WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2012

CAPINCROUSE LLP
Certified Public Accountants

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

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CAPINCROUSE LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
World Radio Missionary Fellowship, Inc.
d.b.a. HCJB Global
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of World Radio Missionary Fellowship, Inc. d.b.a. HCJB Global, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Trustees
World Radio Missionary Fellowship, Inc.
d.b.a. HCJB Global
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Radio Missionary Fellowship, Inc. d.b.a. HCJB Global as of December 31, 2012, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
May 23, 2013

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Consolidated Statement of Financial Position

December 31, 2012

ASSETS:		
Cash and cash equivalents	$	5,821,482
Investments		7,561,195
Accounts receivable–net		415,651
Inventory		718,894
Prepayments and other assets		237,961
Assets held for sale		11,025,745
Notes receivable		8,412,250
Property and equipment–net:		
United States		765,967
Other countries		908,095
Assets under gift annuity and trust agreements		5,508,206
Total Assets	$	41,375,446
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$	929,054
Contingent liability		786,850
Liabilities associated with assets held for sale		6,817,124
Deferred compensation benefits		852,351
Deferred gain on sale of assets		4,105,000
Liabilities under gift annuity and trust agreements		4,865,594
		18,355,973
Net assets:		
Unrestricted:		
Designated–education fund		55,119
Designated–annuity reserves		496,195
Equity in property and equipment		1,674,062
Operating		14,298,104
		16,523,480
Temporarily restricted:		
Projects		2,696,745
Missionary support		3,652,831
Irrevocable charitable trusts		146,417
		6,495,993
		23,019,473
Total Liabilities and Net Assets	$	41,375,446

See notes to consolidated financial statements

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Consolidated Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:			
Public support:			
Contributions	$ 2,010,003	$ 12,706,459	$ 14,716,462
Donated goods and services	1,646,822	-	1,646,822
	3,656,825	12,706,459	16,363,284
Revenue:			
Hospital and medical service income	2,247,576	-	2,247,576
Investment income	230,186	-	230,186
Radio broadcast fees	291,162	-	291,162
Change in value of annuities and trusts	(798,939)	4,150	(794,789)
Gain on sale of assets	32,418	-	32,418
Other income	611,040	-	611,040
	2,613,443	4,150	2,617,593
Total Public Support and Revenue	6,270,268	12,710,609	18,980,877
NET ASSETS RELEASED:			
Purpose restrictions	10,216,627	(10,216,627)	-
Administrative assessments	579,678	(579,678)	-
Total Net Assets Released	10,796,305	(10,796,305)	-
EXPENSES:			
Program services:			
Media	7,646,835	-	7,646,835
Healthcare	5,368,921	-	5,368,921
Leadership development	1,857,232	-	1,857,232
Missions awareness	1,492,915	-	1,492,915
	16,365,903	-	16,365,903
Supporting activities:			
General and administrative	3,047,319	-	3,047,319
Fund-raising	736,309	-	736,309
	3,783,628	-	3,783,628
Total Expenses	20,149,531	-	20,149,531
Change in Net Assets Before Effects of Discontinued Operations	(3,082,958)	1,914,304	(1,168,654)
Net Gain on Discontinued Operations	1,299,790	-	1,299,790
Change in Net Assets	(1,783,168)	1,914,304	131,136
Net Assets, Beginning of Year	18,306,648	4,581,689	22,888,337
Net Assets, End of Year	$ 16,523,480	$ 6,495,993	$ 23,019,473

See notes to consolidated financial statements

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Consolidated Statement of Cash Flows

Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	131,136
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		835,462
Net realized and unrealized gains		(150,282)
Donated securities		(58,248)
Reinvested dividends		(125,258)
Gain on sale of assets		(32,418)
Gift portion of annuities and trusts		(16,671)
Change in value of annuities and trusts		794,789
Changes in operating assets and liabilities:		
Accounts receivable		(1,962,146)
Inventory		40,606
Prepayments and other assets		(84,401)
Accounts payable and accrued expenses		1,003,922
Deferred compensation benefits		371,478
Deferred gain on sale of assets		(71,783)
Net Cash Provided by Operating Activities		676,186
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment		(296,589)
Proceeds from sales of property and equipment		10,714
Purchases of investments		(6,613,610)
Proceeds from sales of investments		5,712,255
Change in assets under gift annuity and trust agreements		138,388
Net Cash Used by Investing Activities		(1,048,842)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Annuity and trust payments		(606,700)
Investment income from trust and annuity assets		389,312
Proceeds from annuities and trusts		79,000
Net Cash Used by Financing Activities		(138,388)
Decrease in Cash and Cash Equivalents		(511,044)
Cash and Cash Equivalents, Beginning of Year		6,332,526
Cash and Cash Equivalents, End of Year	$	5,821,482
Supplemental Disclosures:		
Assets transferred to assets held for sale	$	11,000,745
Liabilities transferred to liabilities associated with assets held for sale	$	6,817,124

