



Speaking Hope to the World®

TRANS WORLD RADIO and
TRANS WORLD RADIO PACIFIC

Combined Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Trans World Radio and Trans World Radio Pacific
Cary, North Carolina

We have audited the accompanying combined financial statements of Trans World Radio and Trans World Radio Pacific (collectively referred to as TWR), which comprise the combined statements of financial position as of September 30, 2019 and 2018, 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; 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 combined 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.

Board of Directors
Trans World Radio and Trans World Radio Pacific
Cary, North Carolina

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Trans World Radio and Trans World Radio Pacific as of September 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
May 8, 2020

**TRANS WORLD RADIO
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Combined Statements of Financial Position

	September 30,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,781,497	\$ 9,837,540
Receivables–net (Note 4)	4,567,105	2,478,807
Prepaid expenses and other current assets (Note 5)	1,166,899	1,081,382
Investments (Note 6)	8,611,189	8,603,111
	23,126,690	22,000,840
Long-term investments and other assets (Note 7)	1,161,176	1,013,445
Trust assets (Note 11)	3,933,921	4,055,634
Land, buildings, and equipment, at cost–net (Note 8)	15,690,276	16,092,053
Perpetual trust held by others and endowment (Note 2)	4,465,726	4,558,899
	\$ 48,377,789	\$ 47,720,871
Total Assets	\$ 48,377,789	\$ 47,720,871
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Trade payables	\$ 1,537,143	\$ 1,335,382
Accrued expenses	959,447	883,937
Currency exchange contract liability	57,751	150,115
Current portion of:		
Notes payable (Note 9)	33,557	50,578
Annuities payable (Note 10)	796,749	812,138
Trust obligations (Note 11)	218,441	246,146
Employee benefit obligations (Note 15)	604,262	625,189
Deferred revenue	40,491	74,051
	4,247,841	4,177,536
Long-term liabilities:		
Notes payable (Note 9)	13,522	22,075
Annuities payable (Note 10)	3,743,835	3,803,128
Trust obligations (Note 11)	2,405,677	2,491,927
Employee benefit obligations (Note 15)	4,041,923	4,519,386
	14,452,798	15,014,052

(continued)

See notes to combined financial statements

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Combined Statements of Financial Position
(continued)

	September 30,	
	2019	2018
LIABILITIES AND NET ASSETS, continued:		
Net assets (Note 12):		
Without donor restrictions:		
Reserve (deficit)	555,443	(681,793)
Designated	2,954,026	2,878,735
Equity in land, buildings, and equipment	15,668,197	16,044,400
	19,177,666	18,241,342
With donor restrictions:		
Restricted for purpose or time:		
Specified purpose	8,958,677	8,575,898
Life income	1,322,922	1,330,680
Restricted in perpetuity:		
Perpetual trust and endowment	4,465,726	4,558,899
	14,747,325	14,465,477
	33,924,991	32,706,819
Total Liabilities and Net Assets	\$ 48,377,789	\$ 47,720,871

See notes to combined financial statements

**TRANS WORLD RADIO
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Combined Statements of Activities

	Year Ended September 30,							
	2019				2018			
	Without Donor Restrictions	With Donor Restrictions – Purpose/Time	With Donor Restrictions – in Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions – Purpose/Time	With Donor Restrictions – in Perpetuity	Total
OPERATING SUPPORT AND REVENUE:								
Support:								
Missionary support	\$ 5,555,038	\$ 994,170	\$ -	\$ 6,549,208	\$ 5,637,800	\$ 900,795	\$ -	\$ 6,538,595
General	4,730,645	5,401,377	-	10,132,022	4,506,309	7,196,983	-	11,703,292
Legacies and bequests	3,172,361	-	-	3,172,361	1,013,989	-	-	1,013,989
Contributed services	1,218,179	-	-	1,218,179	1,378,797	-	-	1,378,797
Gift portion of new split interest agreements	295,993	-	-	295,993	272,439	-	-	272,439
	<u>14,972,216</u>	<u>6,395,547</u>	<u>-</u>	<u>21,367,763</u>	<u>12,809,334</u>	<u>8,097,778</u>	<u>-</u>	<u>20,907,112</u>
Revenue:								
Media services	17,416,521	-	-	17,416,521	16,895,274	-	-	16,895,274
Investments (Note 6)	305,424	812	(93,173)	213,063	144,494	751	148,357	293,602
Change in value of split interest agreements (Note 10)	150,920	1,962	-	152,882	(47,014)	(11,365)	-	(58,379)
Other	437,877	-	-	437,877	574,627	-	-	574,627
	<u>18,310,742</u>	<u>2,774</u>	<u>(93,173)</u>	<u>18,220,343</u>	<u>17,567,381</u>	<u>(10,614)</u>	<u>148,357</u>	<u>17,705,124</u>
Total Operating Support and Revenue	<u>33,282,958</u>	<u>6,398,321</u>	<u>(93,173)</u>	<u>39,588,106</u>	<u>30,376,715</u>	<u>8,087,164</u>	<u>148,357</u>	<u>38,612,236</u>
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	6,023,300	(6,023,300)	-	-	7,719,546	(7,719,546)	-	-

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
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Combined Statements of Activities
(continued)

