



Speaking Hope to the World®

TRANS WORLD RADIO and
TRANS WORLD RADIO PACIFIC

Combined Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Combined Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities	5
Combined Statements of Cash Flows	7
Notes to Combined Financial Statements	9

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 December 31, 2016 and 2015, 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 December 31, 2016 and 2015, 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
June 7, 2017

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

Combined Statements of Financial Position

	December 31,	
	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 10,447,543	\$ 11,681,237
Receivables–net (Note 3)	2,455,328	2,208,747
Prepaid expenses and other assets (Note 4)	945,732	913,440
Investments (Note 5)	8,188,433	7,762,349
	22,037,036	22,565,773
Long–term investments and other assets (Note 6)	1,010,681	1,269,105
Trust assets (Note 10)	4,012,551	3,873,955
Land, buildings, and equipment, at cost–net (Note 7)	10,090,931	8,831,966
Perpetual trust held by others and endowment (Note 2)	4,063,056	4,000,829
	\$ 41,214,255	\$ 40,541,628
Total Assets	\$ 41,214,255	\$ 40,541,628
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Trade payables	\$ 1,490,252	\$ 1,667,568
Accrued expenses	534,237	505,521
Currency exchange contract liability	313,262	941,043
Current portion of:		
Notes payable (Note 8)	55,914	54,067
Annuities payable (Note 9)	835,004	811,103
Trust obligations (Note 10)	236,028	231,672
Employee benefit obligations (Note 14)	665,315	664,726
Deferred revenue	97,022	132,670
	4,227,034	5,008,370
Long–term liabilities:		
Notes payable (Note 8)	61,030	91,944
Annuities payable (Note 9)	3,907,927	3,838,824
Trust obligations (Note 10)	2,537,534	2,520,157
Employee benefit obligations (Note 14)	5,653,151	5,929,374
	16,386,676	17,388,669

(continued)

See notes to combined financial statements

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

Combined Statements of Financial Position

(continued)

	December 31,	
	2016	2015
LIABILITIES AND NET ASSETS, continued:		
Net assets (Note 11):		
Unrestricted:		
Undesignated	(1,538,695)	(2,006,423)
Designated	2,837,680	2,657,297
Equity in land, buildings, and equipment	9,998,987	8,710,955
	11,297,972	9,361,829
Temporarily restricted:		
Specified purpose	8,202,497	8,644,509
Life income	1,264,054	1,145,792
	9,466,551	9,790,301
Permanently restricted:		
Perpetual trust and endowment	4,063,056	4,000,829
	24,827,579	23,152,959
Total Liabilities and Net Assets	\$ 41,214,255	\$ 40,541,628

See notes to combined financial statements

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

Combined Statements of Activities

	Year Ended December 31,							
	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Support:								
Missionary support	\$ 5,210,061	\$ 705,681	\$ -	\$ 5,915,742	\$ 5,151,370	\$ 952,447	\$ -	\$ 6,103,817
General	3,023,653	6,605,866	-	9,629,519	3,157,954	6,012,417	-	9,170,371
Legacies and bequests	1,404,994	-	-	1,404,994	1,253,664	-	-	1,253,664
Contributed services	1,272,261	-	-	1,272,261	1,399,435	-	-	1,399,435
Gift portion of new split interest agreements	354,788	-	-	354,788	797,573	-	-	797,573
	<u>11,265,757</u>	<u>7,311,547</u>	<u>-</u>	<u>18,577,304</u>	<u>11,759,996</u>	<u>6,964,864</u>	<u>-</u>	<u>18,724,860</u>
Revenue:								
Media services	17,601,722	-	-	17,601,722	17,706,605	-	-	17,706,605
Investments (Note 5)	1,045,360	784	62,227	1,108,371	252,718	755	(443,725)	(190,252)
Change in value of split interest agreements (Note 10)	181,676	85,939	-	267,615	(97,574)	(44,967)	-	(142,541)
Other	617,105	-	-	617,105	640,817	-	-	640,817
	<u>19,445,863</u>	<u>86,723</u>	<u>62,227</u>	<u>19,594,813</u>	<u>18,502,566</u>	<u>(44,212)</u>	<u>(443,725)</u>	<u>18,014,629</u>
Total Support and Revenue	<u>30,711,620</u>	<u>7,398,270</u>	<u>62,227</u>	<u>38,172,117</u>	<u>30,262,562</u>	<u>6,920,652</u>	<u>(443,725)</u>	<u>36,739,489</u>
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	7,722,020	(7,722,020)	-	-	7,526,166	(7,526,166)	-	-

