

FAR EAST BROADCASTING COMPANY, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2013 and 2012

FAR EAST BROADCASTING COMPANY, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information	
Independent Auditors' Report on Supplemental Data	23
Schedules of Functional Expenses	24

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Far East Broadcasting Company, Inc. (FEBC), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to FEBC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEBC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far East Broadcasting Company, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
November 8, 2013

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 1,697,802	\$ 1,381,987
Accounts receivable - net of \$39,814 and \$31,901 allowance, respectively	148,473	136,461
Prepaid expenses and other assets	80,735	103,387
Investments	948,961	875,485
Estate and trust receivables	356,908	380,617
Contributions receivable	-	35,648
Notes receivable, net of \$33,371 and \$44,495 allowance, respectively	402	1,121
Fiduciary fund assets	5,376,239	5,529,737
Land, buildings, and equipment - at cost, net	1,296,641	1,442,526
Total Assets	\$ 9,906,161	\$ 9,886,969
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 40,482	\$ 298,318
Accrued expenses	314,352	203,068
Fiduciary obligations	3,070,374	3,216,224
Capital lease obligations	39,775	-
Total liabilities	3,464,983	3,717,610
Unrestricted net assets:		
Undesignated	2,690,697	2,547,307
Designated	2,451,842	2,410,469
Total unrestricted net assets	5,142,539	4,957,776
Temporarily restricted	1,298,639	1,211,583
Total net assets	6,441,178	6,169,359
Total Liabilities and Net Assets	\$ 9,906,161	\$ 9,886,969

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,279,309	\$ 4,464,333	\$ 6,743,642	\$ 2,304,620	\$ 4,359,580	\$ 6,664,200
Trust and estate income	1,246,372	-	1,246,372	377,397	-	377,397
Broadcast revenue	888,299	-	888,299	593,633	-	593,633
Investment income	32,385	52,940	85,325	49,151	39,364	88,515
Change in fiduciary obligations	(98,887)	187,542	88,655	249,959	(15,262)	234,697
Other income	9,854	-	9,854	5,214	25,566	30,780
Net assets released from restrictions:						
Assessments	-	-	-	275,473	(275,473)	-
Satisfaction of program restrictions	4,617,759	(4,617,759)	-	4,064,366	(4,064,366)	-
	<u>8,975,091</u>	<u>87,056</u>	<u>9,062,147</u>	<u>7,919,813</u>	<u>69,409</u>	<u>7,989,222</u>
EXPENSES:						
Program ministries:						
Broadcast operations	6,677,321	-	6,677,321	6,360,947	-	6,360,947
Supporting activities:						
General and administrative	896,091	-	896,091	970,116	-	970,116
Fundraising	1,216,916	-	1,216,916	1,091,078	-	1,091,078
Total supporting services	<u>2,113,007</u>	<u>-</u>	<u>2,113,007</u>	<u>2,061,194</u>	<u>-</u>	<u>2,061,194</u>
Total Expenses	<u>8,790,328</u>	<u>-</u>	<u>8,790,328</u>	<u>8,422,141</u>	<u>-</u>	<u>8,422,141</u>
Change in Net Assets	184,763	87,056	271,819	(502,328)	69,409	(432,919)
Net Assets, Beginning of Year	4,957,776	1,211,583	6,169,359	5,460,104	1,142,174	6,602,278
Net Assets, End of Year	<u>\$ 5,142,539</u>	<u>\$ 1,298,639</u>	<u>\$ 6,441,178</u>	<u>\$ 4,957,776</u>	<u>\$ 1,211,583</u>	<u>\$ 6,169,359</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 271,819	\$ (432,919)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	213,371	191,284
Non-cash gifts	(11,624)	(76,263)
Realized and unrealized loss on investments	7,719	18,974
Realized and unrealized gain on fiduciary fund assets	(151,950)	(213,549)
Gain on sale of equipment	(5,569)	(11,751)
Change in value of trusts agreements	(71,392)	(40,552)
Gift portion of new gift annuities, trusts, and charitable savings agreements	(46,410)	(72,146)
Maturities of gift annuities, trusts, and charitable savings agreements	(58,978)	(203,242)
Gift annuity actuarial change	(65,294)	(70,113)
Payments on charitable gift annuities	270,860	299,484
Net change in:		
Accounts receivable	(12,012)	(17,942)
Estate and trust receivables	23,709	157,395
Prepaid expenses and other assets	22,652	138
Accounts payable	(257,836)	146,050
Accrued expenses	111,284	40,617
Net Cash Provided by (Used in) Operating Activities	240,349	(284,535)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(76,660)	(78,759)
Proceeds from sale of equipment	8,829	37,356
Acquisition of investments	(567,943)	(1,627,265)
Proceeds from sale of investments	618,119	2,441,570
New contribution receivable	-	(20,648)
Collections on fiduciary fund assets	36,367	882
Net Cash Provided by Investing Activities	18,712	753,136
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital lease obligation	59,252	-
Payments on capital lease obligation	(19,477)	-
Payments on gift annuities and trusts agreements	(326,850)	(372,400)
Face value of new annuity, trusts, and charitable savings agreements	59,877	165,000
Gift portion of new trusts with irrevocable charitable beneficiaries	-	25,083
Investment income from trusts agreements	283,952	72,916
Net Cash Provided by (Used in) Financing Activities	56,754	(109,401)
Change in Cash and Cash Equivalents	315,815	359,200
Cash and Cash Equivalents, Beginning of Year	1,381,987	1,022,787
Cash and Cash Equivalents, End of Year	\$ 1,697,802	\$ 1,381,987
SUPPLEMENTAL DISCLOSURES		
Non-cash investing and financing transactions:		
Fixed assets acquired under capital lease	\$ 59,252	\$ -

