

**FAR EAST BROADCASTING COMPANY, INC.**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2012 and 2011

# FAR EAST BROADCASTING COMPANY, INC.

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Far East Broadcasting Company, Inc. (FEBC) as of June 30, 2012 and 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Brea, California  
February 19, 2013

# FAR EAST BROADCASTING COMPANY, INC.

## Statements of Financial Position

	June 30,	
	2012	2011
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,381,987	\$ 1,022,787
Accounts receivable - net of \$31,901 and \$20,000 allowance, respectively	136,461	118,519
Prepaid expenses and other assets	103,387	103,525
Investments	875,485	1,699,779
Estate and trust receivables	380,617	538,012
Contributions receivable	35,648	15,000
Notes receivable, net of \$44,495 allowance each year	1,121	2,003
Fiduciary fund assets	5,529,737	5,242,994
Land, buildings, and equipment - at cost, net	1,442,526	1,586,570
	<u>\$ 9,886,969</u>	<u>\$ 10,329,189</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 298,318	\$ 152,268
Accrued expenses	203,068	162,451
Fiduciary obligations	3,216,224	3,412,192
Total liabilities	<u>3,717,610</u>	<u>3,726,911</u>
Unrestricted net assets:		
Undesignated	2,547,307	2,816,926
Designated	2,410,469	2,643,178
Total unrestricted net assets	<u>4,957,776</u>	<u>5,460,104</u>
Temporarily restricted	1,211,583	1,142,174
Total net assets	<u>6,169,359</u>	<u>6,602,278</u>
Total Liabilities and Net Assets	<u>\$ 9,886,969</u>	<u>\$ 10,329,189</u>

See notes to financial statements

## FAR EAST BROADCASTING COMPANY, INC.

### Statements of Activities

	Year Ended June 30,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS:</b>						
Contributions	\$ 2,304,620	\$ 4,359,580	\$ 6,664,200	\$ 2,059,744	\$ 5,106,872	\$ 7,166,616
Trust and estate income	377,397	-	377,397	887,695	-	887,695
Broadcast revenue	593,633	-	593,633	461,481	-	461,481
Investment income	49,151	39,364	88,515	79,569	60,707	140,276
Change in fiduciary obligations	249,959	(15,262)	234,697	119,913	14,670	134,583
Other income	5,214	25,566	30,780	1,384	9,693	11,077
Net assets released from restrictions:						
Assessments	275,473	(275,473)	-	380,751	(380,751)	-
Satisfaction of program restrictions	4,064,366	(4,064,366)	-	5,166,959	(5,166,959)	-
	7,919,813	69,409	7,989,222	9,157,496	(355,768)	8,801,728
<b>EXPENSES:</b>						
Program ministries:						
Broadcast operations	6,360,947	-	6,360,947	7,520,513	-	7,520,513
Supporting activities:						
General and administrative	970,116	-	970,116	785,828	-	785,828
Fundraising	1,091,078	-	1,091,078	1,159,580	-	1,159,580
Total supporting services	2,061,194	-	2,061,194	1,945,408	-	1,945,408
Total Expenses	8,422,141	-	8,422,141	9,465,921	-	9,465,921
Change in Net Assets	(502,328)	69,409	(432,919)	(308,425)	(355,768)	(664,193)
Net Assets, Beginning of Year	5,460,104	1,142,174	6,602,278	5,768,529	1,497,942	7,266,471
Net Assets, End of Year	\$ 4,957,776	\$ 1,211,583	\$ 6,169,359	\$ 5,460,104	\$ 1,142,174	\$ 6,602,278