	Year Ended September 30,							
	2019				2018			
	Without Donor Restrictions	With Donor Restrictions – Purpose/Time	With Donor Restrictions – in Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions – Purpose/Time	With Donor Restrictions – in Perpetuity	Total
OPERATING EXPENSES:								
Program services:								
Media services	31,277,574	-	-	31,277,574	31,470,469	-	-	31,470,469
Missions awareness	1,684,039	-	-	1,684,039	1,582,399	-	-	1,582,399
	<u>32,961,613</u>	<u>-</u>	<u>-</u>	<u>32,961,613</u>	<u>33,052,868</u>	<u>-</u>	<u>-</u>	<u>33,052,868</u>
Supporting activities:								
Management and general	2,244,473	-	-	2,244,473	2,125,419	-	-	2,125,419
Fundraising	2,843,913	-	-	2,843,913	2,854,375	-	-	2,854,375
	<u>5,088,386</u>	<u>-</u>	<u>-</u>	<u>5,088,386</u>	<u>4,979,794</u>	<u>-</u>	<u>-</u>	<u>4,979,794</u>
Total Operating Expenses	<u>38,049,999</u>	<u>-</u>	<u>-</u>	<u>38,049,999</u>	<u>38,032,662</u>	<u>-</u>	<u>-</u>	<u>38,032,662</u>
Change in Net Assets from Operations before Translation Adjustment	1,256,259	375,021	(93,173)	1,538,107	63,599	367,618	148,357	579,574
Translation Adjustment	(319,935)	-	-	(319,935)	(264,639)	-	-	(264,639)
Change in Net Assets from Operations and Translation Adjustment	936,324	375,021	(93,173)	1,218,172	(201,040)	367,618	148,357	314,935
NONOPERATING ACTIVITIES:								
Insurance proceeds	-	-	-	-	5,469,929	-	-	5,469,929
Change in Net Assets	936,324	375,021	(93,173)	1,218,172	5,268,889	367,618	148,357	5,784,864
Net Assets, Beginning of Year	<u>18,241,342</u>	<u>9,906,578</u>	<u>4,558,899</u>	<u>32,706,819</u>	<u>12,972,453</u>	<u>9,538,960</u>	<u>4,410,542</u>	<u>26,921,955</u>
Net Assets, End of Year	<u>\$ 19,177,666</u>	<u>\$ 10,281,599</u>	<u>\$ 4,465,726</u>	<u>\$ 33,924,991</u>	<u>\$ 18,241,342</u>	<u>\$ 9,906,578</u>	<u>\$ 4,558,899</u>	<u>\$ 32,706,819</u>

See notes to combined financial statements

**TRANS WORLD RADIO
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Combined Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,218,172	\$ 5,784,864
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,231,578	1,099,336
Unrealized/realized gain on investments	(7,977)	(9,405)
Gain on sale of land, buildings, and equipment	(59,288)	(160,403)
Gain on involuntary conversion of buildings and equipment	-	(5,053,592)
Noncash contributions of securities	(150,497)	(161,703)
Change in value of charitable trusts	(1,962)	11,365
Actuarial change in charitable gift annuities	(249,635)	(374,379)
Maturities of charitable gift annuities	(245,054)	(10,661)
Payments on charitable gift annuities	722,775	739,194
Proceeds from sales of noncash contributions	(191,729)	(153,472)
Changes in operating assets and liabilities:		
Receivables	(2,088,298)	379,125
Prepaid expenses and other current assets	(85,517)	(52,738)
Trade payables	201,761	170,692
Accrued expenses	75,510	(69,449)
Deferred revenue	(33,560)	(107,628)
Employee benefit obligations	(498,390)	(466,444)
Net Cash Provided (Used) by Operating Activities	(162,111)	1,564,702
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of land, buildings, and equipment	(1,030,261)	(1,767,191)
Change in long-term investments and other assets	(147,731)	(98,111)
Proceeds from sale of land, buildings, and equipment	32,727	474,169
Change in land, buildings, and equipment due to currency translatio	227,021	330,428
Proceeds from sale of investments	4,155,834	3,112,851
Acquisitions of investments	(3,691,187)	(2,520,230)
Net Cash Used by Investing Activities	(453,597)	(468,084)

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
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Combined Statements of Cash Flows
(continued)

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(25,574)	(21,229)
Proceeds from new annuities and trusts	605,420	464,022
Gift portion of new charitable gift annuities	(295,993)	(272,439)
Payments on annuities and trusts	(948,870)	(984,385)
Investment income from charitable trusts	224,682	254,659
Net Cash Used by Financing Activities	(440,335)	(559,372)
Net Change in Cash and Cash Equivalents	(1,056,043)	537,246
Cash and Cash Equivalents, Beginning of Year	9,837,540	9,300,294
Cash and Cash Equivalents, End of Year	\$ 8,781,497	\$ 9,837,540
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 2,537	\$ 5,753
NONCASH ACTIVITIES:		
Acquisition of buildings and equipment from insurance proceeds	\$ -	\$ 4,603,000

See notes to combined financial statements

**TRANS WORLD RADIO
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Notes to Combined Financial Statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

Trans World Radio and Trans World Radio Pacific are collectively known as Trans World Radio (TWR), which is an independent evangelical association of churches. TWR is exempt from state and federal income taxes under Sections 501(c)(3) and 170(b)(1)(A)(i) of the U.S. Internal Revenue Code and is classified as an entity that is not a private foundation. Contributions by the public may be deductible for income tax purposes.

The primary focus of TWR is to proclaim the Gospel of our Lord and Savior Jesus Christ in areas of the world where other forms of Christian witness may not be possible. TWR also eagerly supports the work of evangelism and Christian nurturing in countries where church activity is permissible, working in harmony with Christian missionaries and evangelical churches worldwide. TWR accomplishes this goal through program services described below:

Media Services—TWR broadcasts Gospel programs in more than 275 languages and dialects to over 190 countries. Programs air from 2,000 worldwide broadcasting outlets, including major international sites, satellite, internet, and local AM and FM stations.

Missions Awareness—The costs of *TWR* magazine and other publications and activities are used to raise public awareness of God's work through missions.

In its endeavor to fulfill its religious, educational, and evangelistic objectives, TWR works with thousands of churches and hundreds of cooperating program producers. In addition, independent groups, known as national partners, have been formed legally in numerous countries for the express purpose of working with TWR in program production and distribution, training, transmission of broadcasts, and listener follow-up.

