



**FAR EAST BROADCASTING
COMPANY, INC.**

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 2, 2020

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 2,794,761	\$ 1,656,572
Accounts receivable	195,466	203,940
Prepaid expenses and other assets	116,737	47,434
Contributions receivable	3,000	156,889
Estate and trust receivables	103,985	1,265,981
Investments	12,836,429	12,028,398
Land, buildings, and equipment - at cost, net	551,342	629,914
 Total Assets	 \$ 16,601,720	 \$ 15,989,128
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 96,433	\$ 71,127
Accrued expenses	514,132	542,134
Fiduciary obligations	2,337,884	2,350,123
Long-term debt	514,269	-
Capital lease obligations	19,902	29,461
Total liabilities	3,482,620	2,992,845
 Net assets without donor restrictions:		
Undesignated	4,465,774	4,867,045
Board designated	2,488,913	2,045,556
	6,954,687	6,912,601
 Net assets with donor restrictions	 6,164,413	 6,083,682
Total net assets	13,119,100	12,996,283
 Total Liabilities and Net Assets	 \$ 16,601,720	 \$ 15,989,128

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,126,323	\$ 6,108,138	\$ 8,234,461	\$ 2,334,007	\$ 6,297,155	\$ 8,631,162
Trust and estate income	2,493,374	1,825	2,495,199	2,015,558	44,614	2,060,172
Broadcast revenue	1,131,648	-	1,131,648	1,142,435	-	1,142,435
Investment income	154,275	(44)	154,231	438,942	7,061	446,003
Change in value of fiduciary obligations	(135,982)	-	(135,982)	43,899	-	43,899
Loss on sale of assets	-	-	-	(14,098)	-	(14,098)
Net assets released from restrictions:						
Satisfaction of program restrictions	6,029,188	(6,029,188)	-	6,235,009	(6,235,009)	-
	<u>11,798,826</u>	<u>80,731</u>	<u>11,879,557</u>	<u>12,195,752</u>	<u>113,821</u>	<u>12,309,573</u>
EXPENSES:						
Program ministries:						
Broadcast operations	9,653,906	-	9,653,906	9,715,269	-	9,715,269
Supporting activities:						
General and administrative	884,025	-	884,025	741,172	-	741,172
Fundraising	1,218,809	-	1,218,809	1,070,664	-	1,070,664
Total supporting services	<u>2,102,834</u>	<u>-</u>	<u>2,102,834</u>	<u>1,811,836</u>	<u>-</u>	<u>1,811,836</u>
Total Expenses	<u>11,756,740</u>	<u>-</u>	<u>11,756,740</u>	<u>11,527,105</u>	<u>-</u>	<u>11,527,105</u>
Change in Net Assets	42,086	80,731	122,817	668,647	113,821	782,468
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 6,954,687</u>	<u>\$ 6,164,413</u>	<u>\$ 13,119,100</u>	<u>\$ 6,912,601</u>	<u>\$ 6,083,682</u>	<u>\$ 12,996,283</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Functional Expenses