(continued)

See notes to combined financial statements

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

Combined Statements of Activities
(continued)

	Year Ended December 31,							
	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Media services	29,768,377	-	-	29,768,377	31,043,636	-	-	31,043,636
Missions awareness	1,628,792	-	-	1,628,792	1,496,659	-	-	1,496,659
	<u>31,397,169</u>	<u>-</u>	<u>-</u>	<u>31,397,169</u>	<u>32,540,295</u>	<u>-</u>	<u>-</u>	<u>32,540,295</u>
Supporting activities:								
Management and general	2,081,293	-	-	2,081,293	2,194,227	-	-	2,194,227
Fund-raising	2,904,150	-	-	2,904,150	2,747,592	-	-	2,747,592
	<u>4,985,443</u>	<u>-</u>	<u>-</u>	<u>4,985,443</u>	<u>4,941,819</u>	<u>-</u>	<u>-</u>	<u>4,941,819</u>
Total Expenses	<u>36,382,612</u>	<u>-</u>	<u>-</u>	<u>36,382,612</u>	<u>37,482,114</u>	<u>-</u>	<u>-</u>	<u>37,482,114</u>
Change in Net Assets before Translation Adjustment	2,051,028	(323,750)	62,227	1,789,505	306,614	(605,514)	(443,725)	(742,625)
Translation Adjustment	(114,885)	-	-	(114,885)	(701,442)	-	-	(701,442)
Change in Net Assets	1,936,143	(323,750)	62,227	1,674,620	(394,828)	(605,514)	(443,725)	(1,444,067)
Net Assets, Beginning of Year	<u>9,361,829</u>	<u>9,790,301</u>	<u>4,000,829</u>	<u>23,152,959</u>	<u>9,756,657</u>	<u>10,395,815</u>	<u>4,444,554</u>	<u>24,597,026</u>
Net Assets, End of Year	<u>\$ 11,297,972</u>	<u>\$ 9,466,551</u>	<u>\$ 4,063,056</u>	<u>\$ 24,827,579</u>	<u>\$ 9,361,829</u>	<u>\$ 9,790,301</u>	<u>\$ 4,000,829</u>	<u>\$ 23,152,959</u>

See notes to combined financial statements

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

Combined Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,674,620	\$ (1,444,067)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	832,733	1,066,611
Unrealized/realized (gain) loss on investments	(1,108,371)	190,252
(Gain) loss on sale of land, buildings, and equipment	2,006	(85,589)
Noncash contributions of land, buildings, and equipment	(59,291)	(104,000)
Noncash contributions of securities	(66,475)	(184,663)
Gift portion of new charitable trusts	(54,157)	-
Change in value of charitable trusts	(85,939)	44,967
Actuarial change in charitable gift annuities	(306,124)	19,358
Maturities of charitable gift annuities	(73,275)	(874,585)
Payments on charitable gift annuities	745,127	746,781
Proceeds from sales of noncash contributions	(104,833)	106,200
Changes in operating assets and liabilities:		
Receivables	(246,581)	850,512
Prepaid expenses and other assets	(32,292)	41,190
Trade payables	(177,316)	(52,345)
Accrued expenses	28,716	(34,604)
Deferred revenue	(35,648)	23,242
Employee benefit obligations	(275,634)	(469,209)
Net Cash Provided (Used) by Operating Activities	657,266	(159,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of land, buildings, and equipment	(2,846,792)	(1,216,146)
Change in long-term investments and other assets	258,424	485,921
Proceeds from sale of land, buildings, and equipment	851,825	189,159
Change in land, buildings, and equipment due to currency translation	(39,446)	514,505
Proceeds from sale of investments	2,438,612	3,698,638
Acquisitions of investments	(2,413,621)	(3,047,207)
Net Cash Provided (Used) by Investing Activities	(1,750,998)	624,870

