



FAR EAST BROADCASTING COMPANY, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2016 and 2015

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 financial statements of Far East Broadcasting Company, Inc. (FEBC), which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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
October 21, 2016

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 3,617,319	\$ 2,020,791
Accounts receivable - net of \$6,000 and \$16,063 allowance, respectively	140,424	135,529
Prepaid expenses and other assets	97,118	95,130
Investments	1,618,345	878,549
Estate and trust receivables	445,861	1,067,621
Contribution receivable	-	253,410
Fiduciary fund assets	5,755,036	5,851,119
Land, buildings, and equipment - at cost, net	861,145	955,551
Total Assets	\$ 12,535,248	\$ 11,257,700
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 39,862	\$ 111,565
Accrued expenses	360,305	266,467
Fiduciary obligations	2,699,973	3,042,605
Capital lease obligations	34,935	46,870
Total liabilities	3,135,075	3,467,507
Unrestricted net assets:		
Undesignated	1,785,672	2,279,016
Designated	4,208,817	3,071,119
	5,994,489	5,350,135
Temporarily restricted	3,405,684	2,440,058
Total net assets	9,400,173	7,790,193
Total Liabilities and Net Assets	\$ 12,535,248	\$ 11,257,700

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 2,672,903	\$ 6,240,883	\$ 8,913,786	\$ 2,508,796	\$ 6,253,663	\$ 8,762,459
Trust and estate income	1,435,179	145,358	1,580,537	1,285,602	206,307	1,491,909
Broadcast revenue	1,093,014	-	1,093,014	1,119,361	-	1,119,361
Investment income	77,022	(9,220)	67,802	65,347	16,703	82,050
Change in fiduciary obligations	(187,972)	6,768	(181,204)	193,087	(19,766)	173,321
Other income	2,034	-	2,034	36,052	-	36,052
Net assets released from restrictions:						
Satisfaction of program restrictions	5,418,163	(5,418,163)	-	5,507,016	(5,507,016)	-
	<u>10,510,343</u>	<u>965,626</u>	<u>11,475,969</u>	<u>10,715,261</u>	<u>949,891</u>	<u>11,665,152</u>
EXPENSES:						
Program ministries:						
Broadcast operations	7,587,771	-	7,587,771	7,431,013	-	7,431,013
Supporting activities:						
General and administrative	1,025,323	-	1,025,323	935,278	-	935,278
Fundraising	1,252,895	-	1,252,895	1,427,887	-	1,427,887
Total supporting services	<u>2,278,218</u>	<u>-</u>	<u>2,278,218</u>	<u>2,363,165</u>	<u>-</u>	<u>2,363,165</u>
Total Expenses	<u>9,865,989</u>	<u>-</u>	<u>9,865,989</u>	<u>9,794,178</u>	<u>-</u>	<u>9,794,178</u>
Change in Net Assets	644,354	965,626	1,609,980	921,083	949,891	1,870,974
Net Assets, Beginning of Year	<u>5,350,135</u>	<u>2,440,058</u>	<u>7,790,193</u>	<u>4,429,052</u>	<u>1,490,167</u>	<u>5,919,219</u>
Net Assets, End of Year	<u>\$ 5,994,489</u>	<u>\$ 3,405,684</u>	<u>\$ 9,400,173</u>	<u>\$ 5,350,135</u>	<u>\$ 2,440,058</u>	<u>\$ 7,790,193</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,609,980	\$ 1,870,974
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	193,966	212,034
Realized and unrealized (gain) loss on investments	15,684	(220)
Realized and unrealized (gain) loss on fiduciary fund assets	48,651	(98,507)
Reclassification of charitable savings agreement	(693,849)	-
Change in value of trusts agreements	(56,470)	(3,381)
Gift annuity actuarial change	48,414	(71,777)
Payments on charitable gift annuities	221,306	251,222
New contribution receivable	-	(253,410)
Net change in:		
Accounts receivable	(4,895)	48,699
Estate and trust receivables	621,760	(734,463)
Prepaid expenses and other assets	(1,988)	(57,120)
Accounts payable	(71,703)	49,234
Accrued expenses	93,838	66,669
Net Cash Provided by Operating Activities	2,024,694	1,279,954
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(99,560)	(26,808)
Acquisition of investments	(4,490,392)	(2,564,924)
Proceeds from sale of investments	3,770,765	2,089,329
Net Cash Used in Investing Activities	(819,187)	(502,403)

(Continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (Continued)

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(11,935)	(17,477)
Collection of contribution receivable	253,410	-
Gift portion of new trusts and charitable savings agreements	(435,979)	(106,652)
Maturities of gift annuities and charitable savings agreements	(53,954)	(167,639)
Payments on gift annuities and trusts agreements	(297,182)	(312,986)
Face value of new annuity, trusts, and charitable savings agreements	773,849	360,122
Investment income from trusts agreements	162,812	116,548
Net Cash Provided by (Used in) Financing Activities	391,021	(128,084)
 Change in Cash and Cash Equivalents	 1,596,528	 649,467
 Cash and Cash Equivalents, Beginning of Year	 2,020,791	 1,371,324
 Cash and Cash Equivalents, End of Year	 \$ 3,617,319	 \$ 2,020,791
 SUPPLEMENTAL DISCLOSURES:		
Non-cash investing and financing transactions:		
Fixed assets acquired by capital lease	\$ -	\$ 43,452
Fully depreciated equipment written off	\$ 68,738	\$ -

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016, approximately 15% of FEBC's contributions consisted of trust and estate gifts. Approximately 11% of contributions were received from other FEBC sending fields (see note 8), and approximately 36% 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.
- 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, 2016 and 2015

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, 2016 and 2015, was \$6,000 and \$16,063, respectively.

CONTRIBUTION 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, 2016 and 2015

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, 2016 and 2015, 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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS:

The carrying value of FEBC's investments at June 30, 2016 and 2015, are as follows:

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 217,089	\$ 191,733
Investments:		
Money market accounts	39,769	35,707
Mutual funds	1,255,681	357,988
Electronically traded funds	17,412	66,635
Stocks	88,309	82,505
Note receivable investment pool	85	143,981
	<u>\$ 1,618,345</u>	<u>\$ 878,549</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, 2016 and 2015

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, 2016 and 2015:

As of June 30, 2016:

	<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>
Mutual funds				
Equity mutual funds:				
Large blend	\$ 612,902	\$ 612,902	\$ -	\$ -
Emerging markets	8,258	8,258	-	-
Bond mutual funds:				
Short term bonds	18,601	18,601	-	-
Intermediate term bonds	431,921	431,921	-	-
High yield bonds	70,534	70,534	-	-
World bonds	113,465	113,465	-	-
Electronically traded funds:				
Intermediate term bonds	4,367	4,367	-	-
High yield bonds	13,045	13,045	-	-
Stocks:				
Large growth	10,632	10,632	-	-
Large value	17,649	17,649	-	-
Large blend	31,951	31,951	-	-
Small and mid cap growth	22,377	22,377	-	-
Small and mid cap value	5,700	5,700	-	-
	<u>\$ 1,361,402</u>	<u>\$ 1,361,402</u>	<u>\$ -</u>	<u>\$ -</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS, continued:

As of June 30, 2015:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Mutual funds				
Equity mutual funds:				
Large growth	\$ 15,250	\$ 15,250	\$ -	\$ -
Large value	24,117	24,117	-	-
Large blend	15,716	15,716	-	-
Small and mid cap growth	27,812	27,812	-	-
Bond mutual funds:				
Short term bonds	78,515	78,515	-	-
Intermediate government	15,678	15,678	-	-
Inflation bonds	25,296	25,296	-	-
Aggregate bond	30,408	30,408	-	-
Intermediate term bonds	27,350	27,350	-	-
High yield bonds	70,694	70,694	-	-
Non traditional bonds	27,152	27,152	-	-
Electronically traded funds:				
Small and mid cap growth	30,152	30,152	-	-
Corporate bonds	4,246	4,246	-	-
Short term bonds	19,032	19,032	-	-
High yield bonds	13,205	13,205	-	-
Stocks:				
Large value	20,393	20,393	-	-
Large blend	29,850	29,850	-	-
Small and mid cap growth	10,792	10,792	-	-
Emerging markets	21,470	21,470	-	-
	\$ 507,128	\$ 507,128	\$ -	\$ -

