



FAR EAST BROADCASTING COMPANY, INC.

Financial Statements
With Independent Auditors Report

June 30, 2018 and 2017

FAR EAST BROADCASTING COMPANY, INC.

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Far East Broadcasting Company, Inc.
La Mirada, California

We have audited the accompanying financial statements of Far East Broadcasting Company, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Committee
Far East Broadcasting Company, Inc.
La Mirada, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far East Broadcasting Company, Inc. as of June 30, 2018 and 2017, 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

Brea, California
October 29, 2018

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 1,377,644	\$ 2,583,727
Accounts receivable - net of \$9,500 allowance in each of the years	175,582	111,393
Prepaid expenses and other assets	173,287	162,521
Investments	13,160,307	7,898,196
Estate and trust receivables	267,576	299,591
Real estate held for sale	-	86,756
Land, buildings, and equipment - at cost, net	680,673	715,756
Total Assets	\$ 15,835,069	\$ 11,857,940
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 320,485	\$ 140,699
Accrued expenses	360,951	439,331
Fiduciary obligations	2,903,115	2,600,957
Capital lease obligations	36,703	46,441
Total liabilities	3,621,254	3,227,428
Unrestricted net assets:		
Undesignated	4,371,479	4,770,191
Designated	1,872,475	1,543,368
	6,243,954	6,313,559
Temporarily restricted	5,969,861	2,316,953
Total net assets	12,213,815	8,630,512
Total Liabilities and Net Assets	\$ 15,835,069	\$ 11,857,940

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,365,656	\$ 8,520,599	\$ 10,886,255	\$ 2,362,198	\$ 5,204,445	\$ 7,566,643
Trust and estate income	608,955	761,876	1,370,831	652,119	5,030	657,149
Broadcast revenue	1,196,137	-	1,196,137	1,200,022	-	1,200,022
Investment income	276,952	5,359	282,311	507,092	17,970	525,062
Change in fiduciary obligations	52,224	-	52,224	62,203	116	62,319
Gain on sale of assets	1,058,417	-	1,058,417	2,453	-	2,453
Other income	-	-	-	22,459	-	22,459
Net assets released from restrictions:						
Satisfaction of program restrictions	5,634,926	(5,634,926)	-	6,316,292	(6,316,292)	-
	<u>11,193,267</u>	<u>3,652,908</u>	<u>14,846,175</u>	<u>11,124,838</u>	<u>(1,088,731)</u>	<u>10,036,107</u>
EXPENSES:						
Program ministries:						
Broadcast operations	9,255,984	-	9,255,984	8,354,177	-	8,354,177
Supporting activities:						
General and administrative	867,118	-	867,118	1,099,402	-	1,099,402
Fundraising	1,139,770	-	1,139,770	1,352,189	-	1,352,189
Total supporting services	<u>2,006,888</u>	<u>-</u>	<u>2,006,888</u>	<u>2,451,591</u>	<u>-</u>	<u>2,451,591</u>
Total Expenses	<u>11,262,872</u>	<u>-</u>	<u>11,262,872</u>	<u>10,805,768</u>	<u>-</u>	<u>10,805,768</u>
Change in Net Assets	(69,605)	3,652,908	3,583,303	319,070	(1,088,731)	(769,661)
Net Assets, Beginning of Year	<u>6,313,559</u>	<u>2,316,953</u>	<u>8,630,512</u>	<u>5,994,489</u>	<u>3,405,684</u>	<u>9,400,173</u>
Net Assets, End of Year	<u>\$ 6,243,954</u>	<u>\$ 5,969,861</u>	<u>\$ 12,213,815</u>	<u>\$ 6,313,559</u>	<u>\$ 2,316,953</u>	<u>\$ 8,630,512</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,583,303	\$ (769,661)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,943	171,562
Realized and unrealized gain on investments	(330,191)	(458,570)
Loss on sale of equipment	503	9,548
Gain on sale of real estate held for sale	(1,058,417)	-
Change in value of trusts agreements	-	16,393
Gift annuity actuarial change	(2,380)	(77,910)
Net change in:		
Accounts receivable	(64,189)	29,031
Estate and trust receivables	32,015	146,270
Prepaid expenses and other assets	(10,766)	(65,403)
Accounts payable	179,786	100,837
Accrued expenses	(78,380)	79,026
Net Cash Provided by (Used in) Operating Activities	2,332,227	(818,877)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(46,363)	(102,727)
Proceeds from sale of equipment	-	500
Proceeds from sale of real estate	1,145,173	-
Acquisition of investments	(5,646,778)	(3,131,747)
Proceeds from sale of investments	714,858	3,065,502
Proceeds from sale of investments for distribution of beneficiary payments	170,253	319,266
Gift portion of new trusts and charitable savings agreements	(92,194)	(25,939)
Net Cash Provided by (Used in) Investing Activities	(3,755,051)	124,855

(continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(9,738)	(8,744)
Payments on gift annuities to beneficiaries	(170,253)	(319,266)
Face value of new annuity, trusts, and charitable savings agreements	172,974	136,417
Maturities of gift annuities and trusts	(143,671)	(147,977)
Termination of charitable savings agreement	(10,027)	-
Funds received and held for FEBCambodia	377,456	-
Net Cash Provided by (Used in) Financing Activities	216,741	(339,570)
 Change in Cash and Cash Equivalents	 (1,206,083)	 (1,033,592)
Cash and Cash Equivalents, Beginning of Year	2,583,727	3,617,319
Cash and Cash Equivalents, End of Year	\$ 1,377,644	\$ 2,583,727
 SUPPLEMENTAL DISCLOSURES:		
Non-cash investing and financing transactions:		
Fixed assets acquired by capital lease	\$ -	\$ 48,313

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION:

Far East Broadcasting Company, Inc. (FEBC) is a nonprofit Christian broadcasting corporation dedicated to serving people, primarily in Asia, by developing Christian content and delivering it through various media channels to move listeners toward Jesus Christ and His kingdom.

FEBC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from state income taxes. However, FEBC is subject to federal income tax on any unrelated business taxable income. Contributions by the public are deductible for income tax purposes. FEBC has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

For the year ended June 30, 2018, approximately 11% of FEBC's contributions consisted of trust and estate gifts. Approximately 34% of contributions were received from other FEBC sending fields (see note 7), and approximately 54% of contributions were received from churches, foundations, ministries, and other institutions. Remaining contributions were received from individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of FEBC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand and on deposit. At June 30, 2018 and 2017, FEBC's cash balances exceeded federally insured limits by approximately \$1,196,000 and \$2,764,000, respectively. FEBC does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

INVESTMENTS

Investments are carried on the following basis:

- Investments in marketable debt securities, mutual funds, government securities, and equity securities with readily determinable fair values are reported at fair value.
- Investments in alternatively managed futures and indexed annuities have an estimated market value based on reasonable valuation methodologies including items such as surrender value and recent offering prices, which approximate fair value.
- Investments in limited partnerships, closely-held stocks, and property held for investment purposes are carried at appraisal value, which approximates fair value.
- Life insurance policies are carried at cash surrender value, which approximates fair value.
- Note receivable investment pool is recorded at cost plus accrued interest.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, ESTATE RECEIVABLES, AND TRUST RECEIVABLES

Accounts, estate, and trust receivables are reported net of any anticipated losses due to uncollectible accounts. Accounts receivable include amounts due to FEBC for airing programs on FEBC's stations.

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. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. The allowance was \$9,500 for both of the years ended June 30, 2018 and 2017.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of deposits and advances to affiliates.

REAL ESTATE HELD FOR SALE

FEBC placed real estate in Chino, California, up for sale during the year ended June 30, 2017. The real estate sold during the year ended June 30, 2018.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for property and equipment over \$1,500 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years for equipment and from 20 to 40 years for buildings and improvements.