See notes to consolidated financial statements

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Notes to Consolidated Financial Statements

December 31, 2012

1. <u>NATURE OF ORGANIZATIONS:</u>

HCJB Global, known officially as World Radio Missionary Fellowship, Inc. (doing business as HCJB Global), is an interdenominational, international Christian mission committed to communicating the gospel of Jesus Christ to all nations via international shortwave radio, local AM/FM radio, satellite, Internet, television, healthcare, printed materials, and education. HCJB Global is governed by a board of trustees which meets regularly to set policies and direct the work of the mission.

HCJB Global is a faith mission, dependent upon God as He prompts interested individuals, local churches, and other organizations to meet financial needs. Strict fiscal integrity is maintained. HCJB Global is a charter member of the Evangelical Council for Financial Accountability (ECFA) and the Missio Nexus.

HCJB Global is a nonprofit corporation established in 1931 in Ohio with subsequent incorporation as a Florida charitable corporation in 1976. HCJB Global is recognized as a church by the Internal Revenue Service and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law. Contributions to HCJB Global qualify for the charitable contribution deduction under Code Section 170(b)(1)(A). HCJB Global has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Since 1931 HCJB Global's passion has been to make disciples of Jesus Christ. Through the practical tools of media and healthcare, the mission is touching lives and empowering the voice and hands of believers around the world. Local believers are being equipped to impact their communities and the world as missionaries, pastors, broadcasters and healthcare providers. Together with our partners, radio stations have been established in more than 400 communities in more than 100 countries, broadcasting in more than 120 languages and dialects. Christ-centered healthcare through hospitals, clinics and community development programs is touching thousands of lives.

HCJB Global exists so that people world-wide come to Christ, become His disciples, and serve Him as active vital parts of the body of Christ. HCJB Global places priority on multiplying the resources God has given us by creating sustainable and reproducible ministry, and empowering others to do the same. HCJB Global's vision is to see people everywhere transformed in Christ, engaged in the growing Church and empowered to ignite reproducing ministries that bring His light to their communities.

HCJB Global's mission is "Empowering dynamic media and healthcare ministries that declare and demonstrate Jesus Christ."

1. NATURE OF ORGANIZATION, continued:

Ministries are conducted in furtherance of the exempt purposes of the organization through the following:

Media – HCJB Global Voice delivers the gospel through the most effective medium for each target audience and culture. The message is carried on FM, AM, shortwave, direct-to-home satellite, television, and the Internet. HCJB Global Voice works with local partners to plant new radio ministries in many countries around the world. Internet chat rooms open doors to many people who do not listen to Christian radio while shortwave and satellite broadcasts reach into remote and closed areas of the world. HCJB Global Voice's highly qualified missionary engineers design, build, and install the innovative broadcasting equipment best suited to each locale.

Healthcare – The healthcare ministries of HCJB Global Hands developed early in its history, and in 1955 the organization's first hospital, Hospital Vozandes-Quito, opened its doors. HCJB Global operates a healthcare system offering a full spectrum of services. The focus is on integrated patient care, medical education, and unmet community needs. HCJB Global Hands operates hospitals in Quito and Shell, Ecuador, satellite clinics in Ecuador and assists rural areas in obtaining clean water and improved sanitation. Mobile medical clinics provide medical and dental treatment to remote areas. Today HCJB Global Hands is taking what has been learned at the hospitals, neighborhood clinics, mobile medical clinics, and water projects and using that experience to help partner organizations plant new medical ministries and support existing medical ministries around the world. HCJB Global Hands is actively involved with emergency medical response teams globally to areas in crisis.

