



**FAR EAST BROADCASTING
COMPANY, INC.**

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

FAR EAST BROADCASTING COMPANY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far East Broadcasting Company, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Far East Broadcasting Company, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Far East Broadcasting Company, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Far East Broadcasting Company, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Far East Broadcasting Company, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Brea, California
October 13, 2022

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 980,038	\$ 1,860,826
Accounts receivable	138,303	138,188
Funds held in escrow	375,000	-
Prepaid expenses and other assets	38,044	42,257
Contributions receivable	3,000	3,000
Estate and trust receivables	235,670	358,178
Investments	14,381,447	12,483,523
Investments held for board designated purposes	2,060,268	2,224,947
Real estate held for sale	443,942	443,942
Equipment - at cost, net	73,845	73,845
Total Assets	\$ 18,729,557	\$ 17,628,706
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 259,255	\$ 80,285
Accrued expenses	547,368	554,940
Funds held in escrow liability	375,000	-
Fiduciary obligations	2,255,759	2,362,286
Long-term debt - Paycheck Protection Program loan	514,269	514,269
Capital lease obligations	37,667	9,931
Total liabilities	3,989,318	3,521,711
Net assets without donor restrictions:		
Undesignated	5,255,369	4,749,515
Board designated	2,060,268	2,224,947
	7,315,637	6,974,462
Net assets with donor restrictions	7,424,602	7,132,533
Total net assets	14,740,239	14,106,995
Total Liabilities and Net Assets	\$ 18,729,557	\$ 17,628,706

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 3,679,928	\$ 9,341,491	\$ 13,021,419	\$ 2,867,851	\$ 7,164,043	\$ 10,031,894
Trust and estate income	1,266,198	-	1,266,198	671,810	-	671,810
Broadcast revenue	2,105,582	-	2,105,582	1,586,599	-	1,586,599
Gifts-in-kind - donated real estate	255,000	-	255,000	-	-	-
Gifts-in-kind - donated air time	78,600	-	78,600	78,600	-	78,600
Gifts-in-kind - radios	7,000	-	7,000	76,200	-	76,200
Investment income (loss)	(1,160,236)	(44,305)	(1,204,541)	583,463	75,571	659,034
Change in value of fiduciary obligations	(101,500)	-	(101,500)	102,708	-	102,708
Gain on sale of assets	235	-	235	4,690	-	4,690
Net assets released from restrictions:						
Satisfaction of program restrictions	9,005,117	(9,005,117)	-	6,271,494	(6,271,494)	-
	<u>15,135,924</u>	<u>292,069</u>	<u>15,427,993</u>	<u>12,243,415</u>	<u>968,120</u>	<u>13,211,535</u>
EXPENSES:						
Program ministries:						
Broadcast operations	11,698,192	-	11,698,192	10,140,173	-	10,140,173
Supporting activities:						
General and administrative	997,321	-	997,321	800,140	-	800,140
Fundraising	2,099,236	-	2,099,236	1,283,327	-	1,283,327
Total supporting services	<u>3,096,557</u>	<u>-</u>	<u>3,096,557</u>	<u>2,083,467</u>	<u>-</u>	<u>2,083,467</u>
Total Expenses	<u>14,794,749</u>	<u>-</u>	<u>14,794,749</u>	<u>12,223,640</u>	<u>-</u>	<u>12,223,640</u>
Change in Net Assets	341,175	292,069	633,244	19,775	968,120	987,895
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 7,315,637</u>	<u>\$ 7,424,602</u>	<u>\$ 14,740,239</u>	<u>\$ 6,974,462</u>	<u>\$ 7,132,533</u>	<u>\$ 14,106,995</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Functional Expenses