TWR is organizationally structured to reflect its fraternal relationship with the national partners, cooperating program producers, and supporting churches. In some cases, interlocking board relationships exist between TWR and its national partners and cooperating program producers. The primary sources of funding for TWR are donations and airtime sponsorship from individuals, churches, national partners, and cooperating program producers.

Incorporation:

	<u>Trans World Radio</u>	<u>Trans World Radio Pacific</u>
State:	New Jersey	North Carolina
Date:	February 1, 1960	May 2, 1952

Location of International Headquarters:

300 Gregson Drive
Cary, North Carolina 27511

**TRANS WORLD RADIO
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Notes to Combined Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TWR maintains its accounts and prepares its combined financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

PRINCIPLES OF COMBINATION

These combined financial statements include Trans World Radio and Trans World Radio Pacific. These two organizations share management and headquarters facilities. Trans World Radio Pacific owns and operates the broadcasting facilities in Guam. All significant intercompany transactions and balances have been eliminated from these combined financial statements. International entities controlled by TWR are likewise included in the combined financial statements.

TWR is also affiliated with organizations in over 70 countries which are not under TWR's control. The financial position and results of operations of these entities are not combined nor presented in these combined financial statements.

USE OF ESTIMATES

The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUND ACCOUNTING AND NET ASSETS

In order to ensure observance of limitations and restrictions placed on the use of resources available to TWR, the accounts of TWR are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds established according to their nature and purpose. Separate accounts are maintained for each fund. All financial transactions have been recorded and reported by fund group and classes of net assets.

Net assets without donor restrictions are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in land, buildings, and equipment.

Net assets with donor restrictions for purpose or time are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

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Notes to Combined Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUND ACCOUNTING AND NET ASSETS, continued

Net assets with donor restrictions in perpetuity consist of one perpetual trust held by others and one endowment held and administered directly by TWR. The perpetual trust held by others fair market value as of September 30, 2019 and 2018, was \$4,342,186 and \$4,471,699 respectively. The endowment consists of common stock with a fair market value as of September 30, 2019 and 2018, of \$123,540 and \$87,200, respectively. Substantially all of the net asset balance is comprised of the perpetual trust held by others. Therefore, the disclosure requirements related to net assets with donor restrictions in perpetuity as prescribed by the *Endowment* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) are not included due to immateriality.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand; checking, savings, and money market accounts; and certificates of deposit with original maturities of three months or less. The amounts held at the bank may, at times, exceed federally insured deposit levels. TWR has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At September 30, 2019 and 2018, TWR's cash balances exceeded federally insured limits by \$5,687,152, and \$4,186,263, respectively.

RECEIVABLES—NET

Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. TWR's policy for determining when receivables are past due or delinquent is 30 days after invoicing. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts are uncollectible.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions.

PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses, including recoverable investments in unowned broadcast facilities and spare parts inventory, are recognized as expense when placed in service or used in operations.

**TRANS WORLD RADIO
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Notes to Combined Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment revenue without donor restrictions in the accompanying combined statements of activities unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is adequately diversified among many issuers.

LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION

Items capitalized as land, buildings, and equipment are recorded at cost. Donated assets are recorded at fair value on the date of gift. Purchases of property and equipment valued at \$2,000 or more are capitalized. Fixed assets include expenditures for major renewals and betterment. Repairs and maintenance are expensed as incurred. Cost and accumulated depreciation applicable to assets retired or disposed of are eliminated from the accounts, and any resulting gains or losses are included in revenue.

TWR accounts for fixed assets in foreign locations in accordance with the functional currency provisions of the *Foreign Currency Matters* topic of the FASB ASC. This has resulted in a translation adjustment loss of \$(227,021) and \$(330,248) for the years ended September 30, 2019 and 2018, respectively, to fixed assets with functional currencies that differ from the reporting currency.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 30 years.

PERPETUAL TRUST HELD BY OTHERS

Perpetual trust held by others consists of a one-eighth beneficial interest. The trust assets consist of cash and cash equivalents and marketable securities. The trust assets are carried at fair value as of the date of the combined financial statements. When possible, the fair value of investments held as trustee or agent are determined by reference to quoted market prices. When quoted market prices are not available, fair value is estimated by reference to market values for similar securities or by discounting cash flows at an appropriate risk rate, taking into consideration the varying degrees of risk specific to each financial asset. Interest income of \$196,236 and \$152,128 received during the years ended September 30, 2019 and 2018, respectively, is included in investment revenue without donor restrictions in the accompanying combined statements of activities.

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Notes to Combined Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to TWR. Noncash gifts are recorded at their estimated fair market value on the date of donation. Media services revenue is recognized as earned. The portion of gain or loss on sale of assets presented in other revenue is recorded as earned and recognized in the fund owning the asset or as directed by donor restrictions.

TWR reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Gifts are reported as without donor restrictions if they are spent in the same period as received. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as reclassifications.

TWR reports donations of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, TWR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses, including advertising and promotion costs of \$905,237 and \$785,591 for the years ended September 30, 2019 and 2018, respectively, are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities of TWR have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

In connection with promotional mailings, missionary furloughs, and other informational activities, TWR incurred joint costs of \$3,001,096 and \$2,717,964 for the years ended September 30, 2019 and 2018, respectively. Of those costs, \$1,404,993 and \$1,201,425 were allocated to program services, \$14,299 and \$12,973 were allocated to management and general, and \$1,581,804 and \$1,503,566 were allocated to fundraising for the years ended September 30, 2019 and 2018, respectively.