Leadership Development – HCJB Global trains media personnel, healthcare professionals, and national church leaders to impact their own nations. The Christian Center of Communications offers a three-year college-level media program in Quito, Ecuador, integrating communications and technical courses with biblical knowledge and practical experience. The program is accredited both in Ecuador and as a branch of Northwestern College in St. Paul, Minnesota. Due to new government regulations on higher learning institutions in Ecuador and the fact that the current classroom setting was unsustainable with the number of students, prior to the 2011-2012 school year HCJB Global management made the decision to not accept new students and wind down the program with the school year 2012-2013. Considering other distant learning possibilities, internet use and other options HCJB continues to explore educational opportunities for the future. HCJB Global also operates training programs in each of the five regions, offering education in areas such as radio production, communication theory, journalism, station management, technical maintenance, promotion, and cooperation. A teaching hospital in Quito trains national medical professionals as externs and interns as well as offering ophthalmology and family practice residencies in medicine. The Quito hospital is affiliated with five Ecuadorian universities for medical, nursing, paramedical, and ear nose throat education. Apoyo trains national pastors and leaders. "Corrientes" is a training strategy, launched in October 2009, to assist in mobilizing believers to go where God has called them as part of the Great Commission.

1. NATURE OF ORGANIZATION, continued:

Missions Awareness – HCJB Global helps mobilize interested individuals to get involved in the work of missions throughout the world through praying, going, and giving.

FOREIGN OPERATIONS
In connection with its worldwide ministry, HCJB Global maintains hospitals, broadcasting stations, and certain supporting facilities in various countries outside the United States. These consolidated financial statements also include the material assets, liabilities, net assets, revenue, and expenses of HCJB Global fields worldwide. All intercompany transactions have been eliminated on the consolidated financial statements. As of December 31, 2012, assets in other countries totaled approximately $22,053,000, and liabilities in other countries were approximately $8,115,000. Total public support and revenue received from foreign sources totaled approximately $36,018,000 for the year ended December 31, 2012. The account balances relating to foreign operations are reflected in the consolidated financial statements in United States dollars.

HCJB Global is also affiliated with representative counsels and separately incorporated entities in other ministry-funding countries including Canada, United Kingdom, Germany, France, New Zealand, Australia, and Switzerland. The financial position and results of operations of these affiliates are not consolidated or presented herewith as they are not considered to be under common control. Contributions provided by or through affiliated entities not consolidated amounted to $2,085,000 for the year ended December 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

HCJB maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include all checking, savings, money market accounts, and certificates of deposit with an original maturity of less than three months. These accounts at times exceed federally insured limits. HCJB Global, however, has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk. Management reviews balances on a monthly basis to limit this credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS
Investments, with the exception of certificates of deposit, are recorded at fair value. Certificates of deposits are carried at cost. Donated securities are recorded at fair value on the date of the gift and sold as soon as possible thereafter. Realized and unrealized gains and losses are reported in the consolidated statement of activities in the year in which they occur.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of HCJB Global's investments and total net assets could fluctuate materially.

ACCOUNTS RECEIVABLE
Receivables become past due when they exceed their contractual due date. The allowance for doubtful accounts is maintained at a level that, in management’s judgment, is adequate to absorb possible losses. The amount is based upon an analysis of overall trade receivables by management. Management’s evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances and general economic conditions. This process is based on estimates, and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. Accounts are due at the time the service is rendered or the product is provided. HCJB Global does not accrue interest on past due receivables. Accounts are written off after all attempts to collect have been exhausted.

INVENTORY
Inventory is stated at the lower of cost or market using the weighted-average method. No reserve for obsolescence is recorded because items that are obsolete are not included in the inventory valuation.

PROPERTY AND EQUIPMENT
Expenditures for property and equipment in excess of $5,000 are capitalized at cost. Donated assets to be used in the ministry are capitalized at their fair value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (16-25 years for buildings, and 5-15 years for furniture and equipment). If the usefulness of property and equipment is impaired prior to the estimated useful life, the property and equipment is written off and a loss is recorded. An analysis was completed during the year ended December 31, 2012, resulting in no impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR SALE AND RELATED LIABILITIES
At December 31, 2012, HCJB Global had assets held for sale, as well as liabilities associated with this disposal group. See footnote 4 for further disclosure regarding these assets.

DEFERRED GAIN ON SALE OF ASSETS
On December 1, 2009, HCJB Global sold two significant assets, Ecoluz and Pifo property, for a total of $12,500,000. The sale has been consummated except for completing the plat map for the Pifo property and thus the clear title deed of the Pifo property has not been transferred over to the new buyer as of the time these consolidated financial statements were issued. Since the clear title deed has not occurred yet, management is deferring the proportional gain on the sale on the Pifo property based on the property's estimated value of $3,620,000. During the year December 31, 2011, HCJB Global sold an additional property. Since the title has not yet transferred, HCJB Global recorded an additional deferred gain on sale for this property of $485,000.

