

FAR EAST BROADCASTING COMPANY, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2010 and 2009

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, 2010 and 2009 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, 2010 and 2009, and the results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 and 14, FEBC has adopted the new provisions of the following Topics of the FASB Accounting Standards Codification: Income Tax and Subsequent Events. The adoption of these standards had no impact on previously reported net assets.



Brea, California
December 6, 2010

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2010	2009
		(As Restated)
ASSETS:		
Cash and cash equivalents	\$ 1,156,443	\$ 820,048
Accounts receivable - net of \$6,000 allowance each year	92,851	90,367
Prepaid expenses and other assets	80,508	62,874
Investments	2,138,309	3,153,838
Estate and trust receivables	209,670	331,510
Contributions receivable	100,000	-
Notes receivable, net of \$44,495 allowance each year	2,821	5,178
Fiduciary fund assets	5,106,388	5,049,704
Land, buildings, and equipment - at cost, net	2,046,814	2,208,620
	<u>\$ 10,933,804</u>	<u>\$ 11,722,139</u>
Total Assets	<u><u>\$ 10,933,804</u></u>	<u><u>\$ 11,722,139</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 65,391	\$ 76,468
Accrued expenses	182,321	175,980
Fiduciary obligations	3,419,621	3,493,485
Total liabilities	<u>3,667,333</u>	<u>3,745,933</u>
Unrestricted net assets:		
Undesignated	2,781,385	3,018,542
Designated	2,987,144	3,396,309
Total unrestricted net assets	<u>5,768,529</u>	<u>6,414,851</u>
Temporarily restricted	1,497,942	1,561,355
Total net assets	<u>7,266,471</u>	<u>7,976,206</u>
Total Liabilities and Net Assets	<u><u>\$ 10,933,804</u></u>	<u><u>\$ 11,722,139</u></u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2010			2009 (As Restated)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 1,992,621	\$ 4,527,560	\$ 6,520,181	\$ 2,129,831	\$ 4,013,028	\$ 6,142,859
Trust and estate income	604,876	-	604,876	488,231	-	488,231
Broadcast revenue	520,812	-	520,812	644,079	-	644,079
Investment income	85,819	(33,626)	52,193	(754,987)	23,408	(731,579)
Change in fiduciary obligations	33,497	14,190	47,687	(1,865,189)	(56,742)	(1,921,931)
Other income	17,052	1,393	18,445	(1,679)	11,185	9,506
Net assets released from restrictions:						
Assessments	278,721	(278,721)	-	258,150	(258,150)	-
Satisfaction of program restrictions	4,294,209	(4,294,209)	-	4,152,555	(4,152,555)	-
Total Support, Revenue, and Reclassifications	7,827,607	(63,413)	7,764,194	5,050,991	(419,826)	4,631,165
EXPENSES:						
Program ministries:						
Broadcast operations	6,425,345	-	6,425,345	6,969,693	-	6,969,693
Supporting activities:						
General and administrative	794,955	-	794,955	861,166	-	861,166
Fundraising	1,253,629	-	1,253,629	1,403,124	-	1,403,124
Total supporting services	2,048,584	-	2,048,584	2,264,290	-	2,264,290
Total Expenses	8,473,929	-	8,473,929	9,233,983	-	9,233,983
Change in Net Assets	(646,322)	(63,413)	(709,735)	(4,182,992)	(419,826)	(4,602,818)
Net Assets, Beginning of Year	6,414,851	1,561,355	7,976,206	10,597,843	1,981,181	12,579,024
Net Assets, End of Year	\$ 5,768,529	\$ 1,497,942	\$ 7,266,471	\$ 6,414,851	\$ 1,561,355	\$ 7,976,206

