

**FAR EAST BROADCASTING COMPANY, INC.**

**FINANCIAL STATEMENTS**  
With Independent Auditors' Report

June 30, 2008 and 2007

# **FAR EAST BROADCASTING COMPANY, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
**Far East Broadcasting Company, Inc.**  
La Mirada, California

We have audited the accompanying statements of financial position of **Far East Broadcasting Company, Inc. (FEBC)** as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of FEBC's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEBC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the results of its activities and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



Brea, California  
October 14, 2008

# FAR EAST BROADCASTING COMPANY, INC.

## Statements of Financial Position

	June 30,	
	2008	2007
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,310,061	\$ 1,034,144
Accounts receivable - net of \$6,000 allowance each year	94,468	106,772
Prepaid expenses and other assets	47,698	83,273
Investments	5,135,705	5,682,956
Estate and trust receivables	682,410	465,783
Pledges receivable	-	148,500
Notes receivable	5,778	10,356
Fiduciary fund assets	7,225,855	7,955,196
Land, buildings, and equipment - at cost, net	2,093,936	2,187,411
	<b>\$ 16,595,911</b>	<b>\$ 17,674,391</b>
<b>Total Assets</b>		
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 47,449	\$ 25,130
Accrued expenses	167,128	150,053
Fiduciary obligations	3,802,310	4,264,050
<b>Total liabilities</b>	<b>4,016,887</b>	<b>4,439,233</b>
 <b>Commitments</b>	 -	 -
 <b>Unrestricted net assets:</b>		
Undesignated	3,563,155	3,593,074
Designated	7,034,688	7,692,797
<b>Total unrestricted net assets</b>	<b>10,597,843</b>	<b>11,285,871</b>
 Temporarily restricted	 1,981,181	 1,949,287
<b>Total net assets</b>	<b>12,579,024</b>	<b>13,235,158</b>
 <b>Total Liabilities and Net Assets</b>	<b>\$ 16,595,911</b>	<b>\$ 17,674,391</b>

See notes to financial statements

**FAR EAST BROADCASTING COMPANY, INC.**

**Statements of Activities**

	For the Years Ended June 30,					
	2008		2007			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS:</b>						
Contributions	\$ 2,205,350	\$ 4,634,528	\$ 6,839,878	\$ 2,074,625	\$ 4,545,948	\$ 6,620,573
Trust and estate income	1,119,836	-	1,119,836	951,079	-	951,079
Broadcast revenue	735,754	-	735,754	731,922	-	731,922
Investment income	(50,268)	24,652	(25,616)	616,789	23,507	640,296
Change in fiduciary obligations	(169,850)	(213,435)	(383,285)	1,058,527	(223,160)	835,367
Other income	9,239	8,158	17,397	18,480	962	19,442
Net assets released from restrictions:						
Assessments	329,189	(329,189)	-	258,180	(258,180)	-
Satisfaction of program restrictions	4,092,820	(4,092,820)	-	4,930,500	(4,930,500)	-
<b>Total Support, Revenue, and Reclassifications</b>	<b>8,272,070</b>	<b>31,894</b>	<b>8,303,964</b>	<b>10,640,102</b>	<b>(841,423)</b>	<b>9,798,679</b>
<b>EXPENSES:</b>						
Program ministries:						
Broadcast operations	6,679,616	-	6,679,616	6,025,738	-	6,025,738
Supporting activities:						
General and administrative	922,935	-	922,935	790,504	-	790,504
Fundraising	1,357,547	-	1,357,547	1,304,991	-	1,304,991
Total supporting services	2,280,482	-	2,280,482	2,095,495	-	2,095,495
<b>Total Expenses</b>	<b>8,960,098</b>	<b>-</b>	<b>8,960,098</b>	<b>8,121,233</b>	<b>-</b>	<b>8,121,233</b>
<b>Change in Net Assets</b>	<b>(688,028)</b>	<b>31,894</b>	<b>(656,134)</b>	<b>2,518,869</b>	<b>(841,423)</b>	<b>1,677,446</b>
<b>Net Assets, Beginning of Year</b>	<b>11,285,871</b>	<b>1,949,287</b>	<b>13,235,158</b>	<b>8,767,002</b>	<b>2,790,710</b>	<b>11,557,712</b>
<b>Net Assets, End of Year</b>	<b>\$ 10,597,843</b>	<b>\$ 1,981,181</b>	<b>\$ 12,579,024</b>	<b>\$ 11,285,871</b>	<b>\$ 1,949,287</b>	<b>\$ 13,235,158</b>