ANNUITIES PAYABLE
HCJB Global has established a gift annuity plan whereby donors may contribute assets to HCJB Global in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the gift annuity is considered to be a charitable contribution at the date of gift. The annuity liability is revalued annually based upon actuarially computed present values using a rate of 6%. Prior to 2012, the 90 CM Joint Life Unisex mortality table was utilized. In 2012, the Annuity 2000 Gender-Based mortality table was adopted by HCJB Global. This change resulted in a negative actuarial change, which is included in change in value of annuities and trusts on the consolidated statement of activities.

HCJB Global is required to maintain legally-mandated reserves and investment guidelines for certain states in which it issues gift annuities. As of December 31, 2012, HCJB Global is in compliance with each of the requirements of these states.

TRUST LIABILITIES
As trustee, HCJB Global administers irrevocable charitable remainder trusts. These agreements provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of charitable remainder trusts, the actuarially determined present value of future payments is recorded as a liability. The remaining portion of the trust attributable to the organization's future interest is recorded in the consolidated statement of activities as temporarily restricted contributions in the period received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

Net assets are reported in the consolidated financial statements as follows:

Unrestricted net assets are those currently available for ministry purposes under the direction of the board, those designated by the board for specific use, those resources invested in property and equipment, and required annuity reserves.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interest have ceased. Temporarily restricted net assets also include HCJB Global's irrevocable interest in charitable trusts.

CONTRIBUTIONS

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, 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 consolidated statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

DONATED GOODS AND SERVICES

HCJB Global has agreed with several independent, nonprofit organizations to have workers from these organizations work as seconded employees. HCJB Global directs these individuals as to their job descriptions; however, the salaries and related benefits of these individuals are paid by their respective nonprofit organizations. Professional services were valued using existing missionary compensation amounts and externally published rates. For the year ended December 31, 2012, donated services were $1,614,512. Property, professional services, and other noncash gifts are recorded at their estimated fair value at date of donation. For the year ended December 31, 2012, donated goods were $32,310.

REVENUE RECOGNITION

Hospital and medical service income is recorded when earned, which is when the product or service has been provided to the patient. Investment income is recorded in the month it is earned. Radio broadcast fees consist of production and airing revenues, and are recorded when earned, which is when the services have been provided. Other income consists of the items noted in footnote 15, and is recorded when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

HCJB Global provides care at a discounted rate to medical service patients who meet certain criteria under its charity fund. Because HCJB Global does not pursue collection of amounts determined to qualify as uncompensated care, such amounts are not reported in total public support and revenue. Costs incurred related to services excluded from revenue under HCJB Global's uncompensated care policy were approximately $268,000 for the year ended December 31, 2012.

EXPENSES

The costs of providing the various programs and supporting activities of the organizations have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs such as depreciation and payroll have been allocated among the program services and supporting activities benefited.

Expenses include costs of joint activities such as payroll, housing and benefits, and ministry expenses of furloughing missionaries. Joint costs for the year ended December 31, 2012 have been allocated as follows:

Program services	$ 168,176
General and administrative	84,088
Fund-raising	168,176
	$ 420,440

ADMINISTRATIVE ASSESSMENTS

In an effort to cover overhead (referred to as the Support Ministry Fund (SMF) and Regional Ministry Fund (RMF)), HCJB Global charges an administrative fee on temporarily restricted contributions. The donated income assessment ranges between 10%-24%, and 2.5% for non-donated income. The administrative fees on donated income were $579,678 for the year ended December 31, 2012. The administrative fees on non-gift income totaled $993,499 for the year ended December 31, 2012. All of these funds are administered carefully with a budget and tied to the goals of the organization.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated 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 expenses in the consolidated statement of activities An uncertain tax position is described in footnote 17 below.

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Notes to Consolidated Financial Statements

December 31, 2012

3. FAIR VALUE MEASUREMENTS:

HCJB uses appropriate valuation techniques to determine fair value based on inputs available. When available, HCJB 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.