See notes to financial statements

# FAR EAST BROADCASTING COMPANY, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (432,919)	\$ (664,193)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	191,284	466,034
Non-cash gifts	(76,263)	(158,740)
Realized and unrealized (gain) loss on investments	18,974	(4,862)
Realized and unrealized gain on fiduciary fund assets	(213,549)	(257,157)
(Gain) loss on sale of equipment	(11,751)	29,600
Change in value of trusts agreements	19,923	(14,059)
Gift portion of new gift annuities, trusts, and charitable savings agreements	(72,146)	(9,455)
Maturities of gift annuities, trusts, and charitable savings agreements	(203,242)	(48,516)
Gift annuity actuarial change	(70,113)	(125,096)
Payments on charitable gift annuities	299,484	307,167
Net change in:		
Accounts receivable	(17,942)	(25,668)
Estate and trust receivables	157,395	(328,342)
Prepaid expenses and other assets	138	(23,017)
Accounts payable	146,050	86,877
Accrued expenses	40,617	(19,870)
Net Cash Used in Operating Activities	(224,060)	(789,297)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of equipment	(78,759)	(35,390)
Proceeds from sale of equipment	37,356	-
Acquisition of investments	(1,627,265)	(3,754,525)
Proceeds from sale of investments	2,441,570	4,477,210
New contribution receivable	(20,648)	-
Collections on fiduciary fund assets	882	85,818
Net Cash Provided by Investing Activities	753,136	773,113
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on gift annuities and trusts agreements	(372,400)	(377,849)
Face value of new annuity, trusts, and charitable savings agreements	165,000	170,000
Gift portion of new trusts with irrevocable charitable beneficiaries	25,083	21,032
Investment income from trusts agreements	12,441	69,345
Net Cash Used in Financing Activities	(169,876)	(117,472)
Increase (Decrease) in Cash and Cash Equivalents	359,200	(133,656)
Cash and Cash Equivalents, Beginning of Year	1,022,787	1,156,443
Cash and Cash Equivalents, End of Year	\$ 1,381,987	\$ 1,022,787

See notes to financial statements

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

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, 2012, approximately 5% of FEBC's contributions consisted of trust and estate gifts. Approximately 14% of contributions were received from other FEBC sending fields (see note 8), and approximately 38% of contributions were received from churches, foundations, ministries, and other institutions. 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 appraisal value, 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, 2012 and 2011

### 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 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 for the years ended June 30, 2012 and 2011, was \$76,396 and \$64,495, respectively.

#### CONTRIBUTIONS RECEIVABLE

Unconditional promises-to-give are recognized as income when the promise is received 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 class of net assets:

*Unrestricted net assets* 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.

*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, 2012 and 2011

### 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 11).

#### 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.

#### RECLASSIFICATIONS

Certain amounts previously reported in the financial statements for 2011, have been reclassified to conform to the current year presentation.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

3. INVESTMENTS:

The carrying value of FEBC's investments at June 30, 2012 and 2011, are as follows:

	June 30,	
	2012	2011
Cash and cash equivalents	\$ 35,384	\$ 23,048
Investments:		
Money market accounts	441,698	996,324
Mutual funds	398,403	680,407
	<u>\$ 875,485</u>	<u>\$ 1,699,779</u>

The Fair Value Measurements and Disclosure Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. FEBC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the FEBC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or 2 inputs were not available.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

3. INVESTMENTS, continued:

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, 2012 and 2011:

As of June 30, 2012:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market accounts	\$ 441,698	\$ 441,698	\$ -	\$ -
Mutual funds				
Equity mutual funds				
Large cap	27,288	27,288	-	-
Small cap	21,052	21,052	-	-
Bond mutual funds				
Corporate bonds	103,222	103,222	-	-
Inflation protected bonds	26,332	26,332	-	-
Government bonds	78,232	78,232	-	-
Core bonds	26,341	26,341	-	-
High yield bonds	26,234	26,234	-	-
Convertible bonds	10,515	10,515	-	-
Commodities	8,592	8,592	-	-
Long/short funds	9,893	9,893	-	-
High yield bonds	60,702	60,702	-	-
	<u>\$ 840,101</u>	<u>\$ 840,101</u>	<u>\$ -</u>	<u>\$ -</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