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013, approximately 16% of FEBC's contributions consisted of trust and estate gifts. Approximately 12% of contributions were received from other FEBC sending fields (see note 8), and approximately 33% 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.
- Note receivable investment pool is recorded at cost plus accrued interest.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, was \$73,185 and \$76,396, 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 related to fiduciary agreements and those which are stipulated by donors for specific operating purposes.

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, 2013 and 2012

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.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2013 and 2012, FEBC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

FEBC files information tax returns in the U.S. and various states. FEBC is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

RECLASSIFICATIONS

Certain amounts previously reported in the financial statements for 2012, have been reclassified to conform to the current year presentation.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

3. INVESTMENTS:

The carrying value of FEBC's investments at June 30, 2013 and 2012, are as follows:

	June 30,	
	2013	2012
Cash and cash equivalents	\$ 8,980	\$ 35,384
Investments:		
Money market accounts	110,550	16,202
Mutual funds	394,680	398,403
Note receivable investment pool	434,751	425,496
	<u>\$ 948,961</u>	<u>\$ 875,485</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, 2013 and 2012

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, 2013 and 2012:

As of June 30, 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 110,550	\$ 110,550	\$ -	\$ -
Mutual funds				
Equity mutual funds:				
Large growth	11,516	11,516	-	-
Large value	19,578	19,578	-	-
Large blend	12,397	12,397	-	-
Mid cap growth	12,523	12,523	-	-
Aggressive growth	17,956	17,956	-	-
Bond mutual funds:				
Short term bonds	76,743	76,743	-	-
Intermediate government	25,128	25,128	-	-
Inflation bonds	24,918	24,918	-	-
Long term government	23,957	23,957	-	-
Intermediate term bonds	25,823	25,823	-	-
Corporate bonds	26,010	26,010	-	-
High yield bonds	63,876	63,876	-	-
World bonds	27,468	27,468	-	-
Non traditional bonds	26,787	26,787	-	-
	\$ 505,230	\$ 505,230	\$ -	\$ -

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

3. INVESTMENTS, continued:

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)
Money market accounts	\$ 16,202	\$ 16,202	\$ -	\$ -
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	-	-
	\$ 414,605	\$ 414,605	\$ -	\$ -

Investment income consists of:

	June 30,	
	2013	2012
Interest on notes receivable	\$ 274	\$ 111
Other interest and dividends	92,770	107,378
Realized and unrealized losses on investments	(7,719)	(18,974)
	\$ 85,325	\$ 88,515