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Notes to Combined Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

TWR has entered into foreign currency exchange contracts to hedge exposure to future spending activity denominated in foreign currencies in areas where it conducts significant business. As of September 30, 2019, TWR has varying monthly commitment amounts through March 2021 for notional amounts approximating \$867,459 for the African Rand and \$917,087 for the Singapore Dollar. For the years ended September 30, 2019 and 2018, the unrealized gains (losses) for the contracts of \$(57,751) and (\$150,115), respectively, are reported as a component of investment revenue in the accompanying combined statements of activities.

CONTRIBUTED SERVICES

Contributed services represent donated skilled services and includes the cost of salary, benefits, and work expenses for approximately 31 individuals involved in engineering, broadcast operations, and broadcast administration. Contributed services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by TWR. During the years ended September 30, 2019 and 2018, contributed services meeting the criteria for recognition in the combined financial statements totaled \$1,218,179 and \$1,378,797, respectively.

INTENTIONS TO GIVE

TWR receives indications of intent to support ministries that are commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open-ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

FOREIGN OPERATIONS

In connection with its worldwide ministry, TWR maintains broadcasting stations and other supporting facilities in various countries outside the United States. As of September 30, 2019 and 2018, respectively, current assets in other countries, including cash, securities, receivables, prepaid expenses, and inventories, totaled \$3,178,383 and \$5,425,453; noncurrent assets, other than land, buildings, and equipment, were \$1,076,503 and \$857,711; property and equipment, net of accumulated depreciation, amounted to \$7,774,354 and \$7,472,302; and liabilities in other countries were \$1,233,666 and \$1,132,083. Total overseas support and revenue received from foreign sources amounted to \$5,686,262 and \$5,483,054 for the years ended September 30, 2019 and 2018, respectively. Account balances relating to foreign operations are reflected in the combined financial statements in United States dollars.

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Notes to Combined Financial Statements

September 30, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects TWR's financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. TWR considers general expenditures to be all expenditures related to its ongoing activities to proclaim the Gospel of our Lord and Savior Jesus Christ in areas of the world where other forms of Christian witness may not be possible as well as the conduct of services undertaken to support those activities to be general expenditures.

	September 30,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 8,781,497	\$ 9,837,540
Receivables-net	4,567,105	2,478,807
Investments	8,611,189	8,603,111
Trust assets	3,933,921	4,055,634
Perpetual trust held by others and endowment	4,465,726	4,558,899
Financial assets, at year-end	30,359,438	29,533,991
Less those not available for general expenditure within one year, due to:		
Perpetual trust held by others and endowment not convertible to cash within next 12 months	(4,465,726)	(4,558,899)
Life income net assets	(1,322,922)	(1,330,680)
Minimum state required annuity reserves	(2,954,026)	(2,878,735)
	(8,742,674)	(8,768,314)
Financial assets available to meet cash needs for general expenditures within one year	\$ 21,616,764	\$ 20,765,677

As part of TWR's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Prepaid expenses on the combined statement of financial position will reduce cash needed for general expenditures in the subsequent year. At September 30, 2019 TWR has \$8,958,677, in net assets with donor restrictions for missionary and project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

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3. LIQUIDITY AND FUNDS AVAILABLE, continued:

TWR considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program service commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during TWR's fiscal year.

TWR maintains a line of credit at a North Carolina financial institution. As of September 30, 2019, this line permitted TWR to borrow up to \$1,500,000 and is secured by real property in Cary, North Carolina. No commitment fees or compensating balances are required. The note has an interest rate equal to LIBOR plus 175 basis points (or 3.57% and 3.93% at September 30, 2019 and 2018, respectively). As of September 30, 2019 and 2018, TWR had no outstanding borrowings against this line of credit.

4. RECEIVABLES—NET:

Receivables—net consist of:

	September 30,	
	2019	2018
Broadcasters—net of allowance for uncollectible accounts of \$150,000 for both September 30, 2019 and 2018	\$ 1,663,432	\$ 1,421,448
Advances to employees	251,956	242,420
Due from suppliers/affiliates	2,651,717	814,939
	\$ 4,567,105	\$ 2,478,807

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets consist of:

	September 30,	
	2019	2018
Spare parts inventory	\$ 505,777	\$ 506,698
Rents and deposits	69,190	66,109
Other prepaids	591,932	508,575
	\$ 1,166,899	\$ 1,081,382

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6. INVESTMENTS:

Investments consist of:

	September 30,	
	2019	2018
Operating and specified purpose:		
Equity securities	\$ 6,195	\$ 14,426
Certificates of deposit	10,048	109,643
Precious metals	38,486	72,105
Private equity, at cost	-	100,000
Mutual funds	1,379,998	1,000,655
	1,434,727	1,296,829
Life income:		
Equity securities	3,555,658	3,184,422
Fixed income securities	1,866,237	1,685,121
Mortgage-backed securities	767,994	818,654
Mutual funds	986,573	1,618,085
	7,176,462	7,306,282
	\$ 8,611,189	\$ 8,603,111

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7. LONG-TERM INVESTMENTS AND OTHER ASSETS:

Long-term investments and other assets consist of:

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash surrender value of life insurance	\$ 24,267	\$ 22,840
Prepayment of airtime	60,406	132,894
Broadcasting facility development costs—net of amortization of \$691,205 and \$552,398, respectively	<u>1,076,503</u>	<u>857,711</u>
	<u>\$ 1,161,176</u>	<u>\$ 1,013,445</u>

Broadcast facilities development costs represent amounts invested in the development of new and improved broadcast facilities in Central Asia. The funds advanced to the station owners will be recovered through reduced airtime charges to TWR for the programs broadcast by TWR.