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS, continued:

Investment income consists of:

	June 30,	
	2016	2015
Interest and dividends	\$ 83,486	\$ 81,830
Realized and unrealized gains (losses) on investments	(15,684)	220
	\$ 67,802	\$ 82,050

4. FIDUCIARY FUND ASSETS:

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

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 31,829	\$ -
Investments:		
Money market accounts	254,472	708,728
Mutual funds	2,604,331	1,845,313
Electronically traded funds	-	406,747
Stocks	-	98,681
Bonds	80,095	100,883
Indexed annuities	2,724,134	2,630,474
Limited partnership	60,144	60,144
Mortgage-backed securities	31	149
	\$ 5,755,036	\$ 5,851,119

FEBC is licensed by the state of California Department of Insurance as an Annuity Society. Under this designation, the department requires FEBC maintain a reserve adequate to meet future payments under the annuity contracts. The reserve included in cash and cash equivalents and investments totaled \$360,282 and \$370,346 as of June 30, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015:

As of June 30, 2016:

	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 growth	\$ 2,814	\$ 2,814	\$ -	\$ -
Large blend	1,778,182	1,778,182	-	-
Small and mid cap growth	111,711	111,711	-	-
Bond mutual funds:				
Intermediate term bonds	299,610	299,610	-	-
Aggregate bond fund	76,009	76,009	-	-
High yield bonds	279,126	279,126	-	-
World bonds	56,879	56,879	-	-
Bonds:				
Corporate bonds	21,278	21,278	-	-
Government bonds	58,817	58,817	-	-
Indexed annuities	2,724,134	-	2,724,134	-
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	31	-	-	31
Total	\$ 5,468,735	\$ 2,684,426	\$ 2,724,134	\$ 60,175

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

4. FIDUCIARY FUND ASSETS, continued:

As of June 30, 2015:

	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 growth	\$ 31,096	\$ 31,096	\$ -	\$ -
Large value	55,625	55,625	-	-
Large blend	198,401	198,401	-	-
Small and mid cap growth	391,721	391,721	-	-
Emerging markets	5,338	5,338	-	-
Bond mutual funds:				
Short term bonds	147,087	147,087	-	-
Intermediate government	8,090	8,090	-	-
Inflation bond	10,814	10,814	-	-
Long term government	5,537	5,537	-	-
Long term bonds	109,645	109,645	-	-
Intermediate term bonds	7,300	7,300	-	-
Corporate bond fund	5,645	5,645	-	-
Aggregate bond fund	704,241	704,241	-	-
High yield bonds	129,967	129,967	-	-
World bonds	5,534	5,534	-	-
Non traditional bonds	11,312	11,312	-	-
Commodity mutual funds:				
Real estate	17,960	17,960	-	-

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

4. FIDUCIARY FUND ASSETS, continued:

As of June 30, 2015, continued:

	<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>
Electronically traded funds:				
Large blend	163,989	163,989	-	-
Small and mid cap growth	178,240	178,240	-	-
High yield	58,238	58,238	-	-
Commodities	6,280	6,280	-	-
Stocks:				
Large growth	15,717	15,717	-	-
Large value	35,542	35,542	-	-
Large blend	15,496	15,496	-	-
Small and mid cap growth	16,995	16,995	-	-
Emerging markets	14,931	14,931	-	-
Bonds:				
Corporate bonds	21,844	21,844	-	-
Government bonds	79,039	79,039	-	-
Indexed annuities	2,630,474	-	2,630,474	-
Limited partnership	60,144	-	-	60,144
Mortgage-backed securities	149	-	-	149
Total	<u><u>\$ 5,142,391</u></u>	<u><u>\$ 2,451,624</u></u>	<u><u>\$ 2,630,474</u></u>	<u><u>\$ 60,293</u></u>