Fair values of assets measured on a recurring basis as of December 31, 2012 are:

		Fair Value Measurements Using:		
	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Balanced funds	$ 1,034,063	$ 1,034,063	$ -	$ -
Fixed income funds	3,818,088	3,818,088	-	-
Foreign funds	252,247	252,247	-	-
	5,104,398	5,104,398	-	-
Common stocks:				
Utilities	48,863	-	-	48,863
	48,863	-	-	48,863
Corporate bonds:				
Aa credit rating	100,213	50,106	50,107	-
A credit rating	156,205	156,205	-	-
	256,418	206,311	50,107	-
Total investments, at fair value	$ 5,409,679	$ 5,310,709	$ 50,107	$ 48,863

3. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:		
	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held under gift annuities and trust agreements:				
Mutual funds:				
Blended funds	$ 35,075	$ 35,075	$ -	$ -
Equity	394,449	394,449	-	-
Fixed income funds	118,719	118,719	-	-
Foreign funds	26,176	26,176	-	-
Growth funds	32,885	32,885	-	-
Real estate funds	12,127	12,127	-	-
Value funds	6,555	6,555	-	-
	625,986	625,986	-	-
Common stocks:				
Consumer discretionary	312,794	312,794	-	-
Consumer staples	385,709	385,709	-	-
Energy	372,931	372,931	-	-
Financial	386,680	386,680	-	-
Health care	322,556	322,556	-	-
Industrials	256,630	256,630	-	-
Materials	69,488	69,488	-	-
Technology	660,986	660,986	-	-
Utilities	34,248	34,248	-	-
	2,802,022	2,802,022	-	-
Exchange-traded funds	13,080	13,080	-	-
	13,080	13,080	-	-
Corporate bonds-agency	798,789	798,789	-	-
	798,789	798,789	-	-

3. FAIR VALUE MEASUREMENTS, continued:

	December 31, 2012	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Treasury bills	75,976	75,976	-	-
	75,976	75,976	-	-
Beneficial interest in trust agreements	82,831	-	-	82,831
	82,831	-	-	82,831
Total assets held at fair value under gift annuities and trust agreements:	$ 4,398,684	$ 4,315,853	$ -	$ 82,831

Level 1
The fair values of mutual funds, common stock, corporate bonds, and government securities are based on quoted market prices.

Level 2
The fair values of certain fixed income funds and corporate bonds are based on quoted prices in active markets for the underlying assets which are publically traded.

Level 3
The fair value for the beneficial interest in trust agreements is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 6% discount rate. No purchases, sales, or transfers occurred within level 3 investments during the year ended December 31, 2012.

4. DISCONTINUED OPERATIONS:

During 2012, the board of trustees approved an action to list Hospital Vozandes-Quito (Hospital) in Ecuador for sale. As of December 31, 2012, management has determined that the criteria have been met to record this distinct operation as held for sale. Accordingly, as of December 31, 2012, the related assets and liabilities of the Hospital are reflected separately in the consolidated statement of financial position. The activities of the Hospital have been reflected as discontinued operations in the consolidated statement of activities for the year ended December 31, 2012 and depreciation ceased on the related fixed assets effective December 31, 2012. The Hospital assets held for sale and related liabilities are recorded at the lower of carrying value or estimated fair value less cost to sell. On May 9, 2013, the board approved the letter of intent with the buyer to transfer the ownership of the hospital on July 1, 2014.

A summary of the Hospital's assets and liabilities as of December 31, 2012 is as follows:

Cash and cash equivalents	$ 508,464
Investments	1,774,708
Accounts receivable-net	4,820,245
Inventory and other assets	766,036
Property and equipment-net	3,156,292
Hospital assets held for sale	$ 11,025,745
Accounts payable and accrued expenses	$ 4,050,107
Deferred compensation benefits	2,767,017
Hospital liabilities	$ 6,817,124

A summary of the Hospital's activities recorded in discontinued operations for the year ended December 31, 2012 is as follows:

Public support and revenue	$ 31,831,410
Expenses	(30,531,620)
Net gain on discontinued operations	$ 1,299,790

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Notes to Consolidated Financial Statements

December 31, 2012

5. INVESTMENTS:

Investments as of December 31, 2012 consist of:

Certificates of deposit	$	2,151,516
Equity mutual funds and securities		5,104,398
Corporate notes		256,418
Common stock–utilities		48,863
	$	7,561,195

Investment income consists of:

Interest and dividends	$	79,904
Net realized and unrealized gains		150,282
	$	230,186

6. ACCOUNTS RECEIVABLE–NET:

Accounts receivable–net, as of December 31, 2012, consist of:

Hospital and medical service	$	326,690
Mass media productions and airtime		26,576
Missionary and employee advances		78,022
Other		34,363
		465,651
Allowance for doubtful accounts		(50,000)
	$	415,651

7. INVENTORY:

Inventory as of December 31, 2012 consists of:

Hospital supplies and medicines	$	195,541
Radio broadcast materials		523,353
	$	718,894

8. NOTES RECEIVABLE:

HCJB Global records notes receivable based upon the selling price of the property sold. Payments are applied to the principal and interest portions according to amortization schedules based upon specific terms of the agreement. The agreement also determines past due and delinquency status. Interest is recognized and accrued based on the original agreement and when earned, regardless of when paid. Based on the performance of notes, charge-off history, and individual evaluations for impairment, HCJB Global does not have an allowance for doubtful accounts and has not identified any impaired notes as of December 31, 2012. HCJB Global has not experienced or recognized any charge-offs for the year ended December 31, 2012.

As of December 31, 2012, there is only one class of financing receivables, which is evaluated based on the following indicators: loan-to-value, collection experience, and other internal metrics. HCJB Global writes-off uncollectible notes once all collection efforts have been exhausted and ceases to accrue interest on the balances. If a payment is collected after the note balance has been written off, HCJB Global would first allocate the payment to accrued interest and the remainder would be applied to the principal of the note. HCJB Global would resume accruing interest on a previously written-off note if and when a payment is made. As of December 31, 2012, there were no notes on nonaccrual status or any notes 90 days or more past due.

Notes receivable as of December 31, 2012 consist of:

Note receivable from an Ecuadorian company, bearing no interest, payable in full upon the transfer of title of property, subsequent to property lines being legally determined. Secured by a deed of trust.	$ 412,250
Note receivable from an Ecuadorian company, interest at 9%, annual payments of $1,445,395 and accrual of interest to begin upon the completion of legal proceedings securing an updated plat map for the property near the Quito airport. Note matures 8 years after completion of the transfer of title. Secured by a deed of trust.	8,000,000
	$ 8,412,250

8. NOTES RECEIVABLE, continued:

Future minimum receipts related to the notes receivable are:

Year Ending December 31,		
2013	$	412,250
2014		725,395
2015		790,681
2016		861,842
2017		939,408
Thereafter		4,682,674
	$	8,412,250

9. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, as of December 31, 2012, consists of:

		United States		Other Countries		Total
Land	$	250,000	$	359,178	$	609,178
Buildings and improvements		1,454,522		2,339,676		3,794,198
Furniture and equipment		1,604,080		3,201,618		4,805,698
		3,308,602		5,900,472		9,209,074
Accumulated depreciation		(2,698,968)		(5,065,221)		(7,764,189)
		609,634		835,251		1,444,885
Construction in progress		156,333		72,844		229,177
	$	765,967	$	908,095	$	1,674,062

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of the organization. While such items are recognized as assets of the organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while the organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized.

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Notes to Consolidated Financial Statements

December 31, 2012

10. GIFT ANNUITY AND TRUST AGREEMENTS:

The assets and liabilities of gift annuities and trust agreements as of December 31, 2012 consist of:

Assets at estimated fair value:	
Cash and cash equivalents	$ 1,109,522
Equity mutual funds and securities	3,441,088
Fixed income mutual funds and securities	874,765
Beneficial interest in trust agreements	82,831
	$ 5,508,206
Liabilities:	
Gift annuities	$ 4,639,223
Irrevocable trusts	116,385
Amounts held for others	109,986
	$ 4,865,594

11. CHANGE IN VALUE OF ANNUITIES AND TRUSTS:

Change in value of annuities and trusts, for the year ended December 31, 2012, consists of:

Interest and dividends	$ 136,335
Net realized and unrealized gains	323,314
Trustor and annuitant payments and administrative expenses	(662,273)
Actuarial change	(592,165)
	$ (794,789)

12. DEFERRED COMPENSATION BENEFITS:

HCJB Global has several hundred Ecuadorian employees. The Ecuadorian government requires HCJB Global to pay a retirement benefit to those employees who have obtained 10 years of service if fired. The estimated present value of this liability as of December 31, 2012, which has been actuarially determined by a firm in Ecuador, was $2,120,620.

Additionally, HCJB Global also has established a nonqualified deferred compensation arrangement for its Ecuadorian employees. Employees are eligible to receive deferred compensation benefits if they have 30 years of service under the Ecuadorian social security system (and at least 10 of those years are with HCJB Global) and are of retirement age. The estimated liability as of December 31, 2012, which has been calculated by management, was $1,379,012.