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available at the discretion of the board for use in FEBC's operations or designated for specific purposes and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those related to fiduciary agreements and those which are stipulated by donors for specific purposes.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to FEBC. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. FEBC receives non-cash gifts which are recorded as support at the estimated fair market value on the date of the gift. Goods given to FEBC that do not have an objective basis for valuation are not recorded.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

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

ALLOCATION OF JOINT COSTS

FEBC has adopted the Accounting for Costs of Activities that Include Fundraising Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This topic requires all costs that contain any fundraising appeal be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content (see note 11).

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ADVERTISING

Advertising is used to promote FEBC's activities. All advertising expenses are reported when incurred and totaled \$23,518 and \$22,740 for the years ended June 30, 2018 and 2017, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2018 and 2017 are as follows:

	June 30,	
	2018	2017
Cash and cash equivalents	\$ 63,052	\$ 400,210
Investments:		
Money market accounts	300,199	100,238
Mutual funds	7,439,734	5,369,364
Electronically traded funds	-	113,876
Stocks	-	92,467
Note receivable investment pool	85	85
Alternative managed futures	212,095	222,235
Bonds	3,803,142	279,011
Indexed annuities	1,281,851	1,260,561
Investment in LLC	60,144	60,144
Mortgage-backed securities	5	5
	<u>\$ 13,160,307</u>	<u>\$ 7,898,196</u>

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 consist of unobservable inputs and have the lowest priority. FEBC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the FEBC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or 2 inputs were not available.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS, continued:

The following tables present the fair value measurements of assets recognized in the accompanying 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 June 30, 2018 and 2017:

As of June 30, 2018:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity mutual funds:				
Large core	\$ 2,483,681	\$ 2,483,681	\$ -	\$ -
Global Equity	2,367,875	2,367,875	-	-
International markets	936,784	936,784	-	-
Hedged equity	465,125	465,125	-	-
Small core	222,399	222,399	-	-
Mixed	216,673	216,673	-	-
Other mutual funds	122,353	122,353	-	-
Bond mutual funds:				
Multi strategy	390,307	390,307	-	-
High yield bonds	234,622	234,622	-	-
Bonds:				
Government bonds	439,501	-	439,501	-
Corporate bonds	3,363,641	-	3,363,641	-
Indexed annuities	1,281,851	-	1,281,851	-
Alternative managed futures	212,095	-	212,095	-
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	5	-	-	5
	<u>\$ 12,797,056</u>	<u>\$ 7,439,819</u>	<u>\$ 5,297,088</u>	<u>\$ 60,149</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS, continued:

As of June 30, 2017:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity mutual funds:				
Large core	\$ 323,394	\$ 323,394	\$ -	\$ -
Large blend	996,134	996,134	-	-
Global Equity	1,177,328	1,177,328	-	-
Emerging markets	526,469	526,469	-	-
Hedged equity	403,048	403,048	-	-
Small and mip cap growth	334,104	334,104	-	-
Bond mutual funds:				
Intermediate government	443,371	443,371	-	-
Intermediate term bonds	378,248	378,248	-	-
Multi strategy	345,709	345,709	-	-
High yield bonds	271,181	271,181	-	-
World bonds	170,378	170,378	-	-
Electronically traded funds:				
High yield bonds	89,967	89,967	-	-
Corporate bonds	19,495	19,495	-	-
Short term bonds	4,414	4,414	-	-
Stocks:				
Large value	33,335	33,335	-	-
Large growth	26,682	26,682	-	-
Large core	12,883	12,883	-	-
Small and mid cap value	10,624	10,624	-	-
Small and mid cap growth	8,943	8,943	-	-
Bonds:				
Government bonds	258,589	-	258,589	-
Corporate bonds	20,422	-	20,422	-
Indexed annuities	1,260,561	-	1,260,561	-
Alternative managed futures	222,235	-	222,235	-
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	5	-	-	5
	<u>\$ 7,397,663</u>	<u>\$ 5,575,707</u>	<u>\$ 1,761,807</u>	<u>\$ 60,149</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS, continued:
Investment income consists of:

	June 30,	
	2018	2017
Interest and dividends	\$ 124,303	\$ 126,197
Realized and unrealized gains on investments	158,008	398,865
	\$ 282,311	\$ 525,062

FEBC is licensed by the state of California Department of Insurance as an Annuity Society. Under this designation, the department requires FEBC maintain a reserve adequate to meet future payments under the annuity contracts. The reserve included in cash and cash equivalents and investments totaled \$297,244 and \$334,802 as of June 30, 2018 and 2017, respectively. The reserve amount is based upon the most current annuity mortality rate from the State of California Department of Insurance on the date of the agreement. The range of annuity rates for existing agreements is 3.38% and 13.2%.

The following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining value:

Balance as of June 30, 2016	\$ 60,175
Total losses (realized and unrealized) included in net investment income	(26)
Balance as of June 30, 2017	60,149
Total losses (realized and unrealized) included in net investment income	-
Balance as of June 30, 2018	\$ 60,149

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2018	2017
Land	\$ 300,300	\$ 300,300
Land improvements	70,634	70,634
Buildings and improvements	1,051,826	1,105,724
Equipment	1,670,401	1,572,197
	<u>3,093,161</u>	<u>3,048,855</u>
Less accumulated depreciation	(2,412,488)	(2,333,099)
Land, buildings, and equipment - at cost, net	<u>680,673</u>	<u>715,756</u>
Less debt secured by equipment	<u>(36,703)</u>	<u>(46,441)</u>
Net investment in land, buildings, and equipment	<u>\$ 643,970</u>	<u>\$ 669,315</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

5. FIDUCIARY OBLIGATIONS:

CHARITABLE SAVINGS AGREEMENTS

FEBC has established a plan whereby donors are paid an income return based on charitable savings amounts placed on deposit with FEBC. The donor is permitted to demand repayment of the charitable savings amount under certain circumstances. Any unpaid income, along with the charitable savings amount on deposit, are transferred to FEBC upon the death of the donor.

Since the agreements are revocable, the principal amount is included in fiduciary obligations in the statements of financial position. Income earned on the assets and expenses, including amounts paid to donors, are reflected on the statements of activities under change in fiduciary obligations.

GIFT ANNUITIES

FEBC 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. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes.

The difference between the amount contributed for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as unrestricted contributions in the fiduciary fund at the date of the gift.

The present value of the expected payments to the annuitants over their life expectancy is included in fiduciary obligations on the statements of financial position. The annuity liability is revalued annually based upon actuarially computed present values.

The change in the amount of the liabilities, net of investment income, annuitant payments, and terminations is reflected on the statements of activities under change in fiduciary obligations.

IRREVOCABLE AGREEMENTS

As trustee, FEBC administers irrevocable trusts, including charitable remainder unitrusts and charitable remainder annuity trusts. These trusts provide for 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 parties.

The difference between the amount contributed and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contributions in the fiduciary fund at the date of the gift. The difference between the assets in the trust and the liabilities is reported on the statements of financial position as temporarily restricted net assets.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

5. FIDUCIARY OBLIGATIONS, continued:

IRREVOCABLE AGREEMENTS, continued

The present value of the expected payments to the trustors over their life expectancies is included in fiduciary obligations on the statements of financial position. The change in the amount of the liabilities, net of investment income, trustor payments and terminations, is reflected in the statements of activities under change in fiduciary obligations.

The expected future interest of beneficiaries other than FEBC is included in fiduciary obligations on the statements of financial position.

The discount rate used in calculating the present value approximates the interest rates on 30-year treasury securities at the time the trust agreements are created. The discount rate is not subsequently revised.

FUNDS HELD FOR FEBCAMBODIA

During the year ended June 30, 2018, FEBC received \$399,361 from FEBCambodia, that are still under the control of FEBCambodia. These funds are to be used for the payment of an obligation of FEBCambodia.

