,685
Prayer ministry		14,411,069	—	14,411,069
Donations to others to further the Gospel		2,138,755	—	2,138,755
Total ministry and program expenses		308,101,301	—	308,101,301
Supporting services expenses:				
Fundraising		39,803,436	—	39,803,436
General and administrative		17,687,582	—	17,687,582
Total supporting services expenses		57,491,018	—	57,491,018
Other activities:				
Land development:				
Revenues		10,141,005	—	10,141,005
Equity in earnings of unconsolidated subsidiaries (note 1(i))		13,455,111	—	13,455,111
Operating expenses		(7,354,264)	—	(7,354,264)
Depreciation and amortization		(2,512,783)	—	(2,512,783)
Land development activities, net		13,729,069	—	13,729,069
Changes in split-interest agreements (note 6)		—	(906,099)	(906,099)
Change in value of restricted investments (notes 3 and 6)		—	(129,247)	(129,247)
Total other activities		13,729,069	(1,035,346)	12,693,723
Increase in net assets		804,362	695,827	1,500,189
Net assets at beginning of year		127,495,635	112,575,672	240,071,307
Net assets at end of year	$	128,299,997	113,271,499	241,571,496

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statement of Activities

Year ended March 31, 2022

	Without donor restrictions	With donor restrictions	Total
Ministry support and other revenue:			
Ministry support (note 1(k))	$ 213,550,790	107,912,805	321,463,595
Gifts-in-kind (note 1(f) and 1(i))	55,364,543	—	55,364,543
Investment gain, net (note 3)	780,893	—	780,893
Other revenue	18,331,835	—	18,331,835
	288,028,061	107,912,805	395,940,866
Net assets released from restrictions (note 13)	95,495,193	(95,495,193)	—
Total ministry support and revenue	383,523,254	12,417,612	395,940,866
Ministry and program expenses:			
Evangelistic outreach – domestic	63,734,444	—	63,734,444
Evangelistic outreach – international	129,040,668	—	129,040,668
Operation Blessing and humanitarian relief (note 1(f))	92,005,044	—	92,005,044
Prayer ministry	14,219,538	—	14,219,538
Donations to others to further the Gospel	2,924,899	—	2,924,899
Total ministry and program expenses	301,924,593	—	301,924,593
Supporting services expenses:			
Fundraising	32,330,953	—	32,330,953
General and administrative	17,376,618	—	17,376,618
Total supporting services expenses	49,707,571	—	49,707,571
Other activities:			
Land development:			
Revenues	10,088,682	—	10,088,682
Operating expenses	(6,840,536)	—	(6,840,536)
Depreciation and amortization	(2,457,124)	—	(2,457,124)
Land development activities, net	791,022	—	791,022
Changes in split-interest agreements (note 6)	—	153,784	153,784
Change in value of restricted investments (note 3 and 6)	—	277,872	277,872
Total other activities	791,022	431,656	1,222,678
Increase in net assets	32,682,112	12,849,268	45,531,380
Net assets at beginning of year	94,813,523	99,726,404	194,539,927
Net assets at end of year	$ 127,495,635	112,575,672	240,071,307

See accompanying notes to consolidated financial statements.