by Natural Classification

	Year Ended June 30, 2020			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 5,173,483	\$ -	\$ -	\$ 5,173,483
Salaries and wages	2,182,469	402,598	278,981	2,864,048
Professional services	809,200	147,841	334,735	1,291,776
Employee benefits	714,665	120,110	81,649	916,424
Printing and publications	141,144	57,867	394,124	593,135
Travel	159,984	23,583	37,730	221,297
Other expenses	94,398	45,152	29,470	169,020
Supplies	108,745	12,529	18,113	139,387
Depreciation	60,396	36,237	13,177	109,810
Telephone and occupancy	78,695	11,928	13,040	103,663
Equipment repair and maintenance	59,360	7,172	8,539	75,071
Conferences	50,720	8,062	5,588	64,370
Postage and shipping	20,647	10,946	3,663	35,256
	<u>\$ 9,653,906</u>	<u>\$ 884,025</u>	<u>\$ 1,218,809</u>	<u>\$ 11,756,740</u>
	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
Other expenses	106,209	63,218	67,458	236,885
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
Conferences	16,552	4,316	8,026	28,894
Postage and shipping	21,085	3,945	15,870	40,900
	<u>\$ 9,715,269</u>	<u>\$ 741,172</u>	<u>\$ 1,070,664</u>	<u>\$ 11,527,105</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 122,817	\$ 782,468
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	109,810	63,356
Realized and unrealized gain on investments	(168,695)	(576,950)
Loss on sale of equipment	-	14,098
Gift annuity and charitable trusts actuarial change	(38,502)	(125,219)
Net change in:		
Accounts receivable	8,474	(28,358)
Prepaid expenses and other assets	(69,303)	125,853
Contribution receivables	153,889	(156,889)
Estate and trust receivables	1,161,996	(998,405)
Accounts payable	25,306	(249,358)
Accrued expenses	(28,002)	181,183
Net Cash Provided by (Used in) Operating Activities	1,277,790	(968,221)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(31,238)	(35,695)
Proceeds from sale of equipment	-	9,000
Acquisition of investments	(2,960,011)	(307,457)
Proceeds from sale of investments	2,320,675	2,016,316
Proceeds from sale of investments for distribution of beneficiary payments	272,117	319,342
Gift portion of new trusts and charitable savings agreements	(64,483)	(38,482)
Net Cash Provided by (Used in) Investing Activities	(462,940)	1,963,024

(continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new long term debt	514,269	-
Payments on capital lease obligation	(9,559)	(7,242)
Payments on gift annuities to beneficiaries	(272,117)	(319,342)
Face value of new annuity, trusts, and charitable savings agreements	165,600	60,000
Maturities of gift annuities and trusts	(74,854)	(71,835)
Funds received and held for FEBCambodia	-	(377,456)
Net Cash Provided by (Used in) Financing Activities	323,339	(715,875)
 Change in Cash and Cash Equivalents	 1,138,189	 278,928
 Cash and Cash Equivalents, Beginning of Year	 1,656,572	 1,377,644
 Cash and Cash Equivalents, End of Year	 \$ 2,794,761	 \$ 1,656,572

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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 years ended June 30, 2020 and 2019, approximately 23% and 19% of FEBC's contributions consisted of trust and estate gifts, respectively. Approximately 13% and 14% of contributions were received from other FEBC affiliates (see Note 7), and approximately 18% and 36% of contributions were received from churches, foundations, ministries, and other institutions for the years ended June 30, 2020 and 2019, respectively. 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, 2020 and 2019, FEBC's cash balances on deposit exceeded federally insured limits by approximately \$2,602,000 and \$1,043,000, 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 for each of the years ended June 30, 2020 and 2019, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. The allocation of these joint costs is disclosed in Note 11 to the financial statements.

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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received*. FEBC adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether a transaction should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This ASU had no impact on revenue or net assets for FEBC.

3. INVESTMENTS:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2020 and 2019 are as follows:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 202,421	\$ 64,349
Investments:		
Mutual funds	11,303,671	7,487,891
Alternative managed futures	490,257	479,538
Money market accounts	269,569	316,149
Indexed annuities	259,915	637,119
Bonds	228,151	2,983,208
Investment in LLC	60,144	60,144
Equities	22,301	-
	<u>\$ 12,836,429</u>	<u>\$ 12,028,398</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, 2020 and 2019

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, 2020 and 2019:

As of June 30, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 11,303,671	\$ 11,303,671	\$ -	\$ -
Alternative managed futures	490,257	-	242,380	247,877
Indexed annuities	259,915	-	259,915	-
Bonds	228,151	228,151	-	-
Limited partnership	60,144	-	-	60,144
Equities	22,301	22,301	-	-
	\$ 12,364,439	\$ 11,554,123	\$ 502,295	\$ 308,021