See notes to financial statements

# FAR EAST BROADCASTING COMPANY, INC.

## Statements of Cash Flows

	For the Years Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (656,134)	\$ 1,677,446
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	157,824	152,492
Non-cash gifts	(113,915)	(74,839)
Realized and unrealized (gain) loss on investments	1,033,959	(1,031,685)
Actuarial gain on fiduciary obligations	(461,739)	(30,034)
Net change in:		
Accounts receivable	160,804	78,211
Estate and trust receivables	(216,627)	(248,686)
Prepaid expenses and other assets	35,575	534,813
Accounts payable	(1,681)	(3,535)
Accrued expenses	17,075	2,268
Net Cash Provided by (Used in) Operating Activities	(44,859)	1,056,451
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of equipment	(64,349)	(1,104,546)
Acquisition of investments	(3,594,950)	(5,567,608)
Proceeds from sale of investments	4,241,464	5,336,567
New notes receivable	-	(9,617)
Collections on fiduciary fund assets	14,195	451,627
Net Cash Provided by (Used in) Investing Activities	596,360	(893,577)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on fiduciary obligations	(412,926)	(504,419)
Proceeds funding new fiduciary agreements	137,342	97,079
Net Cash Used in Financing Activities	(275,584)	(407,340)
Increase (Decrease) in Cash and Cash Equivalents	275,917	(244,466)
Cash and Cash Equivalents, Beginning of Year	1,034,144	1,278,610
Cash and Cash Equivalents, End of Year	\$ 1,310,061	\$ 1,034,144

See notes to financial statements

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

### 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 and delivering radio programming 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. Contributions by the public are deductible for income tax purposes. FEBC has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

For the year ended June 30, 2008, approximately 14% of FEBC's contributions consisted of trust and estate gifts. Approximately 6% of contributions were received from other Far East Broadcasting sending fields (see Note 9), and approximately 29% of contributions were received from churches, foundations, and other ministries. 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 U.S. generally accepted accounting principles. 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. These accounts may, at times, exceed federally insured limits. FEBC has not experienced any losses on such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

#### 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 limited partnerships, closely-held stocks, and property held for investment purposes are carried at historical cost.
- Donated investments are recorded at market value on the date of donation and are thereafter carried in accordance with the above provisions.
- Life insurance policies are carried at cash surrender value.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LAND, BUILDINGS, AND EQUIPMENT

Expenditures for property and equipment over \$1,500 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from 5 to 10 years for equipment and from 20 to 40 years for buildings and improvements.

#### NET ASSETS

The financial statements report amounts by classification of net assets as follows:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the organization's operations or designated for specific purposes and those resources invested in land, buildings, and equipment.
- *Temporarily restricted net assets* are those which are stipulated by donors for specific operating purposes or for capital projects.

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

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

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES

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

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



# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FUNCTIONAL ALLOCATION OF EXPENSES

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

#### ALLOCATION OF JOINT COSTS

FEBC has adopted the American Institute of Certified Public Accountants' Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fundraising*. This statement requires all costs that contain any fundraising appeal be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content (see Note 12).

#### USE OF ESTIMATES

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

#### RECLASSIFICATION

Certain amounts previously reported in the financial statements for the prior year have been reclassified to conform to the current year presentation.

### 3. INVESTMENTS:

Investments consist of money market accounts. Investment income consists of the following:

	June 30,	
	2008	2007
Interest on notes receivable	\$ 583	\$ 808
Other interest and dividends	383,329	335,639
Realized and unrealized gain (loss) on investments	(409,528)	303,849
	<u>\$ (25,616)</u>	<u>\$ 640,296</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

4. NOTES RECEIVABLE:

The Notes receivable consist of the following:

	June 30,	
	2008	2007
One note from an individual, collateralized by residential property. The note is payable in quarterly installments of \$250 including interest at 7.5% until paid.	\$ -	\$ 5,083
Two unsecured notes with total monthly payments of \$470, including interest at 8% for both notes, maturing in April and July 2009. This includes the note from a member of management that purchased an automobile donated to the organization (Note 13).	5,778	5,273
	\$ 5,778	\$ 10,356

5. FIDUCIARY FUND ASSETS:

The following fiduciary fund assets are held for the benefit of annuitants and trustors:

	June 30,	
	2008	2007
Cash and cash equivalents	\$ 72,222	\$ 63,153
Investments:		
Money market accounts	73,398	125,552
Mutual funds	6,879,230	7,579,284
Closely-held stock	135,228	135,228
Limited partnership	63,427	63,427
Mortgage-backed securities	2,340	2,924
Notes receivable:		
Notes from one individual, collateralized by residential property, payable in total monthly installments of \$452, including interest at 7.75%, maturing May 2009.	-	9,618
Investment property	10	10
Accounts payable	-	(24,000)
	\$ 7,225,855	\$ 7,955,196