THE CHRISTIAN BROADCASTING NETWORK, INC.
AND AFFILIATED ORGANIZATIONS

Consolidated Statements of Cash Flows

Years ended March 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Increase in net assets	$	1,500,189	45,531,380
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		10,992,763	12,984,524
Loss on disposal of property and equipment, net		106,294	650,686
(Gain) loss due to currency conversion, net		(104,953)	166,065
Investment (gain) loss, net		993,260	(1,058,765)
Equity in earnings of unconsolidated subsidiaries		(13,455,111)	—
Changes in assets and liabilities:			
Accounts receivable		(170,981)	294,706
Contributions receivable		(1,803,419)	(3,064,471)
Prepaid expenses and other		2,690,555	(4,008,141)
Fiduciary assets		1,060,451	1,159,445
Other assets		1,022,731	(253,270)
Operating lease right-of-use assets and liabilities		729,406	—
Accounts payable and accrued liabilities		349,471	2,501,814
Fiduciary liabilities		(407,911)	(391,104)
Other liabilities		(489,722)	78,083
Net cash provided by operating activities		3,013,023	54,590,952
Cash flows from investing activities:			
Distributions received from unconsolidated subsidiaries		13,455,111	—
Proceeds from sale of investments		1,734,441	837,209
Purchases of investments		(1,611,963)	(15,135,641)
Purchases of property and equipment		(5,683,717)	(9,502,174)
Proceeds from disposal of property and equipment		26,178	332,668
Net cash provided by (used in) investing activities		7,920,050	(23,467,938)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		985,997	472,320
Payments on long-term debt		(2,108,400)	(1,866,926)
Net cash used in financing activities		(1,122,403)	(1,394,606)
Increase in cash and cash equivalents		9,810,670	29,728,408
Cash and cash equivalents at beginning of year		106,872,088	77,143,680
Cash and cash equivalents at end of year	$	116,682,758	106,872,088
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$	1,605,701	1,738,845
Supplemental disclosures of noncash operating and investing activities:			
Revaluation of international property and equipment due to change in conversion rates	$	104,953	(166,065)
Acquisition of property and equipment in accounts payable at year-end		141,255	150,411
Acquisition of property and equipment from issuance of debt		887,424	372,543

See accompanying notes to consolidated financial statements.

(1) The Organization and Summary of Significant Accounting Policies

(a) Organization

The mission of The Christian Broadcasting Network, Inc. and its affiliated organizations (CBN or the Ministry) is to preach the gospel of Jesus Christ to all the world as a witness unto all nations (see Matthew 24:14). In achieving this mission, CBN's chief method is the strategic use of mass communication, especially television (both domestic and international), the internet, and the distribution of teaching materials in the form of CDs, DVDs, films, animation, and literature. CBN's purpose is to train the young and old on the principles of the Kingdom of God, and their application to everyday life. The Ministry also provides prayer ministry, financial, medical and humanitarian aid to the needy 365 days a year, worldwide.

(b) Basis of Presentation

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

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

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

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Donor-imposed restrictions that are temporary in nature will be met by actions pursuant to the stipulations and/or the passage of time. Donor-imposed restrictions that are perpetual in nature neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Ministry. Investment income (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.

(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 $101,754,336 and $65,753,739, respectively, at March 31, 2023 and 2022.

(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 are primarily comprised of medicines, school and medical supplies, canned and packaged food, produce, clothing, and other relief products. Contributed pharmaceuticals were restricted by donors for use outside the United States and are used in international humanitarian and disaster relief programs. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, the Ministry used the National Average Drug Acquisition Cost (NADAC), which approximates wholesale costs in the United States (the principal market). Food and other gifts-in-kind are recorded at their estimated fair wholesale value when received are used domestically and internationally for feeding programs, disaster relief and other humanitarian outreach. 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 statement of activities based on the fair value of the gifts-in-kind donated.

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $6,575,634 and $8,073,041 at March 31, 2023 and 2022, respectively. Medical gifts-in-kind revenue were $11,432,692 and $12,957,312 and food and other gifts-in-kind revenue were $36,692,714 and $42,407,231, for the years ended March 31, 2023 and 2022, respectively

(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 statement of activities.

(h) Fiduciary Assets and Liabilities

CBN is the beneficiary of various revocable and irrevocable trusts. Assets in irrevocable trusts, which are controlled by CBN, and related deferred income and estimated beneficial interests to others, are 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 statement 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.

Through its investments in two of its wholly owned subsidiaries, the Ministry has 45% interests in unconsolidated investments involved in the development of two commercial office buildings. During the year ended March 31, 2023, these unconsolidated subsidiaries sold their interests in the office buildings. As a result of this transaction, the Ministry recognized income and received proceeds from the unconsolidated subsidiaries totaling $13,455,111.

