



**FAR EAST BROADCASTING
COMPANY, INC.**

Financial Statements
With Independent Auditors Report

June 30, 2019 and 2018

FAR EAST BROADCASTING COMPANY, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	8

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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Far East Broadcasting Company, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
October 29, 2019

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 1,656,572	\$ 1,377,644
Accounts receivable - net of \$0 and \$9,500 allowance in each of the years	203,940	175,582
Prepaid expenses and other assets	47,434	173,287
Contributions receivable	156,889	-
Estate and trust receivables	1,265,981	267,576
Investments	12,028,398	13,160,307
Land, buildings, and equipment - at cost, net	629,914	680,673
Total Assets	\$ 15,989,128	\$ 15,835,069
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 71,127	\$ 320,485
Accrued expenses	542,134	360,951
Fiduciary obligations	2,350,123	2,903,115
Capital lease obligations	29,461	36,703
Total liabilities	2,992,845	3,621,254
Net assets without donor restrictions:		
Undesignated	4,867,045	4,371,479
Board designated	2,045,556	1,872,475
	6,912,601	6,243,954
Net assets with donor restrictions	6,083,682	5,969,861
Total net assets	12,996,283	12,213,815
Total Liabilities and Net Assets	\$ 15,989,128	\$ 15,835,069

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,334,007	\$ 6,297,155	\$ 8,631,162	\$ 2,365,656	\$ 8,520,599	\$ 10,886,255
Trust and estate income	2,015,558	44,614	2,060,172	608,955	761,876	1,370,831
Broadcast revenue	1,142,435	-	1,142,435	1,196,137	-	1,196,137
Investment income	438,942	7,061	446,003	276,952	5,359	282,311
Change in fiduciary obligations	43,899	-	43,899	52,224	-	52,224
Gain (loss) on sale of assets	(14,098)	-	(14,098)	1,058,417	-	1,058,417
Net assets released from restrictions:						
Satisfaction of program restrictions	6,235,009	(6,235,009)	-	5,634,926	(5,634,926)	-
	<u>12,195,752</u>	<u>113,821</u>	<u>12,309,573</u>	<u>11,193,267</u>	<u>3,652,908</u>	<u>14,846,175</u>
EXPENSES:						
Program ministries:						
Broadcast operations	9,715,269	-	9,715,269	9,255,984	-	9,255,984
Supporting activities:						
General and administrative	741,172	-	741,172	867,118	-	867,118
Fundraising	1,070,664	-	1,070,664	1,139,770	-	1,139,770
Total supporting services	<u>1,811,836</u>	<u>-</u>	<u>1,811,836</u>	<u>2,006,888</u>	<u>-</u>	<u>2,006,888</u>
Total Expenses	<u>11,527,105</u>	<u>-</u>	<u>11,527,105</u>	<u>11,262,872</u>	<u>-</u>	<u>11,262,872</u>
Change in Net Assets	668,647	113,821	782,468	(69,605)	3,652,908	3,583,303
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 6,912,601</u>	<u>\$ 6,083,682</u>	<u>\$ 12,996,283</u>	<u>\$ 6,243,954</u>	<u>\$ 5,969,861</u>	<u>\$ 12,213,815</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Functional Expenses

by Natural Classification

	Year Ended June 30, 2019			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 4,907,153	\$ -	\$ -	\$ 4,907,153
Salaries and wages	2,574,604	239,405	60,296	2,874,305
Professional services	711,025	140,814	432,808	1,284,647
Employee benefits	733,939	119,880	100,268	954,087
Printing and publications	137,551	43,352	279,674	460,577
Travel	246,719	54,441	63,830	364,990
Supplies	134,712	24,310	18,443	177,465
Depreciation	31,678	22,175	9,503	63,356
Telephone and occupancy	46,901	14,942	9,276	71,119
Equipment repair and maintenance	47,141	10,374	5,212	62,727
Postage and shipping	21,085	3,945	15,870	40,900
Conferences	16,552	4,316	8,026	28,894
Other expenses	106,209	63,218	67,458	236,885
	<u>\$ 9,715,269</u>	<u>\$ 741,172</u>	<u>\$ 1,070,664</u>	<u>\$ 11,527,105</u>

	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>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 782,468	\$ 3,583,303
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,356	80,943
Realized and unrealized gain on investments	(576,950)	(330,191)
Loss on sale of equipment	14,098	503
Gain on sale of real estate held for sale	-	(1,058,417)
Gift annuity actuarial change	(125,219)	(2,380)
Net change in:		
Accounts receivable	(28,358)	(64,189)
Prepaid expenses and other assets	125,853	(10,766)
Contribution receivables	(156,889)	-
Estate and trust receivables	(998,405)	32,015
Accounts payable	(249,358)	179,786
Accrued expenses	181,183	(78,380)
Net Cash Provided by (Used in) Operating Activities	(968,221)	2,332,227
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(35,695)	(46,363)
Proceeds from sale of equipment	9,000	-
Proceeds from sale of real estate	-	1,145,173
Acquisition of investments	(307,457)	(5,646,778)
Proceeds from sale of investments	2,016,316	714,858
Proceeds from sale of investments for distribution of beneficiary payments	319,342	170,253
Gift portion of new trusts and charitable savings agreements	(38,482)	(92,194)
Net Cash Provided by (Used in) Investing Activities	1,963,024	(3,755,051)

(continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(7,242)	(9,738)
Payments on gift annuities to beneficiaries	(319,342)	(170,253)
Face value of new annuity, trusts, and charitable savings agreements	60,000	172,974
Maturities of gift annuities and trusts	(71,835)	(143,671)
Termination of charitable savings agreement	-	(10,027)
Funds received and held for FEBCambodia	(377,456)	377,456
Net Cash Provided by (Used in) Financing Activities	(715,875)	216,741
 Change in Cash and Cash Equivalents	 278,928	 (1,206,083)
 Cash and Cash Equivalents, Beginning of Year	 1,377,644	 2,583,727
 Cash and Cash Equivalents, End of Year	 \$ 1,656,572	 \$ 1,377,644

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019, approximately 19% of FEBC's contributions consisted of trust and estate gifts. Approximately 14% of contributions were received from other FEBC affiliates (see Note 7), and approximately 36% 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, 2019 and 2018, FEBC's cash balances exceeded federally insured limits by approximately \$1,193,000 and \$1,383,000, respectively.

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 \$0 and \$9,500 for the years ended June 30, 2019 and 2018, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

PREPAID EXPENSES AND OTHER ASSETS

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

CONTRIBUTIONS RECEIVABLE

Unconditional promises-to-give are recognized as income when the promise is received and recorded at net present value using a risk-free rate applicable to the years in which the promises were received. All contributions receivable are expected to be collected within one year, so no discount was recorded.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for property and equipment over \$5,000 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:

Net assets without donor restrictions 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.

Net assets with donor restrictions 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, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

Contributions are recorded as net assets with donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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 financial statements report certain categories of expenses that are attributable to more than one or more program or supporting function of FEBC. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, shared services and office and occupancy, which are allocated on a combined square footage basis and estimated benefit received. Salaries and benefits are allocated on the basis of estimates of time and effort.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. FEBC adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 13), and disclosure of expenses by both natural and functional classification.

3. INVESTMENTS:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2019 and 2018 are as follows:

	June 30,	
	2019	2018
Cash and cash equivalents	\$ 64,349	\$ 63,052
Investments:		
Money market accounts	316,149	300,199
Mutual funds	7,487,891	7,439,734
Note receivable investment pool	-	85
Alternative managed futures	479,538	212,095
Bonds	2,983,208	3,803,142
Indexed annuities	637,119	1,281,851
Investment in LLC	60,144	60,144
Mortgage-backed securities	-	5
	<u>\$ 12,028,398</u>	<u>\$ 13,160,307</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, 2019 and 2018

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, 2019 and 2018:

As of June 30, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 7,487,891	\$ 7,487,891	\$ -	\$ -
Bonds	2,983,208	2,983,208	-	-
Indexed annuities	637,119	-	637,119	-
Alternative managed futures	479,538	-	241,655	237,883
Limited partnership	60,144	-	-	60,144
	\$ 11,647,900	\$ 10,471,099	\$ 878,774	\$ 298,027

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

3. INVESTMENTS, continued:

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	\$ 7,439,819	\$ 7,439,819	\$ -	\$ -
Bonds	3,803,142	-	3,803,142	-
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
	\$ 12,797,056	\$ 7,439,819	\$ 5,084,993	\$ 272,244

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 \$271,249 and \$297,244 as of June 30, 2019 and 2018, 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, 2017	\$ 282,384
Total losses (realized and unrealized) included in net investment income	(10,140)
Balance as of June 30, 2018	272,244
Total gains (realized and unrealized) included in net investment income	25,783
Balance as of June 30, 2019	\$ 298,027

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2019	2018
Land	\$ 300,300	\$ 300,300
Land improvements	70,634	70,634
Buildings and improvements	1,051,826	1,051,826
Equipment	1,627,932	1,670,401
	<u>3,050,692</u>	<u>3,093,161</u>
Less accumulated depreciation	<u>(2,420,778)</u>	<u>(2,412,488)</u>
	<u>\$ 629,914</u>	<u>\$ 680,673</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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 net assets without donor restrictions 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 net assets with donor restrictions 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 net assets with donor restrictions.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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.