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

4. FIDUCIARY FUND ASSETS:

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

	June 30,	
	2013	2012
Cash and cash equivalents	\$ 221,474	\$ 360,663
Investments:		
Money market accounts	591,776	378,922
Mutual funds	1,644,016	1,947,512
Bonds	141,973	-
Indexed annuities	2,653,017	2,689,796
Closely-held stock	63,244	91,874
Limited partnership	60,144	60,144
Mortgage-backed securities	595	826
	<u>\$ 5,376,239</u>	<u>\$ 5,529,737</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 \$461,462 and \$527,162 as of June 30, 2013 and 2012, 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, 2013 and 2012

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, 2013 and 2012:

As of June 30, 2013:

	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	\$ 264,381	\$ 264,381	\$ -	\$ -
Small cap	443,733	443,733	-	-
Emerging markets	17,620	17,620	-	-
Bond mutual funds:				
Short term bonds	71,607	71,607	-	-
Intermediate government	28,276	28,276	-	-
Inflation bond	152,871	152,871	-	-
Long term government	43,530	43,530	-	-
Bonds	34,513	34,513	-	-
Intermediate term bonds	124,208	124,208	-	-
Corporate bond fund	19,766	19,766	-	-
High yield bonds	145,156	145,156	-	-
World bonds	51,590	51,590	-	-
Emerging market bonds	44,851	44,851	-	-
Non traditional bonds	26,182	26,182	-	-
Commodities	69,456	69,456	-	-
Real estate	106,278	106,278	-	-
Bonds:				
Corporate bonds	38,739	38,739	-	-
Government bonds	103,233	103,233	-	-
Indexed annuities	2,653,017	-	2,653,017	-
Closely-held stock	63,244	-	-	63,244
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	594	-	-	594
Total	\$ 4,562,989	\$ 1,785,990	\$ 2,653,017	\$ 123,982

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

4. FIDUCIARY FUND ASSETS, continued:

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
Total	\$ 4,790,152	\$ 1,947,512	\$ 2,689,796	\$ 152,844

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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, 2011	\$	153,057
Total losses (realized and unrealized) included in net investment income		(213)
Balance as of June 30, 2012		152,844
Total losses (realized and unrealized) included in net investment income		(28,862)
Balance as of June 30, 2013	\$	123,982

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2013	2012
Land	\$ 377,353	\$ 377,353
Land improvements	70,634	70,634
Buildings	1,744,364	1,740,979
Equipment	1,507,320	1,466,853
Land, buildings, and equipment - at cost	3,699,671	3,655,819
Less accumulated depreciation	(2,403,030)	(2,213,293)
Land, buildings, and equipment - at cost, net	1,296,641	1,442,526
Less debt secured by equipment	(39,775)	-
Net investment in land, buildings, and equipment	\$ 1,256,866	\$ 1,442,526

The carrying value of assets located overseas in Saipan for June 30, 2013 and 2012, was approximately \$707,794 and \$744,636, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012

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,	
	2013	2012
Charitable savings agreements	\$ 620,795	\$ 584,457
Gift annuity liabilities	1,861,155	1,971,951
Irrevocable agreements	378,562	500,258
Amounts due other beneficiaries	209,862	159,558
	<u>\$ 3,070,374</u>	<u>\$ 3,216,224</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

6. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2013	2012
Change in value of charitable gift annuities		
Interest and dividends	\$ 62,244	\$ 64,777
Realized and unrealized gains on investments	164,696	205,024
Actuarial change	65,294	70,113
Maturities	58,978	202,242
Payments and distributions (including miscellaneous expenses)	(270,860)	(299,484)
	80,352	242,672
Change in value of charitable trusts		
Interest and dividends	16,922	19,640
Realized and unrealized (gain) loss on investments	2,775	(2,079)
Actuarial change	71,392	40,552
Maturities	-	-
Payments (including miscellaneous expenses)	(55,990)	(72,916)
	35,099	(14,803)
Change in value of charitable savings agreements		
Interest and dividends	20,060	25,563
Realized and unrealized gain (loss) on investments	(15,521)	10,604
Maturities	-	1,000
Payments (including miscellaneous expenses)	(31,335)	(30,339)
	(26,796)	6,828
	\$ 88,655	\$ 234,697