(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, 2023 and 2022:

		2023	2022
Evangelistic outreach – domestic	$	29,036,668	29,298,521
Evangelistic outreach – international		3,584,762	3,489,399
Operation blessing and humanitarian relief		845,727	567,282
Prayer ministry		5,661,112	5,435,864
Fundraising		31,001,813	25,355,638
General and administrative		5,988,131	6,871,315
Total joint costs	$	76,118,213	71,018,019

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 revenue with a corresponding increase to international evangelistic outreach expense. The amount recognized as revenue and expense on the accompanying consolidated statements of activities was approximately $76,870,000 and $80,649,000, for the years ended March 31, 2023 and 2022 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.

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. As of March 31, 2023 and 2022, 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 $9,573,378 and $14,082,559, respectively, as of March 31, 2023 and 2022, for the future tax benefit of the related deferred tax asset.

(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 consolidated 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 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.

(o) New Accounting Pronouncements

During 2023, the Ministry adopted the Financial Accounting Standards Board (FASB) Financial Accounting Standards Update 2016-02 – *Leases (Topic 842)*. This update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

The update requires lessees to recognize right-of-use assets and lease liabilities, initially measured at the present value of lease payments, in the statements of financial position. The Ministry utilized the modified retrospective approach to recognize right-of-use assets and lease liabilities as of April 1, 2022 with no material impact on reported net assets. As a result, the Ministry’s comparative period financial information as of and for the year ended March 31, 2022 continues to be presented under the previous leasing guidance, *Topic 840*.

During 2023, the Ministry adopted the FASB Financial Accounting Standards Update No. 2020-07 – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This update is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

The update requires nonfinancial assets be presented as separate line items in the consolidated statements of activities and disclosures include a disaggregation of the amount contributed by category, description of programs which utilize the nonfinancial assets, any donor-imposed restrictions, and valuation techniques used to estimate fair value.

(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 13, 2023.

The Ministry is not aware of any other specific events or transactions occurring after March 31, 2023 and up to July 13, 2023, the date the consolidated financial statements were available to be issued, that could have a material impact on the presentation of the accompanying consolidated financial statements.

(2) Liquidity and Availability

The following represents the Ministry's financial assets at March 31, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 116,682,758	106,872,088
Investments	30,912,329	32,028,067
Contributions receivable, net	73,710,761	71,907,342
Accounts receivable, net	1,508,649	1,337,668
Fiduciary assets, net	3,317,482	3,970,022
Non-managed trusts	866,788	1,034,527
Total financial assets	226,998,767	217,149,714
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	113,271,499	112,575,672
Less net assets with time or purpose restrictions to be met in less than a year	(104,794,961)	(102,645,633)
	12,476,538	13,930,039
Financial assets available to meet general expenditures over the next twelve months	$ 214,522,229	203,219,675

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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 8,325,048	19,685,903
Equity securities	2,806,760	9,133,854
Fixed income funds	17,807,812	1,756,526
Gold and silver ETF	504,046	—
Other investments	1,468,663	1,452,593
	$ 30,912,329	32,028,876

Investment gains (losses), net consist of the following for the years ended March 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 696,782	302,539
Net realized gains (losses)	(1,697,125)	1,159,979
Net unrealized gains (losses)	7,083	(403,753)
	$ (993,260)	1,058,765

(4) Contributions Receivable, Net

The Ministry has contributions receivable of $73,734,584 and $71,931,598, respectively, as of March 31, 2023 and 2022. Contributions receivable expected to be received after one year are netted against a present value discount of 4.65% and 3.75% equal to $23,823 and $24,256, respectively, as of March 31, 2023 and 2022. Contributions receivable at March 31, 2023 and 2022 are expected to be received as follows:

	2023	2022
Within one year	$ 73,025,636	70,718,242
One to five years	708,948	1,202,119
Thereafter	—	11,237
	73,734,584	71,931,598
Less present value discount	(23,823)	(24,256)
	$ 73,710,761	71,907,342