(continued)

See notes to combined financial statements

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

Combined Statements of Cash Flows
(continued)

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(29,067)	(16,891)
Proceeds from new annuities and trusts	938,386	1,772,854
Gift portion of new charitable gift annuities	(354,788)	(797,573)
Payments on annuities and trusts	(973,755)	(997,644)
Investment income (loss) from charitable trusts	279,262	(95,077)
Net Cash Used by Financing Activities	(139,962)	(134,331)
 Net Change in Cash and Cash Equivalents	(1,233,694)	330,590
 Cash and Cash Equivalents, Beginning of Year	11,681,237	11,350,647
 Cash and Cash Equivalents, End of Year	\$ 10,447,543	\$ 11,681,237
 SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 6,305	\$ 4,224
 NONCASH TRANSACTIONS:		
Acquisition of land, buildings, and equipment through issuance of note payable	\$ -	\$ 50,000

See notes to combined financial statements

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

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 230 languages and dialects to over 160 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
AND
TRANS WORLD RADIO PACIFIC**

Notes to Combined Financial Statements

December 31, 2016 and 2015

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 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. 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.

TWR is associated with affiliated organizations in over 70 countries. These organizations are not under the control of TWR, and their financial position and results of operations are not combined or presented herewith.

FUND ACCOUNTING AND NET ASSETS

In order to ensure observance of limitations and restrictions placed on the use of resources available to the organization, 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.

Unrestricted net assets 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.

Temporarily restricted net assets 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.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUND ACCOUNTING AND NET ASSETS, continued

Permanently restricted net assets 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 December 31, 2016 and 2015, was \$3,964,676 and \$3,907,249 respectively. The endowment consists of common stock with a fair market value as of December 31, 2016 and 2015, of \$98,380 and \$93,580, respectively. Substantially all of the net asset balance is comprised of the perpetual trust held by others. Therefore, the disclosure requirements related to permanently restricted net assets as prescribed by the *Endowment* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) are not included due to immateriality.

RECLASSIFICATIONS

Certain items have been reclassified in the prior year combined statements to be consistent with the current year presentation.

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.

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 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
AND
TRANS WORLD RADIO PACIFIC**

Notes to Combined Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all debt securities are recorded at fair value based on the last reported sales price on the valuation date. Other investments are stated at the lower of cost or fair value. Donated investments are recorded at market value at the date of donation. Realized and unrealized gains and losses on marketable securities and other investments are included in investments in the accompanying combined statements of activities. 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 their 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 gain/(loss) of \$39,446 and (\$514,505) in 2016 and 2015, 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 \$180,400 and \$357,010 received during the years ended December 31, 2016 and 2015, respectively, is included in unrestricted investment revenue in the accompanying combined statements of activities.

TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC

Notes to Combined Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned. Support is recognized 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 unrestricted if they are spent in the same period as received. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Expenses, including advertising and promotion costs of \$537,527 and \$569,290 for the years ended December 31, 2016 and 2015, 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 \$3,724,884 and \$3,378,802 for the years ended December 31, 2016 and 2015, respectively. Of those costs, \$1,666,945 and \$1,467,586 were allocated to program services, \$20,441 and \$19,726 were allocated to management and general, and \$2,037,498 and \$1,891,491 were allocated to fund-raising for the years ended December 31, 2016 and 2015, respectively.

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 December 31, 2016, TWR has varying monthly commitment amounts through December 2018 for notional amounts approximating \$518,456 for the African Rand, \$1,029,325 for the Singapore Dollar, and \$1,354,680 for the Euro.

COMPENSATED ABSENCES

For the years ended December 31, 2016 and 2015, an accrual for compensated absences has not been made in these combined financial statements because the amount cannot be reasonably estimated.

TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC

Notes to Combined Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTED SERVICES

Contributed services represent donated skilled services and includes the cost of salary, benefits, and work expenses for approximately 25 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 December 31, 2016 and 2015, contributed services meeting the criteria for recognition in the combined financial statements totaled \$1,272,261 and \$1,399,435, 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 December 31, 2016 and 2015, respectively, current assets in other countries, including cash, securities, receivables, prepaid expenses, and inventories, totaled \$4,825,855 and \$1,830,411; noncurrent assets, other than land, buildings, and equipment, were \$990,542 and \$1,250,364; property and equipment, net of accumulated depreciation, amounted to \$6,110,414 and \$4,442,100; and liabilities in other countries were \$1,596,325 and \$1,873,779. Total overseas support and revenue received from foreign sources amounted to \$7,916,750 and \$6,192,945 for the years ended December 31, 2016 and 2015, respectively.

Account balances relating to foreign operations are reflected in the combined financial statements in United States dollars.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in the expenses in the combined statements of activities. As of December 31, 2016 and 2015, respectively, TWR had no uncertain tax positions that qualify for recognition in the combined financial statements.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

3. RECEIVABLES–NET:

Receivables–net consist of:

	December 31,	
	2016	2015
Broadcasters–net of allowance for uncollectible accounts of \$150,000 and \$184,294 for 2016 and 2015, respectively	\$ 1,826,611	\$ 1,306,253
Advances to employees	98,222	38,117
Due from suppliers/affiliates	530,495	864,377
	\$ 2,455,328	\$ 2,208,747

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

	December 31,	
	2016	2015
Spare parts inventory	\$ 474,336	\$ 456,532
Rents and deposits	75,870	89,321
Other prepaids	395,526	367,587
	\$ 945,732	\$ 913,440

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

5. INVESTMENTS:

Investments at fair value consist of:

	December 31,	
	2016	2015
Operating and specified purpose:		
Equity securities	\$ 11,900	\$ 42,611
Certificates of deposit	101,172	100,914
Precious metals	62,700	62,700
Mutual funds	830,481	521,804
	1,006,253	728,029
Life income:		
Equity securities	3,740,232	3,421,508
Fixed income securities	1,739,338	1,678,859
Mortgage-backed securities	679,839	729,327
Mutual funds	1,022,771	1,204,626
	7,182,180	7,034,320
	\$ 8,188,433	\$ 7,762,349

The following table reconciles gross income (loss) earned on investments to the net amount reported in the combined statements of activities:

	Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 409,897	\$ -	\$ -	\$ 409,897
Net realized gain (loss) on sale	(1,355)	784	-	(571)
Change in market valuation	9,037	-	62,227	71,264
Gain on currency exchange contract	627,781	-	-	627,781
	\$ 1,045,360	\$ 784	\$ 62,227	\$ 1,108,371

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

5. INVESTMENTS, continued:

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 510,935	\$ -	\$ -	\$ 510,935
Net realized gain (loss) on sale	(697)	755	-	58
Change in market valuation	(35,226)	-	(443,725)	(478,951)
Loss on currency exchange contract	(222,294)	-	-	(222,294)
	\$ 252,718	\$ 755	\$ (443,725)	\$ (190,252)

6. LONG-TERM INVESTMENTS AND OTHER ASSETS:

Long-term investments and other assets consist of:

	December 31,	
	2016	2015
Cash surrender value of life insurance	\$ 20,139	\$ 18,741
Broadcasting facility development costs—net of amortization of \$4,773,813 and \$4,513,991, respectively	990,542	1,250,364
	\$ 1,010,681	\$ 1,269,105

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.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

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

Land, buildings, and equipment consist of:

	December 31,			
	2016		2015	
	United States	Other Countries	Total	Total
Land	\$ 1,240,358	\$ 667,860	\$ 1,908,218	\$ 1,897,281
Buildings	3,598,131	3,332,765	6,930,896	6,933,345
Transmitting, generating, and testing equipment	3,495,518	3,405,665	6,901,183	7,008,892
Furniture and equipment	5,317,851	1,119,511	6,437,362	6,257,555
	<u>13,651,858</u>	<u>8,525,801</u>	<u>22,177,659</u>	<u>22,097,073</u>
Less accumulated depreciation	<u>(10,029,795)</u>	<u>(5,056,850)</u>	<u>(15,086,645)</u>	<u>(14,881,876)</u>
	3,622,063	3,468,951	7,091,014	7,215,197
Construction in progress	358,454	2,641,463	2,999,917	1,616,769
Net book value of land, buildings, and equipment	3,980,517	6,110,414	10,090,931	8,831,966
Less related capital lease obligations and note payable	<u>(55,939)</u>	<u>(36,005)</u>	<u>(91,944)</u>	<u>(121,011)</u>
Equity in land, buildings, and equipment	<u>\$ 3,924,578</u>	<u>\$ 6,074,409</u>	<u>\$ 9,998,987</u>	<u>\$ 8,710,955</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

8. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2016	2015
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.	36,005	45,400
Capitalized lease obligations	55,939	75,611
	116,944	146,011
Less current portion	(55,914)	(54,067)
Long-term portion of notes payable	\$ 61,030	\$ 91,944

The notes payable are estimated to mature as follows:

Years Ending December 31,	Amounts
2017	\$ 34,802
2018	10,201
2019	10,617
2020	5,385
	\$ 61,005

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

9. ANNUITIES PAYABLE:

TWR has established a gift annuity plan whereby donors may contribute assets to the organization 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 an unrestricted gift 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:

	December 31,	
	2016	2015
Computed present value	\$ 4,742,931	\$ 4,649,927
Less current portion	(835,004)	(811,103)
	\$ 3,907,927	\$ 3,838,824

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 unrestricted designated net assets in the accompanying combined statements of activities.

10. 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 temporarily restricted contribution in the period received, as temporarily restricted net assets, and as a reclassification to the unrestricted 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.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

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

	December 31,	
	2016	2015
Trust assets—at fair value:		
Cash and cash equivalents	\$ 206,580	\$ 138,981
Equity securities	2,216,691	2,167,422
Fixed income securities	20,372	69,334
Mutual funds	1,568,908	1,498,218
	\$ 4,012,551	\$ 3,873,955
Trust obligations and net assets:		
Trust obligations:		
Current portion of irrevocable trusts	\$ 236,028	\$ 231,672
Irrevocable trusts, net of current portion	2,537,534	2,520,157
	2,773,562	2,751,829
Trust net assets	1,238,989	1,122,126
	\$ 4,012,551	\$ 3,873,955

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

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

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 December 31,	
	2016	2015
Investment income—interest and dividends	\$ 371,415	\$ 408,569
Realized and unrealized (losses) gains	642,395	(526,310)
Actuarial adjustments	419,780	1,156,200
Advisory fees and other expenses	(192,219)	(183,356)
Payments to income beneficiaries	(973,756)	(997,644)
	<u>\$ 267,615</u>	<u>\$ (142,541)</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

11. NET ASSETS:

Net assets consist of:

	December 31,	
	2016	2015
Unrestricted:		
Undesignated:		
Undesignated	\$ 4,779,771	\$ 4,587,677
Unfunded employee benefit obligations (Note 14)	(6,318,466)	(6,594,100)
	(1,538,695)	(2,006,423)
Designated:		
Minimum state required annuity reserves	2,837,680	2,657,297
Equity in land, buildings, and equipment	9,998,987	8,710,955
	\$ 11,297,972	\$ 9,361,829
Temporarily restricted:		
Specified purpose:		
Designated for future ministry activities:		
Missionary equipment	\$ 933,040	\$ 1,034,883
Women's ministry	661,306	540,574
Children and youth ministry	325,798	251,624
HIV/AIDS and health issues ministry	146,206	205,554
Oral communicators ministry	292,855	158,523
Leadership development ministry	628,771	622,678
Extending the Reach	3,576,857	4,234,934
Other	1,637,664	1,595,739
	8,202,497	8,644,509
Life income:		
Charitable remainder trusts (Note 10)	1,238,989	1,122,126
Other	25,065	23,666
	\$ 9,466,551	\$ 9,790,301
Permanently restricted:		
Perpetual trust and endowment	\$ 4,063,056	\$ 4,000,829

TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC

Notes to Combined Financial Statements

December 31, 2016 and 2015

12. LINE OF CREDIT:

TWR maintains a line of credit at a North Carolina financial institution. As of December 31, 2016, 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 2.52% at December 31, 2016). As of December 31, 2016 and 2015, TWR had no outstanding borrowings against this line of credit.