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

Balance as of June 30, 2014	\$ 60,512
Total losses (realized and unrealized) included in net investment income	<u>(219)</u>
Balance as of June 30, 2015	60,293
Total losses (realized and unrealized) included in net investment income	<u>(118)</u>
Balance as of June 30, 2016	<u><u>\$ 60,175</u></u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	June 30,	
	2016	2015
Land	\$ 377,353	\$ 377,353
Land improvements	70,634	70,634
Buildings and improvements	1,754,510	1,748,864
Equipment	1,554,605	1,541,428
Land, buildings, and equipment - at cost	3,757,102	3,738,279
Construction in progress	12,000	-
	3,769,102	3,738,279
Less accumulated depreciation	(2,907,957)	(2,782,728)
Land, buildings, and equipment - at cost, net	861,145	955,551
Less debt secured by equipment	(34,935)	(46,870)
Net investment in land, buildings, and equipment	<u>\$ 826,210</u>	<u>\$ 908,681</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015

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,	
	2016	2015
Charitable savings agreements	\$ 129,564	\$ 730,373
Gift annuity liabilities	1,853,682	1,536,886
Irrevocable agreements	497,241	543,698
Amounts due other beneficiaries	219,486	231,648
	<u>\$ 2,699,973</u>	<u>\$ 3,042,605</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

6. FIDUCIARY OBLIGATIONS, continued:

The change in fiduciary obligations consists of:

	June 30,	
	2016	2015
Change in value of charitable gift annuities:		
Interest and dividends	\$ 97,144	\$ 112,088
Realized and unrealized gains (losses) on investments	(35,249)	107,117
Actuarial change	(48,414)	71,777
Maturities	53,954	167,639
Payments and distributions (including miscellaneous expenses)	(221,306)	(251,222)
	(153,871)	207,399
Change in value of charitable trusts:		
Interest and dividends	32,992	29,977
Realized and unrealized gains (losses) on investments	(8,720)	5,953
Actuarial change	56,470	3,381
Maturities	1,902	2,687
Payments (including miscellaneous expenses)	(75,876)	(61,764)
	6,768	(19,766)
Change in value of charitable savings agreements:		
Interest and dividends	16,940	44,252
Realized and unrealized losses on investments	(4,682)	(14,563)
Payments (including miscellaneous expenses)	(46,359)	(44,001)
	(34,101)	(14,312)
	\$ (181,204)	\$ 173,321

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

7. NET ASSETS:

Net assets consist of:

	June 30,	
	2016	2015
Unrestricted:		
Undesignated:		
Undesignated	\$ 492,454	\$ 975,561
Funds held for fields	467,008	394,774
Net investment in land, buildings, and equipment	826,210	908,681
	1,785,672	2,279,016
Designated:		
Designated by board for fiduciary fund reserves	2,757,112	2,512,332
Designated by board for the Legacy Fund	1,451,705	558,787
	4,208,817	3,071,119
Total unrestricted net assets	\$ 5,994,489	\$ 5,350,135
Temporarily Restricted:		
Missionary support	\$ 306,361	\$ 236,407
Operations in foreign countries	2,521,689	1,718,298
Strategic planning and training	93,368	-
Other projects	3,339	1,969
Investment account held for restricted purposes	166,555	175,781
Irrevocable agreements	314,372	307,603
	\$ 3,405,684	\$ 2,440,058

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

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,	
	2016	2015
Vietnam	\$ 835,100	\$ 965,800
Russia	795,415	826,587
Philippines	471,057	588,910
Korea	324,487	388,605
Mongolia	299,927	305,229
Central Asia	181,121	120,500
Indonesia (YASKI)	170,047	180,654
Hong Kong	167,896	156,861
Cambodia	143,072	181,589
Thailand	135,176	137,888
India	92,763	113,397
Japan	92,440	70,525
Pakistan	82,772	115,653
China	39,501	25,064
New Zealand	10,850	10,500
England	8,437	21,020
Myanmar	6,611	8,500
Taiwan	3,600	6,580
Canada	640	1,300
Nepal	-	4,260
Singapore	-	2,211
Other countries	15,375	3,538
	\$ 3,876,287	\$ 4,235,171

In addition, financial support is provided to, and received from, other FEBC sending fields in Canada and Asia. Financial support in the amount of \$1,179,556 and \$1,222,620 was received from these fields during the years ended June 30, 2016 and 2015, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$193,218 and \$193,725 during the years ended June 30, 2016 and 2015, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

9. OPERATING LEASES:

FEBC has various equipment leases that expire through September 2016. Total rental expense under these agreements amounted to approximately \$20,732 and \$22,648 for the years ended June 30, 2016 and 2015, respectively. The future minimum rental commitments require payments totaling \$1,551 in the year ending June 30, 2017.