(5) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2023 and 2022:

		2023	2022
Land and improvements	$	23,539,209	23,483,361
Buildings and improvements		104,698,133	103,292,112
Production and transmission equipment		50,861,963	49,965,007
Information technology and other equipment		67,082,609	63,009,203
Office furniture and fixtures		10,931,345	12,369,595
		257,113,259	252,119,278
Less accumulated depreciation and amortization		(184,940,834)	(178,414,072)
	$	72,172,425	73,705,206

Property and equipment includes buildings and equipment acquired under existing financing agreements of $7,585,791 and $6,791,450, at March 31, 2023 and 2022, respectively. Related accumulated depreciation and amortization amounted to $2,124,326 and $1,799,008, at March 31,2023 and 2022, respectively.

Property and equipment also includes land, land improvements, buildings, and equipment acquired under existing financing agreements in the amount of $52,520,335 and $52,148,838, at March 31, 2023 and 2022, respectively, for two multi-unit residential housing complexes. Related accumulated depreciation and amortization amounted to $18,570,521 and $16,374,754, at March 31, 2023 and 2022, respectively.

(6) Fiduciary Assets and Liabilities

Fiduciary assets and liabilities comprise the following at March 31, 2023 and 2022:

		2023	2022
Charitable remainder unitrusts managed	$	3,577,648	4,206,829
Split-interest agreements		5,838,660	6,269,930
Assets	$	9,416,308	10,476,759
Funds managed for other beneficiaries	$	(1,246,625)	(1,529,810)
Estimated payments due to donors		(4,852,201)	(4,976,927)
Liabilities	$	(6,098,826)	(6,506,737)

The change in value of split-interest agreements for net assets with donor restrictions was ($906,099) and $153,784, respectively, for the years ended March 31, 2023 and 2022. Discount rates used to calculate the present value of these assets are the fixed rates associated with each agreement and range from 6% to 10%.

(Continued)

(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. Costs associated with the documentary films are capitalized in prepaid expenses and other on the consolidated statement of financial position. Capitalized film costs, net, consist of the following at March 31, 2023 and 2022:

	2023	2022
Capitalized film costs – long-term	$ 44,387,828	47,195,535
Less accumulated amortization	(41,695,598)	(37,998,665)
	2,692,230	9,196,870
Capitalized film costs – current	2,807,707	3,185,717
	$ 5,499,937	12,382,587

(8) Fair Value Measurement of Assets and Liabilities

Financial assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories known as the "Fair Value Hierarchy:"

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Ministry has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are primarily unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Continued)

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

	March 31, 2023	Level 1	Level 2	Level 3
Money market funds and time deposits	$ 101,754,336	101,754,336	—	—
Investments:				
Money market funds and time deposits	8,325,048	8,325,048	—	—
Equity securities	2,806,760	2,806,760	—	—
Fixed income:				
Fixed income ETP	3,935,388	3,935,388	—	—
Bond mutual funds	2,033,922	2,033,922	—	—
U.S. Treasury securities	11,838,502	11,838,502	—	—
Gold and silver ETF	504,046	504,046	—	—
Other investments	1,468,663	1,468,663	—	—
Fiduciary assets	9,416,308	9,416,308	—	—
Non-managed trusts	866,788	866,788	—	—
	$ 142,949,761	142,949,761	—	—

	March 31, 2022	Level 1	Level 2	Level 3
Money market funds and time deposits	$ 65,753,739	65,753,739	—	—
Investments:				
Money market funds and time deposits	19,685,094	19,685,094	—	—
Equity securities	9,133,854	9,133,854	—	—
Fixed income:				
Fixed income ETP	1,756,526	1,756,526	—	—
Bond mutual funds	—	—	—	—
U.S. Treasury securities	—	—	—	—
Gold and silver ETF	—	—	—	—
Other investments	1,452,593	1,452,593	—	—
Fiduciary assets	10,476,759	10,476,759	—	—
Non-managed trusts	1,034,527	1,034,527	—	—
	$ 109,293,092	109,293,092	—	—

There were no transfers between Levels 1, 2 or 3 during the years ended March 31, 2023 and 2022. There were no assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2023 and 2022.