by Natural Classification

	Year Ended June 30, 2022			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 6,776,731	\$ -	\$ -	\$ 6,776,731
Salaries and wages	2,320,202	450,862	391,554	3,162,618
Printing and publications	378,793	166,556	1,083,713	1,629,062
Professional services	836,957	101,328	383,578	1,321,863
Employee benefits	769,745	123,398	112,844	1,005,987
Travel	152,764	22,102	33,731	208,597
Other expenses	101,453	63,237	29,482	194,172
Supplies	122,376	14,345	24,800	161,521
Telephone and occupancy	95,230	13,889	14,380	123,499
Postage and shipping	37,994	18,920	9,445	66,359
Conferences	44,596	4,628	6,517	55,741
Equipment repair and maintenance	39,574	4,990	4,441	49,005
Depreciation and amortization	21,777	13,066	4,751	39,594
	\$ 11,698,192	\$ 997,321	\$ 2,099,236	\$ 14,794,749
	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
Printing and publications	130,620	51,164	346,876	528,660
Professional services	793,379	93,729	403,332	1,290,440
Employee benefits	769,414	131,930	107,515	1,008,859
Travel	63,481	6,071	18,529	88,081
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
Postage and shipping	26,336	13,940	8,432	48,708
Conferences	10,422	615	3,110	14,147
Equipment repair and maintenance	46,995	5,563	6,107	58,665
Depreciation and amortization	29,138	17,483	6,357	52,978
	\$ 10,140,173	\$ 800,140	\$ 1,283,327	\$ 12,223,640

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 633,244	\$ 987,895
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	39,594	52,978
Realized and unrealized (gain) loss on investments	1,264,931	(942,212)
Gain on sale of equipment	(235)	-
Gift annuity and charitable trusts actuarial change	(86,603)	15,051
Net change in:		
Accounts receivable	(115)	57,278
Funds held in escrow	(375,000)	-
Prepaid expenses and other assets	4,213	74,480
Estate and trust receivables	122,508	(254,193)
Accounts payable	178,970	(16,148)
Accrued expenses	(7,572)	40,808
Funds held in escrow liability	375,000	-
Net Cash Provided by Operating Activities	2,148,935	15,937
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	-	(19,423)
Proceeds from sale of equipment	2,300	-
Acquisition of investments	(12,599,977)	(12,119,392)
Proceeds from sale of investments	9,601,801	11,189,563
Proceeds from sale of investments for distribution of beneficiary payments	277,186	276,761
Gift portion of new trusts and charitable savings agreements	(118,476)	(106,474)
Net Cash Used in Investing Activities	(2,837,166)	(778,965)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(13,929)	(9,971)
Payments on gift annuities to beneficiaries	(277,186)	(276,761)
Face value of new annuity, trusts, and charitable savings agreements	265,000	186,714
Maturities of gift annuities and trusts	(109,921)	(70,889)
Maturities of charitable savings agreements	(56,521)	-
Net Cash Used in Financing Activities	(192,557)	(170,907)
Change in Cash and Cash Equivalents	(880,788)	(933,935)
Cash and Cash Equivalents, Beginning of Year	1,860,826	2,794,761
Cash and Cash Equivalents, End of Year	\$ 980,038	\$ 1,860,826
SUPPLEMENTAL DISCLOSURES:		
Real estate held for sale	\$ -	\$ 443,942
Equipment acquired through capital lease	\$ 41,665	\$ -

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021, approximately 9% and 6% of FEBC's contributions consisted of trust and estate gifts, respectively. Approximately 7% and 9% of contributions were received from other FEBC affiliates (see Note 8), and approximately 22% and 25% of contributions were received from churches, foundations, ministries, and other institutions for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, FEBC's cash balances on deposit exceeded federally insured limits by approximately \$874,000 and \$1,420,000, 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, 2022 and 2021, 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, 2022 and 2021

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, less estimated selling costs. 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.

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, 2022 and 2021

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. 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.

GIFTS-IN-KIND

Gifts-in-kind consists of non-cash gifts including donated real estate, air time, and radios. Non-cash gifts are recorded as support at the estimated fair market value on the date of the gift. Donated real estate was valued at market value then liquidated. Proceeds from the sale of the donated real estate was used to fulfill donor restrictions which included granting approximately \$138,000 to another ministry. Donated air time and radios are utilized to fulfill FEBC's mission to move listeners closer to Jesus Christ and His Kingdom.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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