13. 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 2020. At December 31, 2016, the carrying value of the related equipment and the accumulated amortization recorded for the assets acquired via capital leases were:

Equipment	\$ 85,964
Less accumulated amortization	<u>(26,708)</u>
	<u><u>\$ 59,256</u></u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

13. COMMITMENTS, continued:

LEASE AGREEMENTS, continued

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 December 31, 2016, are as follows:

<u>Years Ending December 31,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2017	\$ 24,956	\$ 82,157
2018	22,015	68,768
2019	13,193	17,207
2020	4,398	17,207
2021	-	17,207
	<u>64,562</u>	<u>\$ 202,546</u>
Less amount representing interest	(8,623)	
Present value of net minimum capital lease payments	55,939	
Less current installments of obligations under capital leases	<u>(21,112)</u>	
Obligations under capital leases, excluding current installments	<u>\$ 34,827</u>	

Rental expenses pertaining to the agreements noted above were \$80,574 and \$62,656 for the years ended December 31, 2016 and 2015, 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.

14. 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.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

14. EMPLOYEE BENEFIT OBLIGATIONS, continued:

DEFINED CONTRIBUTION PLAN, continued

TWR contributed \$190,545 and \$191,493 in matching contributions to the Plan for the years ended December 31, 2016 and 2015, 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 December 31, 2016 and 2015, 60 and 61 employees or surviving spouses, respectively, were receiving these benefits.

The ad hoc plan's current and future benefits are funded by unrestricted undesignated net assets of TWR (see Note 11). The following table sets forth the amounts recognized in the combined statements of financial position:

	Pension Benefits		Retiree Welfare Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation, January 1	\$ 2,956,879	\$ 3,147,542	\$ 3,637,221	\$ 3,915,767
Interest cost	138,393	147,715	148,147	159,354
Actuarial gain/(loss)	84,292	52,895	18,260	(148,979)
Benefits paid	(382,720)	(391,273)	(282,006)	(288,921)
Benefit obligation, December 31	<u>\$ 2,796,844</u>	<u>\$ 2,956,879</u>	<u>\$ 3,521,622</u>	<u>\$ 3,637,221</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

14. EMPLOYEE BENEFIT OBLIGATIONS, continued:

AD HOC RETIREMENT PLAN, continued

Components of net periodic benefit costs for the years ended December 31, 2016 and 2015, are as follows:

	Pension Benefits		Retiree Welfare Benefits	
	2016	2015	2016	2015
Components of Net Periodic Benefit Cost:				
Interest cost	\$ 138,393	\$ 147,715	\$ 148,147	\$ 159,354
Amortization of unrecognized prior service cost	240,502	240,506	348,234	348,234
Amortization of unrecognized net gain	148,120	159,000	(15,737)	(643)
Net periodic pension cost	<u>\$ 527,015</u>	<u>\$ 547,221</u>	<u>\$ 480,644</u>	<u>\$ 506,945</u>

Weighted-average assumptions and method disclosures as of December 31, 2016 and 2015, include:

	Pension Benefits		Retiree Welfare Benefits	
	2016	2015	2016	2015
Discount rate	5.00%	5.00%	5.00%	5.00%
Average life expectancy of participants	9 years	9.5 years	9 years	9.5 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 both years ended 2016 and 2015.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

14. 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:

	December 31,	
	2016	2015
Employee benefit obligation (including pension and retiree welfare benefits)	\$ 6,318,466	\$ 6,594,100
Less current portion	(665,315)	(664,726)
Employee benefit obligation—net of current portion	\$ 5,653,151	\$ 5,929,374

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

Years Ending December 31,	Pension Benefits	Retiree Welfare Benefits
2017	\$ 377,762	\$ 287,553
2018	355,535	288,852
2019	333,113	289,224
2020	310,696	288,647
2021	288,389	285,937
Thereafter	1,131,349	2,081,409
	\$ 2,796,844	\$ 3,521,622

15. CONCENTRATIONS:

Three broadcasters represent approximately 61% and 60% of total broadcast revenue for the years ended December 31, 2016 and 2015, respectively.

TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC

Notes to Combined Financial Statements

December 31, 2016 and 2015

16. RELATED PARTY TRANSACTIONS:

Income provided by independent groups (as described in Note 1) approximated \$2,439,000 and \$2,385,000 plus approximately \$1,272,000 and \$1,399,000 in contributed services for the years ended December 31, 2016 and 2015, respectively.

Grants to independent groups and payments for services rendered totaled \$4,342,532 and \$4,543,334 for the years ended December 31, 2016 and 2015, respectively.

17. 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 December 31, 2016:

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Certificates of deposit	\$ 101,172	\$ -	\$ 101,172	\$ -
Equity securities:				
International developed markets	153,681	153,681	-	-
Intermediate bond	112,540	112,540	-	-
Large cap	2,718,934	2,718,934	-	-
Mid cap	327,008	327,008	-	-
Small cap	234,368	234,368	-	-
Short bond	125,088	125,088	-	-
REITs	47,546	47,546	-	-
Other	32,967	32,967	-	-
Fixed income securities:				
Intermediate bond	806,215	806,215	-	-
International bond	212,842	212,842	-	-
Long bond	435,864	435,864	-	-
Short bond	284,417	284,417	-	-
Mortgage-backed securities:				
Intermediate bond	140,325	140,325	-	-
Long bond	534,617	534,617	-	-
Short bond	4,897	4,897	-	-
Mutual funds:				
Global equity	508,888	508,888	-	-
Intermediate bond	333,454	333,454	-	-
International developed markets	186,491	186,491	-	-
Small cap	680,213	680,213	-	-
Other	144,206	10,623	133,583	-
Precious metals	62,700	-	62,700	-
	<u>\$ 8,188,433</u>	<u>\$ 7,890,978</u>	<u>\$ 297,455</u>	<u>\$ -</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
Other assets:				
Cash surrender value of life insurance policy	\$ 20,139	\$ -	\$ 20,139	\$ -
Trust assets:				
Cash and cash equivalents	\$ 206,580	\$ 206,580	\$ -	\$ -
Equity securities:				
Intermediate bond	726,948	726,948	-	-
Short bond	136,422	136,422	-	-
Long bond	10,942	10,942	-	-
Large cap	1,167,208	1,167,208	-	-
Mid cap	117,946	117,946	-	-
Small cap	44,304	44,304	-	-
Other	12,921	12,921	-	-
Fixed income:				
High yield	10,025	10,025	-	-
Long muni	10,347	-	10,347	-
Mutual funds:				
Global equity	487,534	487,534	-	-
High yield	63,781	63,781	-	-
Intermediate bond	391,692	391,692	-	-
Short bond	70,289	70,289	-	-
International developed markets	17,648	17,648	-	-
Large cap	70,021	70,021	-	-
Small cap	265,319	265,319	-	-
REITs	202,624	202,624	-	-
	<u>\$ 4,012,551</u>	<u>\$ 4,002,204</u>	<u>\$ 10,347</u>	<u>\$ -</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. 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	\$ 124,025	\$ -	\$ 124,025	\$ -
Corporate stock	98,380	98,380	-	-
Equity securities:				
US large cap	1,090,996	-	1,090,996	-
US mid cap	233,821	-	233,821	-
US small cap	190,226	-	190,226	-
International developed	547,728	-	547,728	-
Emerging markets	385,441	-	385,441	-
Fixed income:				
Investment grade taxable bonds	413,623	-	413,623	-
International developed bonds	40,582	-	40,582	-
Global high yield taxable bond	37,181	-	37,181	-
Other:				
Hedge funds specific strategy	375,479	-	375,479	-
Private equity fund	152,504	-	152,504	-
Public REITs	243,847	-	243,847	-
Commodities	129,223	-	129,223	-
	<u>\$ 4,063,056</u>	<u>\$ 98,380</u>	<u>\$ 3,964,676</u>	<u>\$ -</u>
Current liabilities:				
Foreign currency exchange contract liability	<u>\$ (313,262)</u>	<u>\$ -</u>	<u>\$ (313,262)</u>	<u>\$ -</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. 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 December 31, 2015:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Certificates of deposit	\$ 100,914	\$ -	\$ 100,914	\$ -
Equity securities:				
International developed markets	136,546	136,546	-	-
Intermediate bond	106,199	106,199	-	-
Large cap	2,446,788	2,446,788	-	-
Mid cap	339,743	339,743	-	-
Small cap	163,591	163,591	-	-
Short bond	119,976	119,976	-	-
REITs	50,408	50,408	-	-
Other	100,868	100,868	-	-
Fixed income securities:				
Intermediate bond	700,000	227,651	472,349	-
International bond	203,341	-	203,341	-
Long bond	280,015	146,966	133,049	-
Short bond	495,503	40,067	455,436	-
Mortgage-backed securities:				
Intermediate bond	146,244	146,244	-	-
Long bond	542,321	532,437	9,884	-
Short bond	40,762	40,762	-	-
Mutual funds:				
Global equity	479,532	479,532	-	-
High yield	238,683	238,683	-	-
Intermediate bond	244,700	244,700	-	-
International developed markets	206,635	206,635	-	-
Small cap	553,816	553,816	-	-
Other	3,064	3,064	-	-
Precious metals	62,700	-	62,700	-
	<u>\$ 7,762,349</u>	<u>\$ 6,324,676</u>	<u>\$ 1,437,673</u>	<u>\$ -</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
Other assets:				
Cash surrender value of life insurance policy	\$ 18,471	\$ -	\$ 18,471	\$ -
Trust assets:				
Cash and cash equivalents	\$ 138,981	\$ 138,981	\$ -	\$ -
Equity securities:				
High yield	16,989	16,989	-	-
International developed markets	12,504	12,504	-	-
Intermediate bond	705,923	705,923	-	-
Short bond	137,444	137,444	-	-
Large cap	1,136,345	1,136,345	-	-
Mid cap	111,854	111,854	-	-
Small cap	33,366	33,366	-	-
Other	12,997	12,997	-	-
Fixed income:				
High yield	17,113	-	17,113	-
Long muni	31,704	-	31,704	-
Short bond	20,517	-	20,517	-
Mutual funds:				
Global equity	472,340	472,340	-	-
High yield	170,424	170,424	-	-
Intermediate bond	311,348	311,348	-	-
International developed markets	19,499	19,499	-	-
Large cap	74,968	74,968	-	-
Small cap	237,852	237,852	-	-
REITs	211,787	211,787	-	-
	<u>\$ 3,873,955</u>	<u>\$ 3,804,621</u>	<u>\$ 69,334</u>	<u>\$ -</u>