(9) Long-Term Debt

Long-term debt consists of the following at March 31, 2023 and 2022:

		2023	2022
Term and life notes bear interest at rates ranging from 4.5% to 9%, payable on demand	$	1,411,005	1,337,213
Term notes, collateralized by equipment, bear interest at rates from 2.17% to 4.39% maturing through May 2027		951,565	333,980
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 2.67% maturing April 2054		30,926,437	31,556,875
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 2.83% maturing May 2051		19,614,325	20,063,501
Mortgage loan, collateralized by land and a commercial office building, bears interest at a rate of 4.5%, maturing July 2024		914,974	1,526,138
		53,818,306	54,817,707
Less:			
Debt issuance costs, net		(458,724)	(485,141)
Current maturities		(3,128,593)	(2,848,321)
	$	50,230,989	51,484,245

Total interest expense in fiscal years 2023 and 2022 was $1,624,683 and $1,720,855, which includes $26,417 and $26,822, respectively, of amortization of debt issuance costs. Debt issuance costs are being amortized using imputed interest rates ranging from 3.62% to 3.82%.

Aggregate annual maturities of long-term debt at March 31, 2023 are as follows:

Year ending March 31:		
2024	$	3,128,593
2025		1,918,719
2026		1,421,029
2027		1,419,903
2028		1,253,082
Thereafter		44,676,980
	$	53,818,306

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, 2023 and 2022.

(10) Lease Commitments

The Ministry determines whether contractual arrangements contain a lease by evaluating whether those arrangements either implicitly or explicitly identify an asset, whether the Ministry has the right to obtain substantially all of the economic benefits from use of the asset throughout the term of the arrangement, and whether the Ministry has the right to direct the use of the asset.

The Ministry has entered into various long-term non-cancelable operating and finance lease agreements primarily for office and warehouse space, transportation and office equipment. The office space operating leases expire at various dates through 2033, some of which have renewal options ranging from two to five years and some have options to terminate at the Ministry's discretion. Office and warehouse leases may have fixed payments or provide for increases in future minimum annual rental payments. The Ministry's transportation and office equipment leases generally have fixed payments with expiration dates ranging through 2029. Renewal options are included in the lease term if it is reasonably certain that the Ministry will exercise those options. The Ministry has made an accounting policy election to not recognize right-of-use (ROU) assets or lease liabilities for qualifying leases with terms of 12 months or less. The Ministry recognizes lease expense for these leases on a straight-line basis over the lease term.

The Ministry has certain agreements with lease and non-lease components which are combined as a single lease component based on the Ministry's practical expedient election. The Ministry's real estate leases may require that it pay maintenance in addition to rent. Additionally, the real estate leases generally require payment of real estate taxes and insurance. Maintenance, real estate taxes, and insurance payments are generally variable and based on actual costs incurred by the lessor. Therefore, these amounts are not included when determining the ROU asset and lease liability.

The discount rate to determine the present value of the lease payments for a lessee is calculated on the basis of information available at the commencement date. A lessee should use the rate implicit in the lease whenever that rate is readily determinable. A lessee that is not a public business entity is permitted to use a risk-free discount rate for the lease, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. The Ministry has elected to use the risk-free rate which corresponds with the term of the applicable lease.