During the year ended June 30, 2022, FEBC adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (topic 958 of the FASB Accounting Standards Codification). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. This ASU had no impact on revenue or net assets for FEBC.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 980,038	\$ 1,860,826
Accounts receivable	138,303	138,188
Contributions receivable	3,000	3,000
Estate and trusts receivable	235,670	358,178
Investments	14,381,447	14,708,470
Investments held for board designated purposes	2,060,268	2,224,947
Financial assets, at year end	17,798,726	19,293,609
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	(4,052,041)	(5,908,102)
Board designated	(2,060,268)	(2,224,947)
Fiduciary obligations	(2,255,759)	(2,362,286)
	(8,400,643)	(10,527,910)
Financial assets available to meet cash needs for FEBC's activities within one year	\$ 9,398,083	\$ 8,765,699

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 \$1,233,000 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, 2022 and 2021

4. INVESTMENTS AND INVESTMENTS HELD FOR BOARD DESIGNATED PURPOSES:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2022 and 2021 are as follows:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 682,400	\$ 320,716
Investments:		
Equities	8,085,308	6,200,811
Bonds	3,070,336	2,221,953
Mutual funds	3,039,529	5,287,835
Money market accounts	1,046,242	192,563
Indexed annuities	355,005	302,571
Alternative managed futures	102,751	121,877
Investment in LLC	60,144	60,144
	<u>\$ 16,441,715</u>	<u>\$ 14,708,470</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, 2022 and 2021

4. INVESTMENTS AND INVESTMENTS HELD FOR BOARD DESIGNATED PURPOSES, 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, 2022 and 2021:

As of June 30, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 8,085,308	\$ 8,085,308	\$ -	\$ -
Mutual funds	3,039,529	3,039,529	-	-
Bonds	3,070,336	-	3,070,336	-
Indexed annuities	355,005	-	355,005	-
Alternative managed futures	102,751	-	102,751	-
Limited partnership	60,144	-	-	60,144
	<u>\$ 14,713,073</u>	<u>\$ 11,124,837</u>	<u>\$ 3,528,092</u>	<u>\$ 60,144</u>

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)
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>

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 \$407,958 and \$288,559, as of June 30, 2022 and 2021, 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%.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

5. EQUIPMENT:

Equipment consist of the following:

	June 30,	
	2022	2021
Equipment	\$ 1,526,737	\$ 1,508,078
Less accumulated depreciation	<u>(1,452,892)</u>	<u>(1,434,233)</u>
	<u>\$ 73,845</u>	<u>\$ 73,845</u>
Reclassification to real estate held for sale from land, buildings, and equipment	<u>\$ -</u>	<u>\$ 433,942</u>

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, 2022 and 2021

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, 2022 and 2021

6. FIDUCIARY OBLIGATIONS, continued:

Fiduciary obligations consist of:

	June 30,	
	2022	2021
Gift annuity liabilities	\$ 1,588,527	\$ 1,580,391
Irrevocable agreements	369,993	429,164
Amounts due to other beneficiaries	294,229	293,193
Charitable savings agreements	3,010	59,538
	\$ 2,255,759	\$ 2,362,286

The change in value of fiduciary obligations consists of:

	June 30,	
	2022	2021
Change in value of charitable gift annuities:		
Actuarial change	\$ 28,468	\$ 17,906
Other income	-	-
Maturities	109,921	70,889
Payments and distributions (including miscellaneous expenses)	(218,788)	(207,656)
	(80,399)	(118,861)
Change in value of charitable trusts:		
Interest and dividends	23,733	32,503
Realized and unrealized gains (losses) on investments	(107,755)	265,492
Actuarial change	58,135	(32,957)
Maturities	-	-
Payments (including miscellaneous expenses)	(53,010)	(65,047)
	(78,897)	199,991
Change in value of charitable savings agreements:		
Maturities	46,528	-
Interest and dividends	10,595	15,577
Realized and unrealized gains on investments	6,061	10,059
Actuarial change	-	-
Maturities	-	-
Payments (including miscellaneous expenses)	(5,388)	(4,058)
	57,796	21,578
	\$ (101,500)	\$ 102,708