3. INVESTMENTS, continued:

As of June 30, 2011:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 996,324	\$ 996,324	\$ -	\$ -
Equity mutual funds				
Large cap	28,761	28,761	-	-
Small cap	29,095	29,095	-	-
International stock	28,702	28,702	-	-
Emerging markets	86,203	86,203	-	-
Convertible securities	28,588	28,588	-	-
Bond mutual funds				
Corporate bonds	179,414	179,414	-	-
Inflation protected bonds	65,209	65,209	-	-
Government bonds	71,738	71,738	-	-
Commodities	27,488	27,488	-	-
Real estate	14,497	14,497	-	-
Long/short funds	14,293	14,293	-	-
High yield bonds	106,419	106,419	-	-
	\$ 1,676,731	\$ 1,676,731	\$ -	\$ -

Investment income consists of:

	June 30,	
	2012	2011
Interest on notes receivable	\$ 111	\$ 174
Other interest and dividends	107,378	135,240
Realized and unrealized gains (losses) on investments	(18,974)	4,862
	\$ 88,515	\$ 140,276

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

4. FIDUCIARY FUND ASSETS:

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

	June 30,	
	2012	2011
Cash and cash equivalents	\$ 360,663	\$ 632,935
Investments:		
Money market accounts	378,922	-
Mutual funds	1,947,512	1,467,951
Bonds	-	587,655
Indexed annuities	2,689,796	2,401,396
Closely-held stock	91,874	91,874
Limited partnership	60,144	60,144
Mortgage-backed securities	826	1,039
	<u>\$ 5,529,737</u>	<u>\$ 5,242,994</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 investments totaled \$527,162 and \$566,072 as of June 30, 2012 and 2011, 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 5.1% and 13.2%.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

4. FIDUCIARY FUND ASSETS, continued:

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, 2012 and 2011:

As of June 30, 2012:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity mutual funds				
Large cap	\$ 220,061	\$ 220,061	\$ -	\$ -
Small cap	428,181	428,181	-	-
Emerging markets	44,818	44,818	-	-
Bond mutual funds				
Corporate bonds	340,021	340,021	-	-
Inflation protected bonds	156,728	156,728	-	-
Government bonds	292,289	292,289	-	-
International bonds	49,272	49,272	-	-
Core bonds	25,750	25,750	-	-
High yield bonds	146,701	146,701	-	-
Convertible bonds	11,745	11,745	-	-
Commodities	115,541	115,541	-	-
Real estate	99,157	99,157	-	-
Long/short funds	17,248	17,248	-	-
Indexed annuities	2,689,796	-	2,689,796	-
Closely-held stock	91,874	-	-	91,874
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	826	-	-	826
<b>Total</b>	<b>\$ 4,790,152</b>	<b>\$ 1,947,512</b>	<b>\$ 2,689,796</b>	<b>\$ 152,844</b>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

4. FIDUCIARY FUND ASSETS, continued:

As of June 30, 2011:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity mutual funds				
Large cap	\$ 154,532	\$ 154,532	\$ -	\$ -
Small cap	254,568	254,568	-	-
International stock	330,514	330,514	-	-
Emerging markets	199,357	199,357	-	-
Convertible securities	11,371	11,371	-	-
Bond mutual funds				
Corporate bonds	156,195	156,195	-	-
Inflation protected bonds	91,129	91,129	-	-
Government bonds	93,608	93,608	-	-
International bonds	48,421	48,421	-	-
Commodities	49,467	49,467	-	-
Real estate	17,676	17,676	-	-
Long/short funds	61,113	61,113	-	-
Bonds				
Treasuries	121,483	121,483	-	-
Agency bonds	64,621	64,621	-	-
Core bonds	46,205	46,205	-	-
Corporate bonds	227,785	227,785	-	-
High yield bonds	121,563	121,563	-	-
Indexed annuities	2,401,396	-	2,401,396	-
Closely-held stock	91,874	-	-	91,874
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	1,039	-	-	1,039
<b>Total</b>	<b>\$ 4,604,061</b>	<b>\$ 2,049,608</b>	<b>\$ 2,401,396</b>	<b>\$ 153,057</b>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