Total right-of-use assets and liabilities at March 31, 2023 are as follows:

		2023
Operating right-of-use assets	$	15,632,101
Finance right-of-use assets in property and equipment, net		382,192
Total leased right-of-use assets	$	16,014,293
Operating lease liabilities	$	16,361,507
Finance lease liabilities in other liabilities		382,229
Total lease liabilities	$	16,743,736

The components of lease cost for the Ministry's operating and finance leases for the year ended March 31 are:

		2023
Lease cost:		
Operating lease cost	$	4,162,589
Short-term lease cost		1,297,831
Variable lease cost		392,756
Finance lease cost:		
Interest expense		24,776
Amortization of right-of-use assets		184,794
Total lease cost	$	6,062,746

The following table provides other key information related to the Ministry's operating and finance leases at March 31:

		2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	4,077,194
Operating cash flows from finance leases		24,776
Financing cash flows from finance leases		182,065
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases obtained in 2023	$	6,768,523
Finance leases obtained in 2023		59,100

Future minimum lease payments under noncancellable operating and finance leases with terms greater than one year and the weighted-average remaining lease term and weighted-average discount rates as of March 31, 2023 are as follows:

		Operating leases	Finance leases
Year ending March 31:			
2024	$	3,801,951	204,172
2025		3,451,226	155,813
2026		3,276,441	24,583
2027		2,708,313	13,076
2028		1,728,805	6,102
Thereafter		2,620,088	—
		17,586,824	403,746
Less amount representing interest		(1,225,317)	(21,554)
Present value of lease liabilities	$	16,361,507	382,192
Weighted-average discount rate		2.62 %	5.02 %
Weighted-average remaining lease term in years		5	2

(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 $870,177 in fiscal year 2022. No contributions were made for the year ended March 31, 2023.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at March 31, 2023 and 2022:

		2023	2022
Operations:			
Fiduciary assets, net (note 6)	$	3,317,482	3,970,022
Contributions receivable (note 4)		69,498,810	62,983,774
Donor-restricted contributions (primarily international outreach and operation blessing)		40,455,207	45,621,876
	$	113,271,499	112,575,672

Net assets with donor restrictions that are perpetual in nature at March 31, 2023 and 2022 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 $113,888,963 and $95,495,193 for the years ended March 31, 2023 and 2022.

(14) Schedule of Functional Expenses

The schedule of functional expenses for the years ended March 31, 2023 and 2022 is as follows:

		2023			
		Ministry and program	Fundraising	General and administrative	Total
Employment expenses	$	76,724,447	16,791,677	7,234,807	100,750,931
Airtime		99,362,976	2,795,475	—	102,158,451
Gifts-in-kind		51,056,682	41,933	—	51,098,615
Direct mail		1,061,716	11,232,465	270,566	12,564,747
Production costs		9,259,378	435,068	55,692	9,750,138
Rent expense and utilities		7,244,811	585,219	527,113	8,357,143
Equipment, maintenance and repair		3,388,172	766,374	688,629	4,843,175
Travel		4,905,088	960,018	256,013	6,121,119
Professional services		11,828,538	2,043,898	3,356,513	17,228,949
Licenses and fees		5,316,938	1,616,392	1,744,900	8,678,230
Humanitarian aid and contributions to others		24,511,999	—	—	24,511,999
Depreciation, amortization and other		13,440,556	2,534,917	3,553,349	19,528,822
	$	308,101,301	39,803,436	17,687,582	365,592,319

	2022			
	Ministry and program	Fundraising	General and administrative	Total
Employment expenses	$ 73,403,224	14,794,618	8,342,584	96,540,426
Airtime	102,732,732	2,173,883	—	104,906,615
Gifts-in-kind	57,555,899	43,544	—	57,599,443
Direct mail	1,126,160	8,819,692	370,685	10,316,537
Production costs	6,151,645	204,294	13,066	6,369,005
Rent expense and utilities	6,596,701	412,295	468,413	7,477,409
Equipment, maintenance and repair	3,880,214	788,643	812,898	5,481,755
Travel	2,569,712	238,850	138,487	2,947,049
Professional services	8,369,420	1,351,656	2,675,438	12,396,514
Licenses and fees	4,886,729	1,061,728	1,889,313	7,837,770
Humanitarian aid and contributions to others	20,445,476	—	—	20,445,476
Depreciation, amortization and other	14,206,681	2,441,750	2,665,734	19,314,165
	$ 301,924,593	32,330,953	17,376,618	351,632,164

(15) 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 statement of financial position or consolidated statement of activities.