Fiduciary obligations consist of:

	June 30,	
	2019	2018
Gift annuity liabilities	\$ 1,581,395	\$ 1,733,003
Irrevocable agreements	460,710	492,717
Amounts due other beneficiaries	248,480	240,401
Charitable savings agreements	59,538	59,538
Funds held for FEBCambodia	-	377,456
	<u>\$ 2,350,123</u>	<u>\$ 2,903,115</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

5. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2019	2018
Change in value of charitable gift annuities:		
Actuarial change	\$ 125,219	\$ 2,380
Maturities	71,835	143,671
Payments and distributions (including miscellaneous expenses)	(227,279)	(103,325)
	(30,225)	42,726
Change in value of charitable trusts:		
Interest and dividends	28,729	28,324
Realized and unrealized gains on investments	88,356	13,010
Actuarial change	23,927	-
Payments (including miscellaneous expenses)	(86,479)	(52,528)
	54,533	(11,194)
Change in value of charitable savings agreements:		
Interest and dividends	12,853	8,530
Realized and unrealized gains on investments	12,322	26,562
Payments (including miscellaneous expenses)	(5,584)	(14,400)
	19,591	20,692
	\$ 43,899	\$ 52,224

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

6. NET ASSETS:

Net assets consist of:

	June 30,	
	2019	2018
Net assets without donor restrictions:		
Undesignated:		
Undesignated	\$ 4,710,506	\$ 3,890,124
Funds held for fields	156,539	481,355
	4,867,045	4,371,479
Designated:		
Designated by board for the Legacy Fund	2,045,556	1,872,475
Total net assets without donor restrictions	\$ 6,912,601	\$ 6,243,954
Net assets with donor restrictions:		
Operations in foreign countries *	\$ 5,105,572	\$ 5,057,768
Missionary support	456,449	414,073
Irrevocable agreements	319,822	303,292
Investment account held for restricted purposes	196,846	189,785
Other projects	4,993	4,943
	\$ 6,083,682	\$ 5,969,861

* Net assets restricted by donors for operations in foreign countries as of June 30, 2019, includes \$1,538,356 restricted to support broadcast operations in South-East Asia, and \$1,031,144 restricted for developmental growth of international Asian ministries.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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,	
	2019	2018
Vietnam	\$ 1,185,181	\$ 1,023,000
Russia	918,924	764,194
Korea	407,410	436,347
Central Asia	376,920	256,218
Philippines	352,462	522,013
Mongolia	350,011	357,401
Indonesia (YASKI)	257,141	167,315
Thailand	193,028	139,133
Hong Kong	192,460	573,942
Taiwan	177,400	100,000
Cambodia	130,097	76,824
Japan	124,773	96,415
India	96,406	68,269
Other countries	55,035	64,178
China	42,519	25,000
England	26,859	3,680
Pakistan	20,087	83,672
Canada	440	440
Myanmar	-	429
	\$ 4,907,153	\$ 4,758,470

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$1,434,789 and \$4,184,107 was received from these fields during the years ended June 30, 2019 and 2018, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$177,240 and \$578,062 during the years ended June 30, 2019 and 2018, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

8. OPERATING LEASES:

FEBC had various equipment leases that expired in April 2019. Total rental expense under these agreements amounted to \$102,889 and \$125,442 for the years ended June 30, 2019 and 2018, respectively.

9. CAPITAL LEASES:

Capital leases consist of:

	June 30,	
	2019	2018
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 \$9,039 as of June 30, 2019.	\$ 17,961	\$ 22,903
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 \$11,500 as of June 30, 2019.	11,500	13,800
	\$ 29,461	\$ 36,703

Annual maturities are as follows:

Year Ending June 30,	
2020	\$ 9,807
2021	9,971
2022	7,841
2023	1,842
	\$ 29,461

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 \$164,552 and \$157,394 for the years ended June 30, 2019 and 2018, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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,	
	2019	2018
Program services	\$ 484,197	\$ 503,276
Supporting activities:		
General and administrative	26,900	-
Fundraising	26,900	55,920
	<u>\$ 537,997</u>	<u>\$ 559,196</u>

12. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2019 and 2018, FEBC paid \$6,044 and \$9,400, respectively, for broadcasting services to a company owned by a board member. For the years ended June 30, 2019 and 2018, FEBC also paid \$77,398 and \$4,760, respectively, to an association of Christian communicators, for which FEBC's president served until March 2019 as the treasurer of the association. For each of the years ended June 30, 2019 and 2018, FEBC also received donated broadcasting time valued at \$78,300 from a broadcasting company owned by a board member.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

13. LIQUIDITY:

At June 30, 2019, FEBC had the following financial assets available for future cash requirements:

	<u>June 30,</u> <u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 1,656,572
Accounts receivable	203,940
Contributions receivable	156,889
Estate and trusts receivable	203,940
Investments	<u>12,028,398</u>
Financial assets, at year end	<u>14,249,739</u>
Less those unavailable for general expenditure within one year due to:	
Restricted by donors with purpose or time restrictions	(6,083,682)
Board designated	(2,045,556)
Fiduciary obligations	<u>(2,350,123)</u>
	<u>(10,479,361)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,770,378</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the date of the statements of financial position, other than as noted. FEBC has a goal to maintain cash and investments on hand to meet ninety days of normal operating expenses, which are on average \$550k per month. FEBC is committed to having adequate cash reserves as part of its overall financial plan. As part of the FEBC's liquidity management plan excess cash is invested in short term certificates of deposit or interest bearing checking accounts.

14. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 29, 2019, which is the date the financial statements were available to be issued.