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8. LAND, BUILDINGS, AND EQUIPMENT, AT COST-NET:

Land, buildings, and equipment, at cost-net consist of:

	September 30,			September 30,
	2019			2018
	United States	Other Countries	Total	Total
Land	\$ 1,240,358	\$ 652,022	\$ 1,892,380	\$ 1,913,059
Buildings	8,215,513	3,801,798	12,017,311	11,745,802
Transmitting, generating, and testing equipment	3,497,717	6,393,375	9,891,092	9,975,931
Furniture and equipment	5,133,796	1,355,954	6,489,750	6,419,000
	18,087,384	12,203,149	30,290,533	30,053,792
Less accumulated depreciation	(10,407,218)	(5,662,938)	(16,070,156)	(15,021,515)
	7,680,166	6,540,211	14,220,377	15,032,277
Construction in progress	235,756	1,234,143	1,469,899	1,059,776
Net book value of land, buildings, and equipment	7,915,922	7,774,354	15,690,276	16,092,053
Less related capital lease obligations and note payable	(13,970)	(8,109)	(22,079)	(47,653)
Equity in land, buildings, and equipment	\$ 7,901,952	\$ 7,766,245	\$ 15,668,197	\$ 16,044,400

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9. NOTES PAYABLE:

Notes payable consist of:

	September 30,	
	2019	2018
Unsecured notes:		
Promissory notes payable to individuals, due on demand, with an interest rate of 0%; principal becomes property of TWR upon death of holder.	\$ 25,000	\$ 25,000
Secured note:		
Equipment note payable; collateralized by certain real property; bears interest at a fixed rate of 4.0%; monthly payment of principal and interest in the amount of \$922, with all unpaid principal and accrued interest due at maturity in May 2020.	8,109	19,469
Capitalized lease obligations (see Note 14)	13,970	28,184
	47,079	72,653
Less current portion	(33,557)	(50,578)
Long-term portion of notes payable	\$ 13,522	\$ 22,075

The notes payable are estimated to mature as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2020	\$ 8,109

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10. ANNUITIES PAYABLE:

TWR has established a gift annuity plan whereby donors may contribute assets to TWR in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a gift without donor restrictions for long-term purposes.

The annuity liability is revalued annually based upon actuarially computed present values and is carried at the present value of future cash payments. The resulting actuarial gain or loss is included with change in value of split interest agreements in the accompanying combined statements of activities.

Annuities payable consist of:

	September 30,	
	2019	2018
Computed present value	\$ 4,540,584	\$ 4,615,266
Less current portion	(796,749)	(812,138)
	\$ 3,743,835	\$ 3,803,128

Several states have specific requirements for calculating the investment assets TWR must hold to provide resources for paying obligations to annuitants. TWR holds these reserves as designated net assets without donor restrictions in the accompanying combined statements of activities.

11. TRUST ASSETS, OBLIGATIONS, AND NET ASSETS:

TWR administers charitable remainder trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remaindermen. The present value of the portion of the trusts attributable to the remainder interest of TWR is recorded on the combined statements of activities as a contribution with donor restrictions in the period received, as net assets with donor restrictions, and as a reclassification to the without donor restrictions fund when released. Certain trusts contain provisions to distribute assets to remaindermen other than TWR. The portion attributable to others is reflected as a liability on the combined statements of financial position.

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11. TRUST ASSETS, OBLIGATIONS, AND NET ASSETS, continued:

	September 30,	
	2019	2018
Trust assets—at fair value:		
Cash and cash equivalents	\$ 316,009	\$ 211,348
Equity securities	1,839,202	1,810,001
Mutual funds	1,778,710	2,034,285
	\$ 3,933,921	\$ 4,055,634
Trust obligations and net assets:		
Trust obligations:		
Current portion of irrevocable trusts	\$ 218,441	\$ 246,146
Irrevocable trusts, net of current portion	2,405,677	2,491,927
	2,624,118	2,738,073
Trust net assets	1,309,803	1,317,561
	\$ 3,933,921	\$ 4,055,634

An actuarial adjustment is recognized in the combined statements of activities for changes in the value of annuities and trusts. These changes include:

	Year Ended September 30,	
	2019	2018
Investment income—interest and dividends	\$ 502,283	\$ 372,743
Realized and unrealized gains	146,525	400,531
Actuarial adjustments	608,644	322,053
Advisory fees and other expenses	(155,700)	(169,321)
Payments to income beneficiaries	(948,870)	(984,385)
	\$ 152,882	\$ (58,379)

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12. NET ASSETS:

Net assets consist of:

	September 30,	
	2019	2018
Without donor restrictions:		
Undesignated:		
Undesignated	\$ 5,201,628	\$ 4,462,782
Unfunded employee benefit obligations (Note 15)	(4,646,185)	(5,144,575)
	555,443	(681,793)
Designated:		
Minimum state required annuity reserves	2,954,026	2,878,735
Equity in land, buildings, and equipment	15,668,197	16,044,400
	\$ 19,177,666	\$ 18,241,342
With donor restriction:		
Restricted for purpose or time:		
Specified purpose:		
Designated for future ministry activities:		
Missionary equipment	\$ 1,097,591	\$ 1,047,175
Women's ministry	665,552	692,599
Children and youth ministry	423,239	374,863
HIV/AIDS and health issues ministry	142,555	145,838
Leadership and communicators ministry	784,071	787,996
Extending the Reach	3,919,147	3,800,691
Other	1,926,522	1,726,736
	8,958,677	8,575,898
Life income:		
Charitable remainder trusts (Note 11)	1,309,803	1,317,561
Other	13,119	13,119
	1,322,922	1,330,680
Restricted in perpetuity:		
Perpetual trust and endowment	4,465,726	4,558,899
	\$ 14,747,325	\$ 14,465,477

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13. EXPENSES BY BOTH NATURE AND FUNCTION:

The combined financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of TWR. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation, payroll, facilities, operations and other expenses. Depreciation is allocated based on square footage and the programmatic purpose of the asset being depreciated. Costs of other categories were allocated based on programmatic purpose of the employees directly affected by the expense.