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2010	2009
		(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (709,735)	\$ (4,602,818)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	127,488	141,574
Non-cash gifts	(69,648)	(15,756)
Realized and unrealized loss (gain) on investments	(209,844)	3,177,417
(Gain) loss on sale of equipment	(7,500)	17,081
Actuarial gain on fiduciary obligations	(73,864)	(308,825)
Impairment of land	63,729	-
Net change in:		
Accounts receivable	(2,484)	4,101
Estate and trust receivables	21,840	350,900
Prepaid expenses and other assets	(17,634)	(15,176)
Accounts payable	(11,077)	29,019
Accrued expenses	6,341	8,852
Net Cash Used in Operating Activities	(882,388)	(1,213,631)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(38,122)	(273,330)
Proceeds from sale of equipment	16,200	-
Acquisition of investments	(77,118)	(6,599,078)
Proceeds from sale of investments	1,611,991	7,931,879
Collections on fiduciary fund assets	2,357	600
Net Cash Provided by Investing Activities	1,515,308	1,060,071
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on fiduciary obligations	(379,384)	(391,069)
Proceeds funding new fiduciary agreements	82,859	54,616
Net Cash Used in Financing Activities	(296,525)	(336,453)
Increase (Decrease) in Cash and Cash Equivalents	336,395	(490,013)
Cash and Cash Equivalents, Beginning of Year	820,048	1,310,061
Cash and Cash Equivalents, End of Year	\$ 1,156,443	\$ 820,048

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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, 2010, approximately 9% of FEBC's contributions consisted of trust and estate gifts. Approximately 8% of contributions were received from other FEBC sending fields (see note 7), and approximately 42% 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 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. These accounts may, at times, exceed federally insured limits. FEBC has not experienced any losses on such accounts.

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, which approximates fair value
- 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, which approximates fair value

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, ESTATE AND TRUST RECEIVABLES AND NOTES RECEIVABLE

Accounts, estate and trust, and notes receivable are reported net of any anticipated losses due to uncollectible accounts. Accounts receivables include amounts due to FEBC for airing programs on FEBC's station.

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 for the years ended June 30, 2010 and 2009 was \$50,495 each year.

CONTRIBUTIONS RECEIVABLE

Unconditional promises-to-give are recognized as income when made and recorded at fair value based upon estimated future cash flows. All contributions receivable are expected to be collected within one year and are recorded at net realizable value.

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 3 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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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 services and supporting activities.

ALLOCATION OF JOINT COSTS

FEBC has adopted the Accounting for Costs of Activities that Include Fundraising Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This Topic requires all costs that contain any fundraising appeal be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content (see note 12).

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.

INCOME TAX STATUS

Effective July 1, 2009, FEBC has adopted the changes to the ASC Income Tax Topic, which requires FEBC to evaluate its tax positions and recognize a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, FEBC's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense. As of June 30, 2010 FEBC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

RESTATEMENT

Certain errors resulting in an overstatement of previously reported investments were discovered during the current year. Accordingly, an adjustment of \$435,057 was made during 2010 to write down fiduciary fund assets as of the beginning of the year. A corresponding entry was made to decrease the change in fiduciary obligations by \$435,057 on the statements of activities for the year ended June 30, 2009. There is no effect of the restatement on net assets for 2008.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

3. INVESTMENTS:

The carrying value of FEBC's investments at June 30, 2010 and 2009 are as follows:

	June 30,	
	2010	2009
		(As Restated)
Cash and cash equivalents	\$ 23,048	\$ 23,048
Investments:		
Money market accounts	1,248,462	2,614,114
Mutual funds - fixed income	866,799	516,676
	<u>\$ 2,138,309</u>	<u>\$ 3,153,838</u>

Effective January 1, 2008, the FEBC adopted the new provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. The new provisions have been applied prospectively as of the beginning of the year. These standards established 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.

The following tables present the fair value measurements of assets and liabilities 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, 2010 and 2009:

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

3. INVESTMENTS, continued:

As of June 30, 2010:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 866,799	\$ 866,799	\$ -	\$ -
Total	\$ 866,799	\$ 866,799	\$ -	\$ -

As of June 30, 2009 (As Restated):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 516,676	\$ 516,676	\$ -	\$ -
Total	\$ 516,676	\$ 516,676	\$ -	\$ -

Investment income consists of:

	June 30,	
	2010	2009 (As Restated)
Interest on notes receivable	\$ 364	\$ 520
Other interest and dividends	28,358	146,597
Realized and unrealized losses on investments	23,471	(878,696)
	\$ 52,193	\$ (731,579)