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

6. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2008	2007
Land	\$ 477,343	\$ 477,343
Land improvements	431,832	431,832
Buildings	2,944,316	2,878,481
Equipment	4,123,411	4,101,646
Land, buildings, and equipment - at cost	7,976,902	7,889,302
Less accumulated depreciation	(5,882,966)	(5,725,141)
	2,093,936	2,164,161
Construction in process	-	23,250
Land, buildings and equipment - at cost, net	\$ 2,093,936	\$ 2,187,411

The carrying value of assets located overseas in Saipan for June 30, 2008 and 2007, was approximately \$906,607 and \$931,260, respectively.

7. FIDUCIARY OBLIGATIONS:

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

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

**Gift Annuities** - FEBC has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes.

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

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

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

### 7. FIDUCIARY OBLIGATIONS, continued:

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

**Irrevocable Agreements** - As trustee, FEBC administers irrevocable trusts, including charitable remainder unitrusts and charitable remainder annuity trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated parties.

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

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

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

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

Fiduciary obligations consist of the following:

	June 30,	
	2008	2007
Charitable savings agreements	\$ 380,815	\$ 466,110
Gift annuities	2,309,591	2,072,595
Irrevocable agreements	903,482	1,110,940
Amounts due other beneficiaries	208,422	614,405
	<u>\$ 3,802,310</u>	<u>\$ 4,264,050</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

7. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of the following:

	June 30,	
	2008	2007
Investment income:		
Interest and dividends	\$ 332,526	\$ 334,596
Realized and unrealized (loss)/gain on investments	(632,124)	719,276
Investment management fees	(39,774)	(41,907)
	(339,372)	1,011,965
Income released as a result of termination of agreement	182,897	241,880
Change in actuarial value	196,114	41,972
Payments to trustors and annuitants and related expenses	(422,924)	(460,450)
	\$ (383,285)	\$ 835,367

Contribution income from new agreements for the years ended June 30, 2008 and 2007, was \$137,342 and \$97,079, respectively, and is included in contributions in the statements of activities.

8. NET ASSETS:

Net assets consist of the following:

	June 30,	
	2008	2007
Unrestricted:		
Undesignated:		
Undesignated	\$ 1,477,703	\$ 1,269,003
Funds held for fields	91,517	136,660
Net investment in land, buildings, and equipment	1,993,935	2,187,411
	3,563,155	3,593,074
Designated:		
Designated by board for fiduciary fund reserves	3,177,439	3,231,387
Designated by board for the Legacy Fund	3,818,015	4,425,321
Designated by board for projects	39,234	36,089
	7,034,688	7,692,797
Total unrestricted net assets	\$10,597,843	\$11,285,871
Temporarily Restricted:		
Missionary support	\$ 342,720	\$ 381,896
Operations in foreign countries	1,312,231	1,022,941
Other projects	80,123	84,908
Irrevocable agreements	246,107	459,542
	\$ 1,981,181	\$ 1,949,287

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

9. 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,	
	2008	2007
Russia	\$ 555,107	\$ 570,220
Korea	534,184	472,453
Mongolia	349,505	158,085
Philippines	329,233	341,635
Indonesia	216,697	209,363
Cambodia	166,233	100,674
Thailand	87,231	75,430
Other countries	561,486	429,795
	<u>\$ 2,799,676</u>	<u>\$ 2,357,655</u>

In addition, financial support is provided to and received from other Far East Broadcasting sending fields in Canada, England, and Hong Kong. Financial support in the amount of \$464,733 and \$450,625 was received from these fields during the years ended June 30, 2008 and 2007, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$403,921 and \$195,603 during the years ended June 30, 2008 and 2007, respectively, and is included in broadcast operations expense.

10. LEASES:

FEBC has noncancelable operating lease agreements for transmitter sites on the island of Saipan through the year 2018. FEBC also has a postage machine that expires in September, 2012. Total rental expense under these agreements amounted to approximately \$30,634 and \$29,048 for the years ended June 30, 2008 and 2007, respectively. Total future minimum rental commitments due are as follows:

<u>Years Ending June 30,</u>	
2009	\$ 25,543
2010	29,156
2011	29,156
2012	29,156
2013	28,792
Thereafter	143,349
	<u>\$ 285,152</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

### 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 \$160,148 and \$144,726 for the years ended June 30, 2008 and 2007, respectively.