Contribution income from new agreements for the years ended June 30, 2013 and 2012, was \$46,410 and \$72,146, respectively, and is included in contributions in the statements of activities.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2013	2012
Unrestricted:		
Undesignated:		
Undesignated	\$ 1,071,537	\$ 906,235
Funds held for fields	362,294	198,546
Net investment in land, buildings, and equipment	1,256,866	1,442,526
	2,690,697	2,547,307
Designated:		
Designated by board for fiduciary fund reserves	2,029,806	1,933,885
Designated by board for the Legacy Fund	412,261	449,844
Designated by board for projects	9,775	26,740
	2,451,842	2,410,469
Total unrestricted net assets	\$ 5,142,539	\$ 4,957,776
Temporarily Restricted:		
Missionary support	\$ 259,149	\$ 269,084
Operations in foreign countries	799,704	737,263
Other projects	2,273	2,273
Irrevocable agreements	237,513	202,963
	\$ 1,298,639	\$ 1,211,583

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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,	
	2013	2012
Philippines	\$ 536,370	\$ 594,614
Russia	756,082	571,786
Korea	546,314	293,996
Indonesia	251,380	230,253
Thailand	161,626	59,389
Central Asia	98,005	-
Cambodia	95,902	126,596
Mongolia	87,212	67,941
Hong Kong	76,547	49,288
Vietnam	630,095	828,115
Canada	58,220	61,220
Singapore	50,973	92,991
Other countries	141,604	148,831
	<u>\$ 3,490,330</u>	<u>\$ 3,125,020</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 \$955,980 and \$985,398 was received from these fields during the years ended June 30, 2013 and 2012, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$179,109 and \$148,474 during the years ended June 30, 2013 and 2012, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

9. OPERATING LEASES:

FEBC has various equipment leases that expire through September 2016. Total rental expense under these agreements amounted to approximately \$13,392 and \$45,938 for the years ended June 30, 2013 and 2012, respectively. Total future minimum rental commitments due are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 13,392
2015	8,600
2016	6,204
2017	<u>1,551</u>
	<u>\$ 29,747</u>

10. CAPITAL LEASES:

Capital leases consist of:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
FEBC leases office equipment under a capital lease that expires in November 2014. The gross assets under capital lease were \$23,770.	\$ 13,620	\$ -
FEBC leases office equipment under a capital lease that expires in November 2015. The gross assets under capital lease were \$35,482.	<u>26,155</u>	<u>-</u>
	<u>\$ 39,775</u>	<u>\$ -</u>

Annual maturities are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 18,880
2015	16,839
2016	<u>4,056</u>
	<u>\$ 39,775</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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 \$131,456 and \$122,217 for the years ended June 30, 2013 and 2012, 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 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:

	June 30,	
	2013	2012
Program services	\$ 477,937	\$ 544,207
Supporting activities:		
Management and general activities	10,862	12,368
Fundraising	54,311	61,842
	<u>\$ 543,110</u>	<u>\$ 618,417</u>

13. 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, 2013 and 2012, FEBC received \$15,600 each year 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 INFORMATION**

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, 2013 and 2012, and our report thereon dated November 8, 2013, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 as a whole.

Capin Crouse LLP

Brea, California
November 8, 2013

FAR EAST BROADCASTING COMPANY, INC.

Schedules of Functional Expenses

by Natural Classification

	Year Ended June 30, 2013			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 3,490,330	\$ -	\$ -	\$ 3,490,330
Salaries and wages	1,654,444	437,196	402,508	2,494,148
Employee benefits	640,913	133,002	139,591	913,506
Printing and publications	92,156	36,582	300,639	429,377
Professional services	152,122	91,133	181,333	424,588
Travel and conferences	189,210	42,519	89,235	320,964
Depreciation	167,493	29,686	16,192	213,371
Telephone and occupancy	63,854	16,213	17,112	97,179
Supplies	62,181	12,299	24,128	98,608
Postage and shipping	25,060	17,151	13,152	55,363
Equipment repair and maintenance	43,897	8,334	7,060	59,291
Conferences	9,384	1,360	1,835	12,579
Other expenses	86,277	70,616	24,131	181,024
	<u>\$ 6,677,321</u>	<u>\$ 896,091</u>	<u>\$ 1,216,916</u>	<u>\$ 8,790,328</u>
	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
	<u>\$ 6,360,947</u>	<u>\$ 970,116</u>	<u>\$ 1,091,078</u>	<u>\$ 8,422,141</u>