



**FAR EAST BROADCASTING
COMPANY, INC.**

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

FAR EAST BROADCASTING COMPANY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far East Broadcasting Company, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Far East Broadcasting Company, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Far East Broadcasting Company, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Far East Broadcasting Company, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Far East Broadcasting Company, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Ontario, California
February 13, 2024

FAR EAST BROADCASTING COMPANY, INC.

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 1,092,959	\$ 980,038
Accounts receivable	713,869	138,303
Funds held in escrow	-	375,000
Prepaid expenses and other assets	82,769	38,044
Contributions receivable	3,000	3,000
Estate and trust receivables	176,757	235,670
Investments	16,235,092	14,381,447
Notes receivable, net of \$22,273 and \$33,371 allowance, respectively	-	-
Fiduciary fund assets	-	-
Investments held for board designated purposes	1,720,231	2,060,268
Real estate held for sale	-	443,942
Property and equipment - at cost, net	479,425	73,845
Operating lease-right-of-use asset	124,884	-
Financing lease-right-of-use assets	66,155	-
	\$ 20,695,141	\$ 18,729,557
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 167,068	\$ 259,255
Accrued expenses	1,378,355	547,368
Funds held in escrow liability	-	375,000
Fiduciary obligations	1,909,210	2,255,759
Long-term debt - Paycheck Protection Program loan	-	514,269
Capital lease obligations	-	37,667
Operating lease obligation	124,884	-
Financing lease obligations	66,482	-
Total liabilities	3,645,999	3,989,318
Net assets without donor restrictions:		
Undesignated	8,687,757	5,255,369
Board designated	1,720,231	2,060,268
	10,407,988	7,315,637
Net assets with donor restrictions	6,641,154	7,424,602
Total net assets	17,049,142	14,740,239
Total Liabilities and Net Assets	\$ 20,695,141	\$ 18,729,557

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 3,187,025	\$ 7,485,422	\$ 10,672,447	\$ 3,679,928	\$ 9,341,491	\$ 13,021,419
Trust and estate income	2,825,468	-	2,825,468	1,266,198	-	1,266,198
Broadcast revenue	2,489,953	-	2,489,953	2,105,582	-	2,105,582
Gifts-in-kind - donated real estate	-	-	-	255,000	-	255,000
Gifts-in-kind - donated air time	96,219	-	96,219	78,600	-	78,600
Gifts-in-kind - radios	-	-	-	7,000	-	7,000
Gifts-in-kind - other	30,800	-	30,800	-	-	-
Investment income (loss)	1,118,284	19,204	1,137,488	(1,160,236)	(44,305)	(1,204,541)
Change in value of fiduciary obligations	(107,068)	-	(107,068)	(101,500)	- #	(101,500)
Forgiveness of debt	514,269	-	514,269	-	-	-
Gain on sale of assets	2,214	-	2,214	235	-	235
Other income	375,816	-	375,816	-	-	-
Net assets released from restrictions:						
Assessments	-	-	-	-	-	-
Satisfaction of program restrictions	8,288,074	(8,288,074)	-	9,005,117	(9,005,117)	-
	18,821,054	(783,448)	18,037,606	15,135,924	292,069	15,427,993
EXPENSES:						
Program ministries:						
Broadcast operations	13,059,446	-	13,059,446	11,698,192	-	11,698,192
Supporting activities:						
General and administrative	1,028,961	-	1,028,961	997,321	-	997,321
Fundraising	1,640,296	-	1,640,296	2,099,236	-	2,099,236
Total supporting services	2,669,257	-	2,669,257	3,096,557	-	3,096,557
Total Expenses	15,728,703	-	15,728,703	14,794,749	-	14,794,749
Change in Net Assets	3,092,351	(783,448)	2,308,903	341,175	292,069	633,244
Net Assets, Beginning of Year	7,315,637	7,424,602	14,740,239	6,974,462	7,132,533	14,106,995
Net Assets, End of Year	\$ 10,407,988	\$ 6,641,154	\$ 17,049,142	\$ 7,315,637	\$ 7,424,602	\$ 14,740,239