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

3. INVESTMENTS, continued:

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	\$ -	\$ -
Alternative managed futures	479,538	-	241,655	237,883
Indexed annuities	637,119	-	637,119	-
Bonds	2,983,208	2,983,208	-	-
Limited partnership	60,144	-	-	60,144
	\$ 11,647,900	\$ 10,471,099	\$ 878,774	\$ 298,027

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 \$239,889 and \$271,249 as of June 30, 2020 and 2019, 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% to 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, 2018	\$ 272,244
Total gains (realized and unrealized) included in net investment income	25,783
Balance as of June 30, 2019	298,027
Total gains (realized and unrealized) included in net investment income	9,994
Balance as of June 30, 2020	\$ 308,021

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2020	2019
Land	\$ 300,300	\$ 300,300
Land improvements	70,634	70,634
Buildings and improvements	1,051,826	1,051,826
Equipment	1,536,433	1,627,932
	<u>2,959,193</u>	<u>3,050,692</u>
Less accumulated depreciation	(2,439,088)	(2,420,778)
	<u>520,105</u>	<u>629,914</u>
Software in process	31,237	-
	<u>\$ 551,342</u>	<u>\$ 629,914</u>

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

5. FIDUCIARY OBLIGATIONS, continued:

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.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

5. FIDUCIARY OBLIGATIONS, continued:

Fiduciary obligations consist of:

	June 30,	
	2020	2019
Gift annuity liabilities	\$ 1,588,948	\$ 1,581,395
Irrevocable agreements	443,721	460,710
Amounts due other beneficiaries	245,677	248,480
Charitable savings agreements	59,538	59,538
	\$ 2,337,884	\$ 2,350,123

The change in value of fiduciary obligations consists of:

	June 30,	
	2020	2019
Change in value of charitable gift annuities:		
Actuarial change	\$ 18,712	\$ 125,219
Maturities	74,854	71,835
Payments and distributions (including miscellaneous expenses)	(212,832)	(227,279)
	(119,266)	(30,225)
Change in value of charitable trusts:		
Interest and dividends	38,125	28,729
Realized and unrealized gains on investments	(18,834)	88,356
Actuarial change	19,790	23,927
Payments (including miscellaneous expenses)	(53,907)	(86,479)
	(14,826)	54,533
Change in value of charitable savings agreements:		
Interest and dividends	10,931	12,853
Realized and unrealized gains on investments	(7,443)	12,322
Payments (including miscellaneous expenses)	(5,378)	(5,584)
	(1,890)	19,591
	\$ (135,982)	\$ 43,899

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

6. NET ASSETS:

Net assets consist of:

	June 30,	
	2020	2019
Net assets without donor restrictions:		
Undesignated:		
Undesignated	\$ 4,337,343	\$ 4,710,506
Funds held for fields	128,431	156,539
	4,465,774	4,867,045
Designated:		
Designated by board for the Legacy Fund	2,488,913	2,045,556
Total net assets without donor restrictions	\$ 6,954,687	\$ 6,912,601
Net assets with donor restrictions:		
Operations in foreign countries *	\$ 5,244,991	\$ 5,105,572
Missionary support	360,381	456,449
Irrevocable agreements	337,246	319,822
Investment account held for restricted purposes	216,802	196,846
Other projects	4,993	4,993
	\$ 6,164,413	\$ 6,083,682

* Net assets restricted by donors for operations in foreign countries as of June 30, 2020, includes \$1,484,898 restricted to support broadcast operations in South-East Asia, and \$776,040 restricted for developmental growth of international Asian ministries.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

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,	
	2020	2019
Vietnam	\$ 1,140,933	\$ 1,185,181
Russia and Ukraine	946,218	918,924
Korea	502,697	407,410
Hong Kong	470,181	192,460
Philippines	397,262	352,462
Thailand	391,936	193,028
Cambodia	260,869	130,097
Mongolia	257,726	350,011
Central Asia	233,164	376,920
Indonesia (YASKI)	151,149	257,141
Japan	113,260	124,773
India	110,951	96,406
Taiwan	104,100	177,400
Pakistan	64,615	20,087
Other countries	28,022	55,035
Canada	400	440
China	-	42,519
England	-	26,859
	\$ 5,173,483	\$ 4,907,153