Functional expenses by natural classification for the year ended September 30, 2019:

	Program	Management and General	Fundraising	Total Expenses
Payroll and personnel	\$ 14,035,864	\$ 1,389,798	\$ 1,612,364	\$ 17,038,026
Purchased airtime	5,729,893	-	-	5,729,893
Ministry grants and national partner development	5,476,947	1,675	8,396	5,487,018
General office	2,217,215	181,705	76,048	2,474,968
Broadcast operations	1,697,060	218	16,324	1,713,602
Travel	990,601	119,670	168,846	1,279,117
Depreciation	1,060,802	69,377	101,397	1,231,576
Fund development	159,972	940	744,324	905,236
Program production	551,230	995	5,105	557,330
Insurance	174,141	311,951	913	487,005
Consulting fees	222,208	130,409	52,133	404,750
Meetings	121,076	4,522	6,624	132,222
Finance	323,881	33,213	2,282	359,376
Missionary ministry funds	200,723	-	49,157	249,880
	<u>\$ 32,961,613</u>	<u>\$ 2,244,473</u>	<u>\$ 2,843,913</u>	<u>\$ 38,049,999</u>

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13. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification for the year ended September 30, 2018:

	Program	Management and General	Fundraising	Total Expenses
Payroll and personnel	\$ 14,068,111	\$ 1,342,950	\$ 1,620,668	\$ 17,031,729
Purchased airtime	5,870,379	-	-	5,870,379
Ministry grants and national partner development	5,687,826	21,875	12,295	5,721,996
General office	2,262,550	171,013	238,204	2,671,767
Broadcast operations	1,662,857	939	1,722	1,665,518
Travel	1,032,458	104,147	135,249	1,271,854
Depreciation	956,325	56,338	86,673	1,099,336
Fund development	137,803	2,094	645,692	785,589
Program production	585,345	1,453	5,410	592,208
Insurance	173,960	285,546	4,257	463,763
Consulting fees	205,637	97,218	33,473	336,328
Meetings	187,675	6,803	17,326	211,804
Finance	165,674	35,043	370	201,087
Missionary ministry funds	56,268	-	53,036	109,304
	<u>\$ 33,052,868</u>	<u>\$ 2,125,419</u>	<u>\$ 2,854,375</u>	<u>\$ 38,032,662</u>

14. COMMITMENTS:

LEASE AGREEMENTS

TWR maintains operating lease contracts for the use of missionary housing, office facilities, and property. Although the specific terms of these agreements vary, all are treated as operating leases, most contain renewal options ranging from one to five years, and some carry escalation provisions which are generally tied to the cost of living in the related field. TWR is obligated under capital leases for computer equipment and other equipment that expire at various dates through 2023. At September 30, 2019, the carrying value of the related equipment and the accumulated amortization recorded for the assets acquired via capital leases were:

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14. COMMITMENTS, continued:

LEASE AGREEMENTS, continued:

Equipment	\$	96,689
Less accumulated amortization		<u>(75,847)</u>
		<u>\$ 20,842</u>

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease obligation payments as of September 30, 2019, are as follows:

<u>Years Ending September 30,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2020	\$ 9,502	\$ 73,077
2021	2,905	43,050
2022	2,905	35,591
2023	485	27,037
2024	<u>-</u>	<u>17,206</u>
	15,797	<u>\$ 195,961</u>
Less amount representing interest	<u>(1,768)</u>	
Present value of net minimum capital lease payments	14,029	
Less current installments of obligations under capital leases	<u>(8,548)</u>	
Obligations under capital leases, excluding current installments	<u>\$ 5,481</u>	

Rental expenses pertaining to the agreements noted above were \$111,752 and \$102,582 for the years ended September 30, 2019 and 2018, respectively.

AIRTIME COMMITMENTS

In addition to their own transmitting facilities, TWR has entered into contracts with various foreign corporations to purchase airtime in order to air international gospel programs. The agreements specify minimum levels of time usage at various rates and are subject to periodic review by the foreign corporations.

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15. EMPLOYEE BENEFIT OBLIGATIONS:

DEFINED CONTRIBUTION PLAN

Effective in 2009, TWR established a new 401(k) plan (the Plan) for U.S. staff and missionaries. TWR provides a 50% match for U.S. based employees contributing up to 6% of their base salary. For U.S. missionaries serving outside the U.S., TWR contributes 9% of the missionaries' U.S. base pay rate. U.S. missionaries and staff may make additional voluntary contributions which are not matched by TWR.

TWR contributed \$259,691 and \$216,193 in matching contributions to the Plan for the years ended September 30, 2019 and 2018, respectively. Employee contributions vest at time of payment into the Plan. TWR's contributions become fully vested after three years of service. All employees may start contributions from the date of employment. TWR begins matching U.S. staff contributions after the employee has one year of service.

AD HOC RETIREMENT PLAN

In recognition of years of service prior to TWR implementing its 401(k) plan described above, TWR provides a supplemental pension allowance and certain other retiree welfare benefits, including medical and life insurance benefits, to qualifying U.S. employees which qualifies as a defined benefit plan. In 2007, the board froze the plan to any additional participants. For the years ended September 30, 2019 and 2018, 52 and 53 employees or surviving spouses, respectively, were receiving these benefits.

