



**FAR EAST BROADCASTING
COMPANY, INC.**

Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 6, 2021

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 1,860,826	\$ 2,794,761
Accounts receivable	138,188	195,466
Prepaid expenses and other assets	42,257	116,737
Contributions receivable	3,000	3,000
Estate and trust receivables	358,178	103,985
Investments	14,708,470	12,836,429
Real estate held for sale	443,942	-
Land, buildings, and equipment - at cost, net	73,845	551,342
Total Assets	\$ 17,628,706	\$ 16,601,720
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 80,285	\$ 96,433
Accrued expenses	554,940	514,132
Fiduciary obligations	2,362,286	2,337,884
Long-term debt - Paycheck Protection Program loan	514,269	514,269
Capital lease obligations	9,931	19,902
Total liabilities	3,521,711	3,482,620
Net assets without donor restrictions:		
Undesignated	4,749,515	4,465,774
Board designated	2,224,947	2,488,913
	6,974,462	6,954,687
Net assets with donor restrictions	7,132,533	6,164,413
Total net assets	14,106,995	13,119,100
Total Liabilities and Net Assets	\$ 17,628,706	\$ 16,601,720

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 3,022,651	\$ 7,164,043	\$ 10,186,694	\$ 2,126,323	\$ 6,108,138	\$ 8,234,461
Trust and estate income	671,810	-	671,810	2,493,374	1,825	2,495,199
Broadcast revenue	1,586,599	-	1,586,599	1,131,648	-	1,131,648
Investment income	583,463	75,571	659,034	154,275	(44)	154,231
Change in value of fiduciary obligations	102,708	-	102,708	(135,982)	-	(135,982)
Gain on sale of assets	4,690	-	4,690	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	6,271,494	(6,271,494)	-	6,029,188	(6,029,188)	-
	<u>12,243,415</u>	<u>968,120</u>	<u>13,211,535</u>	<u>11,798,826</u>	<u>80,731</u>	<u>11,879,557</u>
EXPENSES:						
Program ministries:						
Broadcast operations	10,140,173	-	10,140,173	9,653,906	-	9,653,906
Supporting activities:						
General and administrative	800,140	-	800,140	884,025	-	884,025
Fundraising	1,283,327	-	1,283,327	1,218,809	-	1,218,809
Total supporting services	<u>2,083,467</u>	<u>-</u>	<u>2,083,467</u>	<u>2,102,834</u>	<u>-</u>	<u>2,102,834</u>
Total Expenses	<u>12,223,640</u>	<u>-</u>	<u>12,223,640</u>	<u>11,756,740</u>	<u>-</u>	<u>11,756,740</u>
Change in Net Assets	19,775	968,120	987,895	42,086	80,731	122,817
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 6,974,462</u>	<u>\$ 7,132,533</u>	<u>\$ 14,106,995</u>	<u>\$ 6,954,687</u>	<u>\$ 6,164,413</u>	<u>\$ 13,119,100</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Functional Expenses

by Natural Classification

	Year Ended June 30, 2021			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 5,794,427	\$ -	\$ -	\$ 5,794,427
Salaries and wages	2,215,292	405,039	336,178	2,956,509
Professional services	793,379	93,729	403,332	1,290,440
Employee benefits	769,414	131,930	107,515	1,008,859
Printing and publications	130,620	51,164	346,876	528,660
Other expenses	85,756	52,437	18,066	156,259
Supplies	96,976	10,489	15,278	122,743
Telephone and occupancy	77,937	11,680	13,547	103,164
Travel	63,481	6,071	18,529	88,081
Equipment repair and maintenance	46,995	5,563	6,107	58,665
Depreciation and amortization	29,138	17,483	6,357	52,978
Postage and shipping	26,336	13,940	8,432	48,708
Conferences	10,422	615	3,110	14,147
	<u>\$ 10,140,173</u>	<u>\$ 800,140</u>	<u>\$ 1,283,327</u>	<u>\$ 12,223,640</u>
	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
Other expenses	94,398	45,152	29,470	169,020
Supplies	108,745	12,529	18,113	139,387
Telephone and occupancy	78,695	11,928	13,040	103,663
Travel	159,984	23,583	37,730	221,297
Equipment repair and maintenance	59,360	7,172	8,539	75,071
Depreciation and amortization	60,396	36,237	13,177	109,810
Postage and shipping	20,647	10,946	3,663	35,256
Conferences	50,720	8,062	5,588	64,370
	<u>\$ 9,653,906</u>	<u>\$ 884,025</u>	<u>\$ 1,218,809</u>	<u>\$ 11,756,740</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 987,895	\$ 122,817
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	52,978	109,810
Realized and unrealized gain on investments	(942,212)	(168,695)
Gift annuity and charitable trusts actuarial change	15,051	(38,502)
Net change in:		
Accounts receivable	57,278	8,474
Prepaid expenses and other assets	74,480	(69,303)
Contribution receivables	-	153,889
Estate and trust receivables	(254,193)	1,161,996
Accounts payable	(16,148)	25,306
Accrued expenses	40,808	(28,002)
Net Cash Provided by Operating Activities	15,937	1,277,790
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(19,423)	(31,238)
Acquisition of investments	(12,119,392)	(2,960,011)
Proceeds from sale of investments	11,189,563	2,320,675
Proceeds from sale of investments for distribution of beneficiary payments	276,761	272,117
Gift portion of new trusts and charitable savings agreements	(106,474)	(64,483)
Net Cash Used in Investing Activities	(778,965)	(462,940)

(continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new long term debt	-	514,269
Payments on capital lease obligation	(9,971)	(9,559)
Payments on gift annuities to beneficiaries	(276,761)	(272,117)
Face value of new annuity, trusts, and charitable savings agreements	186,714	165,600
Maturities of gift annuities and trusts	(70,889)	(74,854)
Net Cash Provided by (Used in) Financing Activities	(170,907)	323,339
 Change in Cash and Cash Equivalents	(933,935)	1,138,189
 Cash and Cash Equivalents, Beginning of Year	2,794,761	1,656,572
 Cash and Cash Equivalents, End of Year	\$ 1,860,826	\$ 2,794,761
 SUPPLEMENTAL DISCLOSURES:		
Real estate held for sale	\$ 443,942	\$ -

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, approximately 6% and 23% of FEBC's contributions consisted of trust and estate gifts, respectively. Approximately 9% and 13% of contributions were received from other FEBC affiliates (see Note 8), and approximately 35% and 18% of contributions were received from churches, foundations, ministries, and other institutions for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, FEBC's cash balances on deposit exceeded federally insured limits by approximately \$1,420,000 and \$2,602,000, 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, 2021 and 2020, respectively.

PREPAID EXPENSES AND OTHER ASSETS

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

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

REAL ESTATE HELD FOR SALE

FEBC placed real estate in La Mirada, California, up for sale during the year ended June 30, 2021. The real estate is held at the lower of cost or fair value. In April 2021, FEBC entered into a sale agreement amended in June 2021 with a selling price of \$8,200,000 and an escrow closing date in December 2022.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 12 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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. FEBC adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to simplifying the disclosures related to fair value measurements and had an impact on the disclosure of FEBC's Level 3 inputs as of June 30, 2021 (Note 4). This ASU has been applied retrospectively, with no effect on net assets of previously issued financial statements.

In 2018, the FASB also issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. FEBC adopted the provisions of this new standard during the year ended June 30, 2020 as a resource provider. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

3. **LIQUIDITY:**

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

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,860,826	\$ 2,794,761
Accounts receivable	138,188	195,466
Contributions receivable	3,000	3,000
Estate and trusts receivable	358,178	103,985
Investments	14,708,470	12,836,429
Financial assets, at year end	17,068,662	15,933,641
Less those unavailable for FEBC's activities within one year due to:		
Beneficial interest held in others	(32,575)	(32,575)
Restricted by donors with purpose or time restrictions	(5,908,102)	(4,069,755)
Board designated	(1,500,000)	(1,500,000)
Fiduciary obligations	(2,362,286)	(2,337,884)
	(9,802,963)	(7,940,214)
Financial assets available to meet cash needs for FEBC's activities within one year	\$ 7,265,699	\$ 7,993,427

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 \$1,020,000 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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2021 and 2020 are as follows:

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 320,716	\$ 202,421
Investments:		
Equities	6,200,811	22,301
Mutual funds	5,287,835	11,303,671
Bonds	2,221,953	228,151
Indexed annuities	302,571	259,915
Money market accounts	192,563	269,569
Alternative managed futures	121,877	490,257
Investment in LLC	60,144	60,144
	<u>\$ 14,708,470</u>	<u>\$ 12,836,429</u>

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification (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, 2021 and 2020

4. 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, 2021 and 2020:

As of June 30, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equities	\$ 6,200,811	\$ 6,200,811	\$ -	\$ -
Mutual funds	5,287,835	5,287,835	-	-
Bonds	2,221,953	1,961,173	260,780	-
Indexed annuities	302,571	-	302,571	-
Alternative managed futures	121,877	-	121,877	-
Limited partnership	60,144	-	-	60,144
	<u>\$ 14,195,191</u>	<u>\$ 13,449,819</u>	<u>\$ 685,228</u>	<u>\$ 60,144</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS, continued:

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)
Equities	\$ 22,301	\$ 22,301	\$ -	\$ -
Mutual funds	11,303,671	11,303,671	-	-
Bonds	228,151	228,151	-	-
Indexed annuities	259,915	-	259,915	-
Alternative managed futures	490,257	-	242,380	247,877
Limited partnership	60,144	-	-	60,144
	\$ 12,364,439	\$ 11,554,123	\$ 502,295	\$ 308,021

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 \$288,559 and \$239,889, as of June 30, 2021 and 2020, 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, 2020	\$ 308,021
Transfers out of Level 3	(247,877)
Transfers into Level 3	-
Balance as of June 30, 2021	\$ 60,144