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, 2010	\$	153,365
Total losses (realized and unrealized) included in net investment income		(308)
Balance as of June 30, 2011		153,057
Total losses (realized and unrealized) included in net investment income		(213)
Balance as of June 30, 2012	\$	152,844

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2012	2011
Land	\$ 377,353	\$ 377,353
Land improvements	70,634	443,773
Buildings	1,740,979	3,034,608
Equipment	1,466,853	2,670,658
Land, buildings, and equipment - at cost	3,655,819	6,526,392
Less accumulated depreciation	(2,213,293)	(4,952,997)
Construction in progress	-	13,175
	\$ 1,442,526	\$ 1,586,570

The carrying value of assets located overseas in Saipan for June 30, 2012 and 2011, was approximately \$744,636 and \$552,047, respectively.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

### 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.

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.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

6. FIDUCIARY OBLIGATIONS, continued:

IRREVOCABLE AGREEMENTS, continued

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,	
	2012	2011
Charitable savings agreements	\$ 584,457	\$ 560,374
Gift annuities	1,971,951	2,151,452
Irrevocable agreements	500,258	532,866
Amounts due other beneficiaries	159,558	167,500
	<u>\$ 3,216,224</u>	<u>\$ 3,412,192</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

6. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2012	2011
Change in value of charitable gift annuities		
Interest and dividends	\$ 64,777	\$ 47,623
Realized and unrealized gains on investments	205,024	183,993
Actuarial change	70,113	125,096
Maturities	202,242	48,516
Payments and distributions (including miscellaneous expenses)	(299,484)	(307,167)
	242,672	98,061
 Change in value of charitable trusts		
Interest and dividends	19,640	20,034
Realized and unrealized gains on investments	(2,079)	49,311
Actuarial change	40,552	15,396
Maturities	-	-
Payments (including miscellaneous expenses)	(72,916)	(70,682)
	(14,803)	14,059
 Change in value of charitable savings agreements		
Interest and dividends	25,563	19,810
Realized and unrealized gains on investments	10,604	23,853
Actuarial change	-	-
Maturities	1,000	-
Payments (including miscellaneous expenses)	(30,339)	(21,200)
	6,828	22,463
	\$ 234,697	\$ 134,583

Contribution income from new agreements for the years ended June 30, 2012 and 2011, was \$72,146 and \$9,455, respectively, and is included in contributions in the statements of activities.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2012	2011
Unrestricted:		
Undesignated:		
Undesignated	\$ 906,235	\$ 1,019,777
Funds held for fields	198,546	210,579
Net investment in land, buildings, and equipment	1,442,526	1,586,570
	2,547,307	2,816,926
Designated:		
Designated by board for fiduciary fund reserves	1,933,885	1,613,197
Designated by board for the Legacy Fund	449,844	956,381
Designated by board for projects	26,740	73,600
	2,410,469	2,643,178
Total unrestricted net assets	\$ 4,957,776	\$ 5,460,104
Temporarily Restricted:		
Missionary support	\$ 269,084	\$ 315,974
Operations in foreign countries	737,263	605,732
Other projects	2,273	2,243
Irrevocable agreements	202,963	218,225
	\$ 1,211,583	\$ 1,142,174

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

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,	
	2012	2011
Philippines	\$ 594,614	\$ 623,504
Russia	571,786	462,530
Korea	293,996	301,786
Indonesia	150,081	299,970
Thailand	59,389	101,040
Cambodia	126,596	91,908
Mongolia	67,941	53,048
Hong Kong	49,288	995,036
Vietnam	828,115	492,682
Other countries	383,214	420,410
	<u>\$ 3,125,020</u>	<u>\$ 3,841,914</u>

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada, England, and Asia. Financial support in the amount of \$985,398 and \$610,904 was received from these fields during the years ended June 30, 2012 and 2011, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$148,474 and \$1,089,464 during the years ended June 30, 2012 and 2011, respectively, and is included in broadcast operations expense.