The ad hoc plan's current and future benefits are funded by undesignated net assets without donor restrictions of TWR (see Note 12). The following table sets forth the amounts recognized in the combined statements of financial position:

	<u>Pension Benefits</u>		<u>Retiree Welfare Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Change in benefit obligation:				
Benefit obligation, October 1	\$ 2,354,612	\$ 2,641,589	\$ 2,789,963	\$ 2,969,430
Interest cost	109,495	123,037	132,294	138,930
Actuarial gain/(loss)	64,357	(43,865)	(179,347)	(31,252)
Benefits paid	(333,475)	(366,149)	(291,714)	(287,145)
Benefit obligation, September 30	<u>\$ 2,194,989</u>	<u>\$ 2,354,612</u>	<u>\$ 2,451,196</u>	<u>\$ 2,789,963</u>

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15. EMPLOYEE BENEFIT OBLIGATIONS, continued:

AD HOC RETIREMENT PLAN, continued

Components of net periodic benefit costs for the years ended September 30, 2019 and 2018, are as follows:

	Pension Benefits		Retiree Welfare Benefits	
	2019	2018	2019	2018
Components of Net Periodic Benefit Cost:				
Interest cost	\$ 109,495	\$ 123,037	\$ 132,294	\$ 138,930
Amortization of unrecognized prior service cost	-	-	-	87,058
Amortization of unrecognized net gain	125,050	148,419	(7,113)	(9,081)
Net periodic pension cost	<u>\$ 234,545</u>	<u>\$ 271,456</u>	<u>\$ 125,181</u>	<u>\$ 216,907</u>

Weighted-average assumptions and method disclosures as of September 30, 2019 and 2018, include:

	Pension Benefits		Retiree Welfare Benefits	
	2019	2018	2019	2018
Discount rate	5.00%	5.00%	5.00%	5.00%
Average life expectancy of participants	10	9 years	10	9 years

Furthermore, for purposes of calculating the benefit obligation for the post-retirement other benefit component, TWR assumed an initial 10% health care cost trend for participants for the years ended September 30, 2019 and 2018.

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15. EMPLOYEE BENEFIT OBLIGATIONS, continued:

AD HOC RETIREMENT PLAN, continued

Based upon participants involved, TWR's expected contribution is as follows and accordingly classified on the combined statements of financial position:

	September 30,	
	2019	2018
Employee benefit obligation (including pension and retiree welfare benefits)	\$ 4,646,185	\$ 5,144,575
Less current portion	(604,262)	(625,189)
Employee benefit obligation—net of current portion	\$ 4,041,923	\$ 4,519,386

Estimated Future Benefit Payments—The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

Years Ending September 30,	Pension Benefits	Retiree Welfare Benefits
2020	\$ 326,358	\$ 277,904
2021	303,064	273,971
2022	279,904	268,056
2023	257,029	260,175
2024	234,579	250,383
Thereafter	794,055	1,120,707
	\$ 2,194,989	\$ 2,451,196

16. CONCENTRATIONS:

Three broadcasters represent approximately 60% and 63% of total broadcast revenue for the years ended September 30, 2019 and 2018, respectively.

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17. RELATED PARTY TRANSACTIONS:

Income provided by affiliated organizations (as described in Note 1) approximated \$2,968,000 and \$3,198,000 plus approximately \$825,972 and \$905,734 in contributed services for the years ended September 30, 2019 and 2018, respectively.

Grants to affiliated organizations and payments for services rendered and for other development costs totaled \$5,487,018 and \$5,721,996 for the years ended September 30, 2019 and 2018, respectively.

18. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. TWR uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, TWR measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

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18. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Certificates of deposit	\$ 10,048	\$ -	\$ 10,048	\$ -
Equity securities:				
International	230,035	230,035	-	-
Bond	171,421	171,421	-	-
Large cap	2,163,417	2,163,417	-	-
Mid cap	508,141	508,141	-	-
Small cap	227,315	227,315	-	-
REITs	93,913	93,913	-	-
Other	167,611	167,611	-	-
Fixed income securities:				
Bond	1,866,237	1,866,237	-	-
Mortgage-backed securities:				
Intermediate bond	69,822	69,822	-	-
Long bond	698,172	698,172	-	-
Mutual funds:				
International	1,286,129	1,286,129	-	-
Intermediate bond	365,702	365,702	-	-
Small cap	608,539	608,539	-	-
REITs	19,439	19,439	-	-
Other	86,762	86,762	-	-
Precious metals	38,486	38,486	-	-
	<u>\$ 8,611,189</u>	<u>\$ 8,601,141</u>	<u>\$ 10,048</u>	<u>\$ -</u>

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18. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Trust assets:				
Cash and cash equivalents	\$ 316,009	\$ 316,009	\$ -	\$ -
Equity securities:				
Bond	803,721	803,721	-	-
Large cap	1,021,295	1,021,295	-	-
Small cap	2,308	2,308	-	-
Other	11,878	11,878	-	-
Mutual funds:				
International	696,792	696,792	-	-
High yield	42,864	42,864	-	-
Intermediate bond	517,519	517,519	-	-
Small cap	283,565	283,565	-	-
REITs	237,970	237,970	-	-
	<u>\$ 3,933,921</u>	<u>\$ 3,933,921</u>	<u>\$ -</u>	<u>\$ -</u>

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18. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Assets held in perpetual trust and endowment assets:				
Cash and cash equivalents	\$ 263,069	\$ -	\$ -	\$ 263,069
Corporate stock	123,540	123,540	-	-
Equity securities:				
US large cap	1,056,628	-	-	1,056,628
US mid cap	672,651	-	-	672,651
US small cap	331,571	-	-	331,571
International developed	502,050	-	-	502,050
Emerging markets	190,218	-	-	190,218
Fixed income bonds:				
Investment grade taxable	459,102	-	-	459,102
Global high yield taxable	43,034	-	-	43,034
Other:				
Hedge funds	552,472	-	-	552,472
Private equity fund	151,329	-	-	151,329
Commodities	120,062	-	-	120,062
	<u>\$ 4,465,726</u>	<u>\$ 123,540</u>	<u>\$ -</u>	<u>\$ 4,342,186</u>
Current liabilities:				
Foreign currency exchange contract liability	\$ (57,751)	\$ -	\$ (57,751)	\$ -