Under a collective bargaining agreement entered into with its Ecuadorian employees, HCJB Global is required to pay employees if they are fired from HCJB Global after two years of service. HCJB must pay the employees they fire a severance equal to one year of salary. There were no employees that were laid off at year-end, but for which their severance had not been paid in full. However, management anticipates the layoff of several employees in 2013, so a liability of $98,540 was recorded as of December 31, 2012. A liability has not been recorded for the additional employees as the amount of contingent payment is not reasonably estimable (employee needs to be fired first). If the sale of the Hospital (footnote 4) is executed, employees of the Hospital with greater than two years experience would become eligible for this benefit.

Under Ecuadorian law, if HCJB Global fires an employee, the employee receives a severance payment for the number of months equal to 25% of the number of years of service (i.e. if an employee worked 20 years, 25% of that would be 5, so the employee would receive 5 months of severance pay). Management anticipates the layoff of several employees in 2013, so a liability of $21,196 was recorded as of December 31, 2012. Since the benefit is not earned unless the employee is fired, a liability has not been recorded for the remaining employees. If the sale of the Hospital (footnote 4) is executed, employees of the Hospital would become eligible for this benefit.

13. LEASES AND OTHER COMMITMENTS:

As part of its exempt activities, HCJB Global has incurred certain obligations and commitments relating to its broadcast and administrative operations. Total lease expense for the year ended December 31, 2012, was $174,522. Future minimum payments required under license agreements and operating leases are:

Year Ending December 31,	HCJB Global Satellite Space	HCJB Global Other Leases	Total
2013	$ 117,490	42,047	$ 159,537
2014	30,625	41,025	71,650
2015	-	20,728	20,728
2016	-	3,816	3,816
2017	-	3,816	3,816
	$ 148,115	$ 111,432	$ 259,547

14. EMPLOYEE BENEFIT PLANS:

MEDICAL BENEFITS

HCJB Global's medical benefits are provided by a grantor trust (named World Radio Missionary Fellowship Health Benefits Trust) under a self-insured plan and a contract with an insurance company for major stop-loss coverage. The trust pays claims relating to medical benefits to all permanent, full-time missionaries, and home office employees. The trust is funded by employer contributions, and the liability for medical plan expenses is limited to trust assets. Total contributions paid by HCJB Global to this plan amounted to approximately $1,497,942 for the year ended December 31, 2012 At December 31, 2012, there were 98 permanent, full-time missionaries and home office employees. Under the stop-loss insurance contract, the trust is liable for all expenses up to $100,000 per person per year, with an aggregate maximum per employee of $750,000. There was no maximum amount for the entire plan for the year ended December 31, 2012.

RETIREMENT PLAN

HCJB Global offers a 401(k) plan that covers all career missionaries and home office employees. All full-time and part-time employees are eligible for the plan. The contribution amount is $120 per month for full time employees and $60 per month for part time employees. Employer contributions for the year December 31, 2012 totaled $273,739.

15. OTHER INCOME:

Other income, for the year December 31, 2012, consists of the following:

Project income	$ 239,711
Rent	140,178
Equipment sales	212,829
Royalties	18,322
	$ 611,040

16. UNRELATED BUSINESS INCOME:

During the year ended December 31, 2012, HCJB Global sold radio broadcasting transmitters. Some of these sales were considered to be unrelated business income. However, HCJB Global was not liable for any unrelated business income tax for the year ended December 31, 2012, because these activities did not generate a profit.

17. ESTIMATED TAXES AND MATERIAL CHANGES:

During the year ended September 30, 2009, the tax authority in Ecuador initiated a tax audit of HCJB Global's operations in Ecuador for the 2006 tax year. While HCJB Global believes it has meritorious defenses against the potential negative findings, the ultimate resolution of the matter could result in fines, penalties, and interest. Management believes they have conservatively estimated that the total liability related to the tax audit could be up to $786,850 as of December 31, 2012. However, if HCJB Global loses this case, interest is due and payable from the date the tax audit commenced through the date of determination. The potential liability, with interest costs included, related to the tax audit could be as high as $1,135,000 as of December 31, 2012. The tax audit occurred during the year ended September 30, 2010; however, a final determination has not yet been made, but is anticipated to be rendered within the next year.

18. LINE OF CREDIT:

During the year ended December 31, 2012, HCJB Global obtained a line of credit with a maximum draw of $1,000,000. Interest is paid at the prime rate plus 2%, effectively 5.25% as of December 31, 2012. As of December 31, 2012, no draws had been made on the line.