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

4. FIDUCIARY FUND ASSETS:

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

	June 30,	
	2010	2009
		(As Restated)
Cash and cash equivalents	\$ 87,671	\$ 207,388
Investments:		
Money market accounts	341,160	422,876
Mutual funds	1,935,041	2,127,447
Indexed annuities	2,589,151	2,119,243
Closely-held stock	91,874	107,416
Limited partnership	60,144	63,427
Mortgage-backed securities	1,347	1,907
	<u>\$ 5,106,388</u>	<u>\$ 5,049,704</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

4. FIDUCIARY FUND ASSETS, continued:

As of June 30, 2010:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 1,935,041	\$ 1,935,041	\$ -	\$ -
Indexed annuities	2,589,151	-	2,589,151	-
Closely-held stock	91,874	-	-	91,874
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	1,347	-	-	1,347
Total	\$ 4,677,557	\$ 1,935,041	\$ 2,589,151	\$ 153,365

As of June 30, 2009 (As Restated):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 2,127,447	\$ 2,127,447	\$ -	\$ -
Indexed annuities	2,119,243	-	2,119,243	-
Closely-held stock	107,416	-	-	107,416
Limited partnership	63,427	-	-	63,427
Mortgage-backed securities	1,907	-	-	1,907
Total	\$ 4,419,440	\$ 2,127,447	\$ 2,119,243	\$ 172,750

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

4. FIDUCIARY FUND ASSETS, continued:

The following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining value:

Balance as of June 30, 2009	\$	172,750
Reduction of closely held stock based on new appraisal		(15,542)
Total losses (realized and unrealized) included in net investment income		<u>(3,833)</u>
Balance as of June 30, 2010	\$	<u><u>153,375</u></u>

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2010	2009 (As Restated)
Land	\$ 413,624	\$ 477,343
Land improvements	444,607	441,582
Buildings	3,043,070	3,043,070
Equipment	3,916,554	3,917,392
Land, buildings, and equipment - at cost	<u>7,817,855</u>	<u>7,879,387</u>
Less accumulated depreciation	(5,781,320)	(5,670,767)
Construction in progress	10,279	-
	<u><u>\$ 2,046,814</u></u>	<u><u>\$ 2,208,620</u></u>

The carrying value of assets located overseas in Saipan for June 30, 2010 and 2009, was approximately \$867,883 and \$884,758, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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.

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, 2010 and 2009

6. 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:

	June 30,	
	2010	2009
		(As Restated)
Charitable savings agreements	\$ 479,342	\$ 460,316
Gift annuities	2,224,519	2,289,824
Irrevocable agreements	557,295	569,797
Amounts due other beneficiaries	158,465	173,548
	<u>\$ 3,419,621</u>	<u>\$ 3,493,485</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

6. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2010	2009 (As Restated)
Investment income:		
Interest and dividends	\$ 92,142	\$ 315,363
Realized and unrealized losses on investments	186,373	(2,298,721)
Investment management fees	(12,556)	(20,851)
	265,959	(2,004,209)
Income released as a result of termination of agreement	58,664	66,566
Change in actuarial value	106,367	412,591
Payments to trustors and annuitants and related expenses	(383,303)	(396,879)
	\$ 47,687	\$ (1,921,931)

Contribution income from new agreements for the years ended June 30, 2010 and 2009, was \$82,859 and \$54,616, respectively, and is included in contributions in the statements of activities.

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2010	2009 (As Restated)
Unrestricted:		
Undesignated:		
Undesignated	\$ 566,823	\$ 719,606
Funds held for fields	167,748	90,316
Net investment in land, buildings, and equipment	2,046,814	2,208,620
	2,781,385	3,018,542
Designated:		
Designated by board for fiduciary fund reserves	1,642,871	1,366,865
Designated by board for the Legacy Fund	1,301,755	1,988,059
Designated by board for projects	42,518	41,385
	2,987,144	3,396,309
Total unrestricted net assets	\$ 5,768,529	\$ 6,414,851
Temporarily Restricted:		
Missionary support	\$ 328,963	\$ 254,442
Operations in foreign countries	832,879	1,045,376
Other projects	132,545	72,172
Irrevocable agreements	203,555	189,365
	\$ 1,497,942	\$ 1,561,355

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

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,	
	2010	2009 (As Restated)
Russia	\$ 695,180	\$ 636,246
Philippines	474,984	568,248
Indonesia	357,095	247,129
Korea	227,304	407,260
Vietnam	225,784	67,396
England	132,571	108,512
Cambodia	77,008	89,621
Thailand	69,285	78,073
Mongolia	62,430	76,091
Other countries	493,821	407,381
	\$ 2,815,462	\$ 2,685,957

In addition, financial support is provided to and received from other FEBC sending fields in Canada, England, and Hong Kong. Financial support in the amount of \$592,130 and \$495,668 was received from these fields during the years ended June 30, 2010 and 2009, 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 \$357,476 during the years ended June 30, 2010 and 2009, respectively, and is included in broadcast operations expense.