10. CAPITAL LEASES:

Capital leases consist of:

	June 30,	
	2016	2015
FEBC leases office equipment under a capital lease that expires in April 2020. The gross assets under capital lease were \$43,452 with accumulated amortization of \$9,414 as of June 30, 2016.	\$ 34,935	\$ 42,813
FEBC leases office equipment under a capital lease that expires in November 2015. The gross assets under capital lease were \$35,482 with accumulated amortization of \$35,482 as of June 30, 2016.	-	4,057
	\$ 34,935	\$ 46,870

Annual maturities are as follows:

Year Ending June 30,	
2017	\$ 8,281
2018	8,705
2019	9,150
2020	8,799
	\$ 34,935

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

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 \$147,357 and \$128,899 for the years ended June 30, 2016 and 2015, 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,	
	2016	2015
Program services	\$ 488,023	\$ 466,190
Supporting activities:		
General and administrative	11,091	10,595
Fundraising	55,457	52,976
	<u>\$ 554,571</u>	<u>\$ 529,761</u>

13. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2016 and 2015, FEBC paid \$29,000 and \$14,710, respectively, for broadcasting services to a company owned by a board member. For the years ended June 30, 2016 and 2015, FEBC also paid \$3,730 and \$3,657, respectively, to an association of Christian communicators, for which FEBC's president serves as the treasurer of the association. For the year ended June 30, 2016, FEBC also received donated broadcasting time valued at \$97,500 from a broadcasting company owned by a board member.

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, 2016 and 2015, and our report thereon dated October 21, 2016, 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
October 21, 2016

FAR EAST BROADCASTING COMPANY, INC.

Schedules of Functional Expenses

by Natural Classification

	Year Ended June 30, 2016			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 3,876,287	\$ -	\$ -	\$ 3,876,287
Salaries and wages	1,737,605	537,119	433,782	2,708,506
Employee benefits	676,929	181,810	128,284	987,023
Professional services	518,411	100,115	303,595	922,121
Travel	237,573	47,601	62,370	347,544
Printing and publications	55,881	23,033	212,948	291,862
Depreciation	183,355	7,075	3,536	193,966
Telephone and occupancy	69,197	18,036	17,998	105,231
Supplies	59,983	12,633	19,771	92,387
Postage and shipping	23,797	15,500	15,062	54,359
Equipment repair and maintenance	37,125	8,793	5,969	51,887
Conferences	21,434	4,553	18,734	44,721
Other expenses	90,194	69,055	30,846	190,095
Total Expenses	\$ 7,587,771	\$ 1,025,323	\$ 1,252,895	\$ 9,865,989

	Year Ended June 30, 2015			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 4,235,171	\$ -	\$ -	\$ 4,235,171
Salaries and wages	1,679,100	489,215	368,300	2,536,615
Employee benefits	680,092	177,644	121,579	979,315
Professional services	125,037	94,601	379,725	599,363
Travel	191,103	42,327	266,540	499,970
Printing and publications	49,012	17,899	183,008	249,919
Depreciation	199,797	8,159	4,078	212,034
Telephone and occupancy	78,230	19,002	19,704	116,936
Supplies	48,592	10,632	20,524	79,748
Postage and shipping	18,936	15,543	13,887	48,366
Equipment repair and maintenance	31,867	8,281	5,747	45,895
Conferences	4,879	424	5,971	11,274
Other expenses	89,197	51,551	38,824	179,572
Total Expenses	\$ 7,431,013	\$ 935,278	\$ 1,427,887	\$ 9,794,178