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2021	2020
Land	\$ -	\$ 300,300
Land improvements	-	70,634
Buildings and improvements	-	1,051,826
Equipment	1,508,078	1,536,433
	1,508,078	2,959,193
Less accumulated depreciation	(1,434,233)	(2,439,088)
	73,845	520,105
Software in process	-	31,237
	\$ 73,845	\$ 551,342
Reclassification to real estate held for sale from land, buildings, and equipment	\$ 443,942	\$ -

6. 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, 2021 and 2020

6. 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, 2021 and 2020

6. FIDUCIARY OBLIGATIONS, continued:

Fiduciary obligations consist of:

	June 30,	
	2021	2020
Gift annuity liabilities	\$ 1,580,391	\$ 1,588,948
Irrevocable agreements	429,164	443,721
Amounts due other beneficiaries	293,193	245,677
Charitable savings agreements	59,538	59,538
	\$ 2,362,286	\$ 2,337,884

The change in value of fiduciary obligations consists of:

	June 30,	
	2021	2020
Change in value of charitable gift annuities:		
Actuarial change	\$ 17,906	\$ 18,712
Maturities	70,889	74,854
Payments and distributions (including miscellaneous expenses)	(207,656)	(212,832)
	(118,861)	(119,266)
Change in value of charitable trusts:		
Interest and dividends	32,503	38,125
Realized and unrealized gains (losses) on investments	265,492	(18,834)
Actuarial change	(32,957)	19,790
Payments (including miscellaneous expenses)	(65,047)	(53,907)
	199,991	(14,826)
Change in value of charitable savings agreements:		
Interest and dividends	15,577	10,931
Realized and unrealized gains (losses) on investments	10,059	(7,443)
Payments (including miscellaneous expenses)	(4,058)	(5,378)
	21,578	(1,890)
	\$ 102,708	\$ (135,982)

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2021	2020
Net assets without donor restrictions:		
Undesignated:		
Undesignated	\$ 4,746,611	\$ 4,337,343
Funds held for fields	2,904	128,431
	4,749,515	4,465,774
Designated:		
Designated by board for the Legacy Fund	2,224,947	2,488,913
	\$ 6,974,462	\$ 6,954,687
Net assets with donor restrictions:		
Operations in foreign countries *	\$ 5,967,016	\$ 5,244,991
Missionary support	455,292	360,381
Irrevocable agreements	412,860	337,246
Investment account held for restricted purposes	292,373	216,802
Other projects	4,992	4,993
	\$ 7,132,533	\$ 6,164,413

* Net assets restricted by donors for operations in foreign countries as of June 30, 2021 and 2020, includes \$1,535,747 and \$1,484,898, respectively, restricted to support broadcast operations in South-East Asia. Net assets restricted by donors for operations in foreign countries also includes \$717,243 and \$776,040 restricted for developmental growth of international Asian ministries, as of June 30, 2021 and 2020, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

8. 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,	
	2021	2020
Vietnam	\$ 1,705,300	\$ 1,140,933
Russia and Ukraine	1,177,436	946,218
Hong Kong	599,462	470,181
Philippines	292,378	397,262
Central Asia	283,098	233,164
Korea	282,546	502,697
Thailand	275,901	391,936
Mongolia	250,178	257,726
Cambodia	232,405	260,869
Japan	162,360	113,260
Indonesia	160,250	151,149
India	138,489	110,951
Taiwan	104,180	104,100
South Africa	50,000	-
Other countries	25,008	9,100
Pakistan	23,525	64,615
England	15,050	11,942
Malaysia	12,000	7,000
Canada	4,860	400
	\$ 5,794,426	\$ 5,173,503

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$836,079 and \$901,626 was received from these fields during the years ended June 30, 2021 and 2020, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$44,918 and \$21,442, during the years ended June 30, 2021 and 2020, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

9. CAPITAL LEASES:

Capital leases consist of:

	June 30,	
	2021	2020
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 \$19,369, as of June 30, 2021.	\$ 7,631	\$ 13,002
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 \$20,700, as of June 30, 2021.	2,300	6,900
	\$ 9,931	\$ 19,902

Annual maturities are as follows:

Year Ending June 30,	
2022	\$ 7,841
2023	2,090
	\$ 9,931

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

10. LONG-TERM DEBT:

Long-term debt consists of the following:

	June 30,	
	<u>2021</u>	<u>2020</u>
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.	<u>\$ 514,269</u>	<u>\$ 514,269</u>

The future minimum payments are:

<u>Year Ending June 30,</u>	
2022	\$ 259,017
2023	<u>255,252</u>
	<u>\$ 514,269</u>

11. 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 \$160,937 and \$155,790, for the years ended June 30, 2021 and 2020, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

12. 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,	
	2021	2020
Program services	\$ 436,716	\$ 506,144
Supporting activities:		
General and administrative	1,333	1,545
Fundraising	6,220	7,209
	<u>\$ 444,269</u>	<u>\$ 514,898</u>

13. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2021 and 2020, FEBC paid \$13,160 and \$18,000, respectively, for broadcasting services to a company owned by a board member. FEBC also received donated broadcasting time valued at \$78,600, for each of the years ended June 30, 2021 and 2020, from a broadcasting company owned by a board member.

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.

15. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 6, 2021, which is the date the financial statements were available to be issued.