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$901,626 and \$1,142,369 was received from these fields during the years ended June 30, 2020 and 2019, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$21,442 and \$36,749 during the years ended June 30, 2020 and 2019, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

8. CAPITAL LEASES:

Capital leases consist of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
FEBC leases office equipment under a capital lease that expires in September 2022. The gross assets under capital lease were \$27,000 with accumulated amortization of \$13,998, as of June 30, 2020.	\$ 13,002	\$ 17,961
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 \$16,100 as of June 30, 2020.	<u>6,900</u>	<u>11,500</u>
	<u>\$ 19,902</u>	<u>\$ 29,461</u>

Annual maturities are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 9,971
2022	7,841
2023	<u>2,090</u>
	<u>\$ 19,902</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

9. LONG-TERM DEBT:

Long-term debt consists of the following:

June 30,	
2020	2019

In May 2020, FEBC signed a loan agreement through a financial institution to obtain funding for a Paycheck Protection Program loan through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan qualifies for forgiveness if requirements set by the Small Business Administration are met. The loan agreement provides for loan forgiveness up to the full amount of the loan, provided the FEBC complies with certain loan stipulations. The loan bears interest at 1% per annum. Any unforgiven portion of the loan is to be repaid over two years in monthly installments beginning six months after the expiration of the 24 week period beginning on May 4, 2020, which was the date the loan was fully funded.

\$ 514,269	\$ -
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The future minimum payments are:

Year Ending April 30,

2021
2022

\$ 255,252
259,017
<u>\$ 514,269</u>

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 \$155,790 and \$164,552, for the years ended June 30, 2020 and 2019, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

11. JOINT COSTS:

As stated in Note 2, 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,	
	2020	2019
Program services	\$ 506,144	\$ 484,197
Supporting activities:		
General and administrative	1,545	26,900
Fundraising	7,209	26,900
	<u>\$ 514,898</u>	<u>\$ 537,997</u>

12. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2020 and 2019, FEBC paid \$18,000 and \$6,044, respectively, for broadcasting services to a company owned by a board member. For the years ended June 30, 2020 and 2019, FEBC also paid \$29,998 and \$77,398, respectively, to an association of Christian communicators, for which FEBC's president served until March 2019 as the treasurer of the association. For the years ended June 30, 2020 and 2019, FEBC also received donated broadcasting time valued at \$78,600 and \$78,300, respectively, from a broadcasting company owned by a board member.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

13. **LIQUIDITY:**

The following reflects FEBC's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. FEBC maintains liquidity sufficient to meet general obligations as they become due.

	June 30, 2020	June 30, 2019
Financial assets:		
Cash and cash equivalents	\$ 2,794,761	\$ 1,656,572
Accounts receivable	195,466	203,940
Contributions receivable	3,000	156,889
Estate and trusts receivable	195,466	203,940
Investments	12,836,429	12,028,398
Financial assets, at year end	16,025,122	14,249,739
Less those unavailable for FEBC's activities within one year due to:		
Restricted by donors with purpose or time restrictions	(4,069,755)	(6,083,682)
Board designated	(1,500,000)	(1,500,000)
Fiduciary obligations	(2,337,884)	(2,350,123)
	(7,907,639)	(9,933,805)
Financial assets available to meet cash needs for FEBC's activities within one year	\$ 8,117,483	\$ 4,315,934

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for FEBC's activities 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 \$975k 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. **RISKS AND UNCERTAINTIES:**

FEBC's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on FEBC's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to FEBC's donor population and revenue, absenteeism in FEBC's workforce, and a decline in value of assets held by FEBC, including property and equipment, and marketable securities. The financial impact cannot be estimated at this time.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

15. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 2, 2020, which is the date the financial statements were available to be issued.