Fiduciary obligations consist of:

	June 30,	
	2018	2017
Gift annuity liabilities	\$ 1,733,003	\$ 1,798,272
Irrevocable agreements	492,717	492,718
Funds held for FEBCambodia	377,456	-
Amounts due other beneficiaries	240,401	240,402
Charitable savings agreements	59,538	69,565
	<u>\$ 2,903,115</u>	<u>\$ 2,600,957</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

5. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2018	2017
Change in value of charitable gift annuities:		
Actuarial change	\$ 2,380	\$ 77,910
Maturities	143,671	87,977
Payments and distributions (including miscellaneous expenses)	(103,325)	(243,807)
	42,726	(77,920)
Change in value of charitable trusts:		
Interest and dividends	28,324	30,831
Realized and unrealized gains on investments	13,010	57,987
Actuarial change	-	(16,393)
Payments (including miscellaneous expenses)	(52,528)	(58,566)
	(11,194)	13,859
Change in value of charitable savings agreements:		
Interest and dividends	8,530	8,533
Realized and unrealized gains on investments	26,562	134,740
Payments (including miscellaneous expenses)	(14,400)	(16,893)
	20,692	126,380
	\$ 52,224	\$ 62,319

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

6. NET ASSETS:

Net assets consist of:

	June 30,	
	2018	2017
Unrestricted:		
Undesignated:		
Undesignated	\$ 3,246,154	\$ 3,468,660
Funds held for fields	481,355	632,216
Net investment in land, buildings, and equipment	643,970	669,315
	4,371,479	4,770,191
Designated:		
Designated by board for the Legacy Fund	1,872,475	1,543,368
	\$ 6,243,954	\$ 6,313,559
Total unrestricted net assets		
Temporarily Restricted:		
Operations in foreign countries *	\$ 5,057,768	\$ 1,432,238
Missionary support	414,073	380,834
Other projects	4,943	4,969
Investment account held for restricted purposes	189,785	184,424
Irrevocable agreements	303,292	314,488
	\$ 5,969,861	\$ 2,316,953

* Net assets temporarily restricted for operations in foreign countries as of June 30, 2018, includes \$1,288,445 restricted to support broadcast operations in South-East Asia, and \$1,107,913 restricted for developmental growth of international Asian ministries.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

7. AFFILIATES:

In connection with its worldwide radio ministry, FEBC provides financial support to certain broadcasting stations, located in various foreign countries, that are not under the direct control of the U.S. office. Financial support was provided and is included in broadcast operations expense as follows:

	June 30,	
	2018	2017
Vietnam	\$ 1,023,000	\$ 1,240,125
Russia	764,194	993,984
Hong Kong	573,942	159,877
Philippines	522,013	366,481
Korea	436,347	301,397
Mongolia	357,401	380,934
Central Asia	256,218	222,903
Indonesia (YASKI)	167,315	187,608
Thailand	139,133	186,148
Taiwan	100,000	-
Japan	96,415	87,330
Pakistan	83,672	69,435
Cambodia	76,824	259,020
India	68,269	40,150
China	25,000	-
England	3,680	15,303
Myanmar	429	5,000
Canada	440	4,100
New Zealand	-	8,400
Other countries	64,178	58,827
	\$ 4,758,470	\$ 4,587,022

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$4,184,107 and \$1,334,736 was received from these fields during the years ended June 30, 2018 and 2017, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$578,062 and \$190,880 during the years ended June 30, 2018 and 2017, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

8. OPERATING LEASES:

FEBC had various equipment leases that expired in April 2018. Total rental expense under these agreements amounted to \$125,442 and \$141,164 for the years ended June 30, 2018 and 2017, respectively.