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

9. LEASES:

FEBC has various equipment leases that expire through September 2016. Total rental expense under these agreements amounted to approximately \$45,938 and \$77,351 for the years ended June 30, 2012 and 2011, respectively. Total future minimum rental commitments due are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 28,104
2014	28,104
2015	18,684
2016	6,204
Thereafter	<u>1,551</u>
	<u>\$ 82,647</u>

10. RETIREMENT PLAN:

FEBC has an employee retirement plan under Internal Revenue Code Section 403(b). Under this plan, FEBC contributes 3% of each employee's annual gross salary to his or her individual account. In addition, FEBC will match each employee's contribution up to an additional 3% annually. Employer contributions to this plan were \$122,217 and \$121,886 for the years ended June 30, 2012 and 2011, respectively.

11. JOINT COSTS:

As stated in note 2, FEBC has adopted the Accounting for Costs of Activities that Include Fundraising Topic of the FASB ASC. 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:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Program services	\$ 544,207	\$ 561,629
Supporting activities:		
Management and general activities	12,368	12,764
Fundraising	<u>61,842</u>	<u>63,821</u>
	<u>\$ 618,417</u>	<u>\$ 638,214</u>

# FAR EAST BROADCASTING COMPANY, INC.

## Notes to Financial Statements

June 30, 2012 and 2011

12. RELATED PARTY TRANSACTIONS:

A board member of FEBC is the vice president of Joy Partners International. Joy Partners International leases office space from FEBC for \$1,300 per month. During the years ended June 30, 2012 and 2011, FEBC received \$15,600 and \$15,200, respectively, in rental income.

13. 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**

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

We have audited the financial statements of Far East Broadcasting Company, Inc. for years ended June 30, 2012 and 2011, and have issued our report thereon dated February 19, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Capin Crouse LLP*

Brea, California  
February 19, 2013

# FAR EAST BROADCASTING COMPANY, INC.

## Schedules of Functional Expenses by Natural Classification

	Year Ended June 30, 2012			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 3,125,020	\$ -	\$ -	\$ 3,125,020
Salaries and wages	1,610,278	396,516	365,151	2,371,945
Employee benefits	613,898	106,019	119,885	839,802
Printing and publications	143,438	44,390	319,925	507,753
Professional services	148,298	233,374	94,226	475,898
Travel and conferences	219,448	38,444	90,128	348,020
Depreciation	155,374	23,236	12,674	191,284
Telephone and occupancy	127,085	20,661	21,246	168,992
Supplies	56,253	10,844	21,467	88,564
Postage and shipping	43,491	17,832	12,654	73,977
Equipment repair and maintenance	36,463	8,322	5,869	50,654
Other expenses	81,901	70,478	27,853	180,232
Total Expenses	\$ 6,360,947	\$ 970,116	\$ 1,091,078	\$ 8,422,141
	Year Ended June 30, 2011			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 3,841,914	\$ -	\$ -	\$ 3,841,914
Salaries and wages	1,536,385	386,997	442,255	2,365,637
Employee benefits	599,662	93,894	149,597	843,153
Printing and publications	65,715	58,422	318,172	442,309
Professional services	133,605	75,013	101,111	309,729
Travel and conferences	301,355	21,937	56,604	379,896
Depreciation	428,120	24,533	13,381	466,034
Telephone and occupancy	360,728	20,427	17,140	398,295
Supplies	57,564	9,553	16,112	83,229
Postage and shipping	21,958	13,917	17,821	53,696
Equipment repair and maintenance	71,507	10,296	6,527	88,330
Other expenses	102,000	70,839	20,860	193,699
Total Expenses	\$ 7,520,513	\$ 785,828	\$ 1,159,580	\$ 9,465,921