19. SUBSEQUENT EVENTS:

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

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 2435 Research Parkway, Suite 200 Colorado Springs, CO 80920 719.528.6225

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
World Radio Missionary Fellowship, Inc.
d.b.a. HCJB Global
Colorado Springs, Colorado

We have audited the consolidated financial statements of World Radio Missionary Fellowship, Inc. d.b.a. HCJB Global, as of and for the year ended December 31, 2012, and our report thereon dated May 23, 2013, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities by fund are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual funds, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
May 23, 2013

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Statement of Financial Position by Fund

December 31, 2012

	Operating	Gift Annuity	Trusts	Total
ASSETS:				
Cash and cash equivalents	$ 5,821,482	$ -	$ -	$ 5,821,482
Investments	7,561,195	-	-	7,561,195
Accounts receivable–net	415,651	-	-	415,651
Inventory	718,894	-	-	718,894
Prepayments and other assets	237,961	-	-	237,961
Assets held for sale	11,025,745	-	-	11,025,745
Notes receivable	8,412,250	-	-	8,412,250
Property and equipment–net:				
United States	765,967	-	-	765,967
Other countries	908,095	-	-	908,095
Assets under gift annuity and trust agreements	-	5,135,418	372,788	5,508,206
Total Assets	$ 35,867,240	$ 5,135,418	$ 372,788	$ 41,375,446
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	$ 929,054	$ -	$ -	$ 929,054
Contingent liability	786,850	-	-	786,850
Liabilities associated with assets held for sale	6,817,124	-	-	6,817,124
Deferred compensation benefits	852,351	-	-	852,351
Deferred gain on sale of assets	4,105,000	-	-	4,105,000
Liabilities under gift annuity and trust agreements	-	4,639,223	226,371	4,865,594
	13,490,379	4,639,223	226,371	18,355,973
Net assets:				
Unrestricted:				
Designated–education fund	55,119	-	-	55,119
Designated–annuity reserves	-	496,195	-	496,195
Equity in property and equipment	1,674,062	-	-	1,674,062
Operating	14,298,104	-	-	14,298,104
	16,027,285	496,195	-	16,523,480
Temporarily restricted:				
Projects	2,696,745	-	-	2,696,745
Missionary support	3,652,831	-	-	3,652,831
Irrevocable charitable trusts	-	-	146,417	146,417
	6,349,576	-	146,417	6,495,993
	22,376,861	496,195	146,417	23,019,473
Total Liabilities and Net Assets	$ 35,867,240	$ 5,135,418	$ 372,788	$ 41,375,446

WORLD RADIO MISSIONARY FELLOWSHIP, INC.
d.b.a. HCJB GLOBAL

Statement of Activities by Fund

Year Ended December 31, 2012

	Operating	Gift Annuity	Trusts	Total
PUBLIC SUPPORT AND REVENUE:				
Public support:				
Contributions	$ 14,699,791	$ 16,671	$ -	$ 14,716,462
Donated goods and services	1,646,822	-	-	1,646,822
	16,346,613	16,671	-	16,363,284
Revenue:				
Hospital and medical service income	2,247,576	-	-	2,247,576
Investment income (loss)	230,186	-	-	230,186
Radio broadcast fees	291,162	-	-	291,162
Change in value of annuities and trusts	-	(798,939)	4,150	(794,789)
Gain on sale of assets	32,418	-	-	32,418
Other income	611,040	-	-	611,040
	3,412,382	(798,939)	4,150	2,617,593
Total Public Support and Revenue	19,758,995	(782,268)	4,150	18,980,877
EXPENSES:				
Program services:				
Media	7,646,835	-	-	7,646,835
Healthcare	5,368,921	-	-	5,368,921
Leadership development	1,857,232	-	-	1,857,232
Missions awareness	1,492,915	-	-	1,492,915
	16,365,903	-	-	16,365,903
Supporting activities:				
General and administrative	3,047,319	-	-	3,047,319
Fund-raising	736,309	-	-	736,309
	3,783,628	-	-	3,783,628
Total Expenses	20,149,531	-	-	20,149,531
Change in Net Assets Before Effects of Discontinued Operations	(390,536)	(782,268)	4,150	(1,168,654)
Net Gain on Discontinued Operations	1,299,790	-	-	1,299,790
Change in Net Assets	909,254	(782,268)	4,150	131,136
Net Assets, Beginning of Year	21,467,607	1,278,463	142,267	22,888,337
Net Assets, End of Year	$ 22,376,861	$ 496,195	$ 146,417	$ 23,019,473