9. CAPITAL LEASES:

Capital leases consist of:

	June 30,	
	2018	2017
FEBC leases office equipment under a capital lease that expires in September 2022. The gross assets under capital lease were \$25,313 with accumulated amortization of \$5,170 as of June 30, 2018.	\$ 22,903	\$ 25,741
FEBC leases office equipment under a capital lease that expires in December 2021. The gross assets under capital lease were \$23,000 with accumulated amortization of \$6,900 as of June 30, 2018.	13,800	20,700
	\$ 36,703	\$ 46,441

Annual maturities are as follows:

Year Ending June 30,	
2019	\$ 10,206
2020	10,223
2021	10,241
2022	5,658
Thereafter	375
	\$ 36,703

10. RETIREMENT PLAN:

FEBC has an employee retirement plan under Internal Revenue Code Section 403(b). Under this plan, FEBC contributes 3% of each employee's annual gross salary to his or her individual account. In addition, FEBC will match each employee's contribution up to an additional 3% annually. Employer contributions to this plan were \$157,394 and \$157,224 for the years ended June 30, 2018 and 2017, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

11. JOINT COSTS:

As stated in note 2, FEBC has adopted the Accounting for Costs of Activities that Include Fundraising Topic of the FASB ASC. FEBC incurs costs for missionary deputation, which includes time spent performing fundraising functions. These costs are referred to as joint costs and are allocated to program services, general and administrative, and fundraising. Joint cost allocations are as follows:

	June 30,	
	2018	2017
Program services	\$ 503,276	\$ 490,342
Supporting activities:		
General and administrative	-	11,144
Fundraising	55,920	55,721
	<u>\$ 559,196</u>	<u>\$ 557,207</u>

12. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2018 and 2017, FEBC paid \$9,400 and \$34,800, respectively, for broadcasting services to a company owned by a board member. For the years ended June 30, 2018 and 2017, FEBC also paid \$4,760 and \$6,080, respectively, to an association of Christian communicators, for which FEBC's president serves as the treasurer of the association. For each of the years ended June 30, 2018 and 2017, FEBC also received donated broadcasting time valued at \$78,300 from a broadcasting company owned by a board member.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 29, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Audit Committee
Far East Broadcasting Company, Inc.
La Mirada, California

We have audited the financial statements of Far East Broadcasting Company, Inc. for years ended June 30, 2018 and 2017, and our report thereon dated October 29, 2018, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Capin Crouse LLP

Brea, California
October 29, 2018

FAR EAST BROADCASTING COMPANY, INC.

Schedules of Functional Expenses

by Natural Classification

	Year Ended June 30, 2018			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 4,758,470	\$ -	\$ -	\$ 4,758,470
Salaries and wages	2,067,715	382,882	390,551	2,841,148
Professional services	834,066	147,387	254,169	1,235,622
Employee benefits	788,026	119,551	109,369	1,016,946
Printing and publications	159,400	36,807	232,762	428,969
Travel	260,303	40,838	40,297	341,438
Supplies	90,131	17,165	14,391	121,687
Depreciation	40,471	28,331	12,141	80,943
Telephone and occupancy	57,605	13,198	8,943	79,746
Equipment repair and maintenance	34,446	8,768	4,485	47,699
Postage and shipping	23,993	3,868	12,956	40,817
Conferences	22,243	7,745	6,695	36,683
Other expenses	119,115	60,578	53,011	232,704
	<u>\$ 9,255,984</u>	<u>\$ 867,118</u>	<u>\$ 1,139,770</u>	<u>\$ 11,262,872</u>
	Year Ended June 30, 2017			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 4,587,022	\$ -	\$ -	\$ 4,587,022
Salaries and wages	1,784,393	539,180	511,781	2,835,354
Professional services	539,505	161,743	277,138	978,386
Employee benefits	704,740	185,135	154,787	1,044,662
Printing and publications	82,068	24,142	252,042	358,252
Travel	210,379	52,921	54,551	317,851
Supplies	59,639	15,961	18,981	94,581
Depreciation	156,121	10,294	5,147	171,562
Telephone and occupancy	58,670	15,062	14,407	88,139
Equipment repair and maintenance	37,607	10,803	6,450	54,860
Postage and shipping	19,355	14,330	13,213	46,898
Conferences	11,739	2,938	10,225	24,902
Other expenses	102,939	66,893	33,467	203,299
	<u>\$ 8,354,177</u>	<u>\$ 1,099,402</u>	<u>\$ 1,352,189</u>	<u>\$ 10,805,768</u>