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2022	2021
Net assets without donor restrictions:		
Undesignated:		
Undesignated	\$ 5,252,465	\$ 4,746,611
Funds held for fields	2,904	2,904
	5,255,369	4,749,515
Designated:		
Designated by board for the Legacy Fund	2,060,268	2,224,947
Total net assets without donor restrictions	\$ 7,315,637	\$ 6,974,462
Net assets with donor restrictions:		
Operations in foreign countries *	\$ 6,524,809	\$ 5,967,016
Missionary support	500,864	455,292
Investment account held for restricted purposes	248,068	292,373
Irrevocable agreements	145,868	412,860
Other projects	4,993	4,992
	\$ 7,424,602	\$ 7,132,533

* Net assets restricted by donors for operations in foreign countries as of June 30, 2022 and 2021, includes \$1,357,154 and \$1,535,747, respectively, restricted to support broadcast operations in South-East Asia. Net assets restricted by donors for operations in foreign countries also includes \$514,547 and \$717,243 restricted for developmental growth of international Asian ministries, as of June 30, 2022 and 2021, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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,	
	2022	2021
Vietnam	\$ 1,973,900	\$ 1,705,300
Russia and Ukraine	1,301,447	1,177,436
Hong Kong	842,700	599,462
Korea	636,414	282,546
Philippines	313,668	292,378
Thailand	281,644	275,901
Cambodia	275,721	232,405
Indonesia	271,257	160,250
Central Asia	236,935	283,098
Mongolia	225,971	250,178
India	115,094	138,489
Taiwan	105,320	104,180
Pakistan	52,825	23,525
Japan	34,330	162,360
Other countries	32,758	25,009
Canada	28,500	4,860
Malaysia	25,535	12,000
England	22,712	15,050
South Africa	-	50,000
	<u>\$ 6,776,731</u>	<u>\$ 5,794,427</u>

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$957,676 and \$836,079 was received from these fields during the years ended June 30, 2022 and 2021, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$83,970 and \$44,918, during the years ended June 30, 2022 and 2021, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

9. CAPITAL LEASES:

Capital leases consist of:

	June 30,	
	2022	2021
FEBC leases office equipment under a capital lease that expires in June 2026. The gross assets under capital lease were \$23,000 with accumulated amortization of \$4,600, as of June 30, 2022.	\$ 18,400	\$ -
FEBC leases office equipment under a capital lease that expires in June 2025. The gross assets under capital lease were \$18,665 with accumulated amortization of \$518, as of June 30, 2022.	17,177	-
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 \$26,060, as of June 30, 2022.	2,090	7,631
FEBC leases office equipment under a capital lease that expired in December 2021. The gross assets under capital lease were \$23,000 and were fully amortized, as of June 30, 2022.	-	2,300
	\$ 37,667	\$ 9,931

Annual maturities are as follows:

Year Ending June 30,	
2023	\$ 6,217
2024	10,554
2025	10,554
2026	6,892
2027	3,450
	\$ 37,667

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

10. LONG-TERM DEBT:

Long-term debt consists of the following:

	June 30,	
	2022	2021
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. As of June 30, 2022, the loan is under review to determine if FEBC qualifies for forgiveness and no payments have been made by FEBC.	<u>\$ 514,269</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 \$155,558 and \$160,937, for the years ended June 30, 2022 and 2021, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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,	
	2022	2021
Program services	\$ 441,215	\$ 436,716
Supporting activities:		
General and administrative	1,347	1,333
Fundraising	6,284	6,220
	<u>\$ 448,846</u>	<u>\$ 444,269</u>

13. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2022 and 2021, FEBC paid \$18,847 and \$13,160, 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, 2022 and 2021, 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. COMMITMENTS:

During the year ended June 30, 2022, FEBC signed a lease agreement for office space located in Texas. The lease takes effect in November 2022 and monthly payments approximate \$7,600. The lease matures in November 2024.

16. SUBSEQUENT EVENTS:

In September 2022, FEBC was notified the buyer under contract to purchase the property in La Mirada, California, breached the agreement resulting in a default of the escrow process. In October 2022, FEBC received the non-refundable escrow deposit in the amount of \$375,000.

Subsequent events were evaluated through October 13, 2022, which is the date the financial statements were available to be issued.