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. 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	\$ 107,251	\$ -	\$ 107,251	\$ -
Corporate stock	93,580	93,580	-	-
Mutual funds:				
US large cap	1,052,206	-	1,052,206	-
US mid cap	294,792	-	294,792	-
US small cap	170,337	-	170,337	-
International developed	700,993	-	700,993	-
Emerging markets	261,257	-	261,257	-
Investment grade taxable bonds	359,049	-	359,049	-
International developed bond	10,338	-	10,338	-
Global high yield taxable bonds	38,542	-	38,542	-
Hedge funds specific strategy	404,161	-	404,161	-
Private equity other	135,367	-	135,367	-
Public REITs	273,948	-	273,948	-
Commodities	99,008	-	99,008	-
	<u>\$ 4,000,829</u>	<u>\$ 93,580</u>	<u>\$ 3,907,249</u>	<u>\$ -</u>
Current liabilities:				
Foreign currency exchange contract liability	\$ (941,043)	\$ -	\$ (941,043)	\$ -

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.

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

Notes to Combined Financial Statements

December 31, 2016 and 2015

17. FAIR VALUE MEASUREMENTS, continued:

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. The fair value of the cash surrender value of life insurance policy is based on TWR's share of the cash surrender value of the respective life insurance policy as represented by the insurance company. Currency exchange contract liability is the estimated amount that TWR would owe the financial institution if it terminated the contracts at the reporting date.

TWR recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the years ended December 31, 2016 and 2015.

18. SUBSEQUENT EVENTS:

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