9. 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 lease that expires in September 2012. Total rental expense under these agreements amounted to approximately \$57,852 and \$47,121 for the years ended June 30, 2010 and 2009, respectively. Total future minimum rental commitments due are as follows:

Years Ending June 30,	
2011	\$ 29,156
2012	29,156
2013	28,792
2014	31,855
2015	79,638
Thereafter	111,493
	\$ 310,090

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

10. COMMITMENTS:

FEBC has an agreement to make a grant to Biola University. The commitment under this agreement was \$100,000 at June 30, 2010. The grant will be paid when the larger construction project advances to the point where the Bowman Media Center construction can begin.

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 \$131,324 and \$151,956 for the years ended June 30, 2010 and 2009, respectively.

12. JOINT COSTS:

As stated in note 2, FEBC has adopted the Accounting for Costs of Activities that Include Fundraising Topic of the FASB Accounting Standards Codification. 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 activities, general and administrative, and fundraising. Joint cost allocations are as follows:

	June 30,	
	2010	2009
		(As Restated)
Program services	\$ 722,558	\$ 826,985
Supporting activities:		
Management and general activities	16,422	18,795
Fundraising	82,109	93,976
	<u>\$ 821,089</u>	<u>\$ 939,756</u>

13. RELATED PARTY TRANSACTIONS:

A board member of FEBC is the dean of Intercultural Studies at Biola University. FEBC made a \$100,000 grant to Biola University during the year ended June 30, 2010.

A board member of FEBC is the vice president of Joy Partners International. Joy Partners International leases office space from FEBC for \$1,200 per month. During the year ended June 30, 2010, FEBC received \$9,600 in rental income.

14. SUBSEQUENT EVENTS:

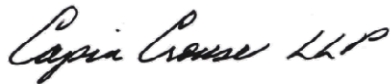
Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL DATA**

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, 2010 and 2009 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
December 6, 2010

FAR EAST BROADCASTING COMPANY, INC.

Schedules of Functional Expenses by Natural Classification

	Year Ended June 30, 2010			
	Broadcast Operations	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,748,994	\$ 395,367	\$ 497,560	\$ 2,641,921
Broadcasting grants	2,815,462	-	-	2,815,462
Employee benefits	657,946	97,409	157,553	912,908
Printing and publications	61,270	38,973	330,976	431,219
Travel and conferences	298,497	30,898	92,394	421,789
Telephone and occupancy	336,622	20,548	16,039	373,209
Professional services	159,576	64,278	78,151	302,005
Depreciation	91,820	23,079	12,589	127,488
Supplies	69,058	10,744	26,995	106,797
Equipment repair and maintenance	59,800	7,258	4,698	71,756
Postage and shipping	21,261	27,463	16,482	65,206
Other expenses	105,039	78,938	20,192	204,169
	\$ 6,425,345	\$ 794,955	\$ 1,253,629	\$ 8,473,929
	Year Ended June 30, 2009			
	Broadcast Operations	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,868,941	\$ 460,846	\$ 583,633	\$ 2,913,420
Broadcasting grants	2,685,957	-	-	2,685,957
Employee benefits	718,238	128,374	175,709	1,022,321
Printing and publications	93,527	37,281	298,601	429,409
Travel and conferences	386,837	44,217	104,047	535,101
Telephone and occupancy	382,043	17,911	20,467	420,421
Professional services	150,088	55,448	105,084	310,620
Depreciation	96,820	21,199	23,554	141,573
Supplies	212,706	25,658	44,316	282,680
Equipment repair and maintenance	80,058	6,584	8,713	95,355
Postage and shipping	25,282	17,360	15,045	57,687
Other expenses	269,196	46,288	23,955	339,439
	\$ 6,969,693	\$ 861,166	\$ 1,403,124	\$ 9,233,983