### 12. JOINT COSTS:

As stated in Note 2, FEBC has adopted the American Institute of Certified Public Accountants' Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fundraising*. FEBC incurs costs for missionary deputation, which includes time spent performing fundraising functions. FEBC also incurs costs for the development and maintenance of its website, which benefit both program activities and the fundraising function. These costs are referred to as joint costs and are allocated to program activities, general and administrative, and fundraising. Joint cost allocations are as follows:

	June 30,	
	2008	2007
Program services	\$ 821,773	\$ 743,893
Management and general activities	18,677	16,907
Fundraising	93,383	84,533
	<u>\$ 933,833</u>	<u>\$ 845,333</u>

### 13. RELATED PARTY TRANSACTIONS:

During the fiscal year ending June 30, 2007, the chairman of the board of directors of FEBC was a key employee of Words of Hope, who sponsors programming for FEBC. Payments from Words of Hope to FEBC totaled \$3,659 and \$3,811 for the years ended June 30, 2008 and 2007, respectively, and there was a receivable of \$359 and \$211 from Words of Hope at June 30, 2008 and 2007, respectively.

In April 2006, one of the members of the management team purchased from FEBC an automobile that was donated to FEBC. The automobile was purchased at fair market value. The note was originally for \$5,900 at 8% interest for 36 months. The outstanding balance was paid during the year ended June 30, 2008.

In June 2007, a construction contract was awarded to a company owned by a son-in-law of a FEBC executive vice president. The construction project was a partial remodeling of the La Mirada office. The contract was for \$23,500 and was capitalized as construction in process. The project was completed in August 2007 at a total cost of \$30,600.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2008 and 2007

13. RELATED PARTY TRANSACTIONS, continued:

FEBC was given an estate which stipulated that FEBC use the proceeds to help retired FEBC missionaries with their housing expenses. There are currently four missionaries receiving this rent supplement. One of them is the father of FEBC's Director of Finance. The total support paid was \$1,200 and \$4,800 for the years ending June 30, 2008 and 2007, respectively.

14. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognizing, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. The effect of FIN 48 has not been determined.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2008. The effect of SFAS No. 157 has not been determined.



## SUPPLEMENTAL INFORMATION

# CAPIN CROUSE LLP

Certified Public Accountants

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## AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors  
**Far East Broadcasting Company, Inc.**  
La Mirada, California

Our report on our audits of the basic financial statements of **Far East Broadcasting Company, Inc.** for June 30, 2008 and 2007 appears on Page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Brea, California  
October 14, 2008

## FAR EAST BROADCASTING COMPANY, INC.

### Supplemental Schedules of Functional Expenses by Natural Classification

	Year Ended June 30, 2008			
	Broadcast Operations	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,834,375	\$ 517,463	\$ 500,491	\$ 2,852,329
Broadcasting grants	2,799,676	-	-	2,799,676
Employee benefits	674,459	143,725	151,302	969,486
Printing and publications	77,961	44,233	360,794	482,988
Travel and conferences	315,029	38,515	104,420	457,964
Telephone and occupancy	357,886	12,809	16,484	387,179
Professional services	125,106	50,876	86,975	262,957
Depreciation	107,541	23,816	26,463	157,820
Supplies	64,478	14,634	56,570	135,682
Equipment repair and maintenance	73,328	4,140	5,281	82,749
Postage and shipping	23,912	14,075	21,650	59,637
Other expenses	225,865	58,649	27,117	311,631
Total Expenses	\$ 6,679,616	\$ 922,935	\$ 1,357,547	\$ 8,960,098

	Year Ended June 30, 2007			
	Broadcast Operations	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,750,676	\$ 440,632	\$ 479,180	\$ 2,670,488
Broadcasting grants	2,357,655	-	-	2,357,655
Employee benefits	655,485	128,056	150,238	933,779
Printing and publications	64,608	37,765	316,009	418,382
Travel and conferences	328,702	18,880	137,749	485,331
Telephone and occupancy	407,704	11,252	18,079	437,035
Professional services	89,101	55,475	75,507	220,083
Depreciation	103,848	22,350	26,294	152,492
Supplies	72,544	12,819	65,621	150,984
Equipment repair and maintenance	57,564	4,052	5,586	67,202
Postage and shipping	28,302	14,444	13,045	55,791
Other expenses	109,549	44,779	17,683	172,011
Total Expenses	\$ 6,025,738	\$ 790,504	\$ 1,304,991	\$ 8,121,233