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18. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at the year ended September 30, 2018:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Certificates of deposit	\$ 109,643	\$ -	\$ 109,643	\$ -
Equity securities:				
International	114,846	114,846	-	-
Bond	144,988	144,988	-	-
Large cap	2,199,631	2,199,631	-	-
Mid cap	375,515	375,515	-	-
Small cap	179,323	179,323	-	-
REITs	68,975	68,975	-	-
Other	115,570	115,570	-	-
Fixed income securities:				
Bond	1,685,121	1,685,121	-	-
Mortgage-backed securities:				
Intermediate bond	111,243	111,243	-	-
Long bond	707,411	707,411	-	-
Mutual funds:				
International	1,557,346	1,557,346	-	-
Intermediate bond	404,702	404,702	-	-
Large cap	1,072	1,072	-	-
Small cap	601,409	601,409	-	-
REITs	15,304	15,304	-	-
Other	38,907	38,907	-	-
Precious metals	72,105	-	72,105	-
	<u>\$ 8,503,111</u>	<u>\$ 8,321,363</u>	<u>\$ 181,748</u>	<u>\$ -</u>

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September 30, 2019 and 2018

18. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Trust assets:				
Cash and cash equivalents	\$ 211,348	\$ 211,348	\$ -	\$ -
Equity securities:				
Bond	806,002	806,002	-	-
Large cap	989,848	989,848	-	-
Small cap	2,439	2,439	-	-
Other	11,712	11,712	-	-
Mutual funds:				
International	824,913	824,913	-	-
High yield	42,931	42,931	-	-
Intermediate bond	533,621	533,621	-	-
Large cap	48,795	48,795	-	-
Small cap	343,506	343,506	-	-
REITs	240,519	240,519	-	-
	<u>\$ 4,055,634</u>	<u>\$ 4,055,634</u>	<u>\$ -</u>	<u>\$ -</u>

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September 30, 2019 and 2018

18. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Assets held in perpetual trust and endowment assets:				
Cash and cash equivalents	\$ 102,050	\$ -	\$ -	\$ 102,050
Corporate stock	87,200	87,200	-	-
Equity securities:				
US large cap	1,049,483	-	-	1,049,483
US mid cap	733,521	-	-	733,521
US small cap	293,612	-	-	293,612
International developed	751,543	-	-	751,543
Emerging markets	313,042	-	-	313,042
Fixed income bonds:				
Investment grade taxable	459,627	-	-	459,627
Global high yield taxable	41,745	-	-	41,745
Other:				
Hedge funds	431,550	-	-	431,550
Private equity fund	161,167	-	-	161,167
Commodities	134,359	-	-	134,359
	<u>\$ 4,558,899</u>	<u>\$ 87,200</u>	<u>\$ -</u>	<u>\$ 4,471,699</u>
Foreign currency exchange contract liability	\$ (150,115)	\$ -	\$ (150,115)	\$ -

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Notes to Combined Financial Statements

September 30, 2019 and 2018

18. FAIR VALUE MEASUREMENTS, continued:

The following tables provide further details of the Level 3 fair value measurements for beneficial interest in trusts held by others:

	September 30,	
	2019	2018
Beginning balance	\$ 4,471,699	\$ 4,312,262
Contributions of beneficial interests	-	-
Distributions of beneficial interests	-	-
Change in value of beneficial interest in trusts held by others	(129,513)	159,437
Ending balance	<u>\$ 4,342,186</u>	<u>\$ 4,471,699</u>

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Level 1 Fair Value Measurements

The fair values of cash and cash equivalents, corporate stock, equity securities, fixed income securities, mortgage-backed securities, and mutual funds are based on quoted market prices, when available.

Level 2 Fair Value Measurements

The fair values of the cash and cash equivalents, equity securities, mutual funds, and certificates of deposit are based on observable inputs other than the quoted prices included in Level 1 and thus are based on yields for securities of comparable maturity, quality, and type as obtained from market makers. The fair values of fixed income securities and mortgage-backed securities are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of precious metals is estimated by reference to market values for similar securities. Currency exchange contract liability is the estimated amount that TWR would owe the financial institution if it terminated the contracts at the reporting date.

Level 3 Fair Value Measurements

The fair value of beneficial interest in perpetual trusts held by others is based on the value of TWR's proportional share of the overall assets held by the other organizations.

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19. NONOPERATING ACTIVITIES:

During the year ended September 30, 2018, TWR received \$5,469,929 in nonoperating income from insurance proceeds related to a fire at the international headquarters in Cary, NC. All of these proceeds were used for fire-related repairs and restoration at the Cary office, and costs in excess of these proceeds were covered from generous contributions from TWR donors specifically for fire recovery. TWR does not anticipate any additional nonoperating income for this purpose, nor additional costs related to the fire recovery. Insurance proceeds includes money paid to TWR as well as money paid to contractors on behalf of TWR.

20. SUBSEQUENT EVENTS:

In December 2019, a novel strain of coronavirus was reported in Asia, which escalated into a global pandemic in a matter of months. The COVID-19 outbreak is disrupting economies, industries and charities all around the world.

The extent of the impact of COVID-19 on the operational and financial performance of TWR will depend on certain developments, including the duration and spread of the outbreak and impact on donors, all of which are uncertain and cannot be predicted. Yet at the date of this report, the ministry is 100% operational and is continuing to produce, air and distribute Christ-centered, Biblical content in 190 countries and 275 languages. The extent to which COVID-19 may impact financial condition or results of operations of TWR is uncertain, but the ministry is well positioned to meet this crisis.

As part of the response to the impact of COVID-19, TWR applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. TWR was approved for a loan in the amount of approximately \$1.6 million. Based on the provisions included in the CARES Act, TWR anticipates that this amount will be converted to a grant during the year ending September 30, 2020.

Subsequent events have been evaluated through May 8, 2020, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.