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Functional Expenses

by Natural Classification

	Year Ended June 30, 2023			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 7,768,882	\$ -	\$ -	\$ 7,768,882
Salaries and wages	2,417,510	434,724	370,894	3,223,128
Professional services	757,820	185,989	390,961	1,334,770
Employee benefits	829,997	124,739	104,620	1,059,356
Printing and publications	245,754	102,481	634,550	982,785
Travel	306,179	26,773	41,765	374,717
Telephone and occupancy	203,366	20,668	20,237	244,271
Other expenses	119,251	61,537	24,430	205,218
Supplies	142,978	18,502	25,922	187,402
Conferences	134,381	5,784	4,595	144,760
Equipment repair and maintenance	59,908	5,684	5,897	71,489
Depreciation and amortization	38,184	22,910	8,331	69,425
Postage and shipping	35,236	19,170	8,094	62,500
	\$ 13,059,446	\$ 1,028,961	\$ 1,640,296	\$ 15,728,703
	Year Ended June 30, 2022			
	Broadcast Operations	General and Administrative	Fundraising	Total
Broadcasting grants	\$ 6,776,731	\$ -	\$ -	\$ 6,776,731
Salaries and wages	2,320,202	450,862	391,554	3,162,618
Professional services	836,957	101,328	383,578	1,321,863
Employee benefits	769,745	123,398	112,844	1,005,987
Printing and publications	378,793	166,556	1,083,713	1,629,062
Travel	152,764	22,102	33,731	208,597
Telephone and occupancy	95,230	13,889	14,380	123,499
Other expenses	101,453	63,237	29,482	194,172
Supplies	122,376	14,345	24,800	161,521
Conferences	44,596	4,628	6,517	55,741
Equipment repair and maintenance	39,574	4,990	4,441	49,005
Depreciation and amortization	21,777	13,066	4,751	39,594
Postage and shipping	37,994	18,920	9,445	66,359
	\$ 11,698,192	\$ 997,321	\$ 2,099,236	\$ 14,794,749

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,308,903	\$ 633,244
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization of property and equipment	69,425	39,594
Amortization of financing lease–right-of-use assets	3,766	-
Realized and unrealized (gain) loss on investments	(1,184,603)	1,264,931
Gain on sale of property and equipment	(2,214)	(235)
Gift annuity and charitable trusts actuarial change	(273,805)	(86,603)
Recognition of forgiveness of debt	(514,269)	-
Net change in:		
Accounts receivable	(575,566)	(115)
Funds held in escrow	375,000	(375,000)
Prepaid expenses and other assets	(44,725)	4,213
Estate and trust receivables	58,913	122,508
Accounts payable	(92,187)	178,970
Accrued expenses	830,987	(7,572)
Funds held in escrow liability	(375,000)	375,000
Net Cash Provided by Operating Activities	584,625	2,148,935
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(32,349)	-
Proceeds from sale of property and equipment	3,500	2,300
Acquisition of investments	(5,382,689)	(12,599,977)
Proceeds from sale of investments	5,053,684	9,601,801
Proceeds from sale of investments for distribution of beneficiary payments	571,263	277,186
Gift portion of new trusts and charitable savings agreements	26,668	(118,476)
Net Cash Provided (Used) in Investing Activities	240,077	(2,837,166)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(37,667)	(13,929)
Principal paid on finance leases	(3,439)	-
Payments on gift annuities to beneficiaries	(571,263)	(277,186)
Face value of new annuity, trusts, and charitable savings agreements	39,998	265,000
Maturities of gift annuities and trusts	(139,410)	(109,921)
Maturities of charitable savings agreements	-	(56,521)
Net Cash Used in Financing Activities	(711,781)	(192,557)

(continued)

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	2023	2022
Change in Cash and Cash Equivalents	112,921	(880,788)
Cash and Cash Equivalents, Beginning of Year	980,038	1,860,826
Cash and Cash Equivalents, End of Year	<u>\$ 1,092,959</u>	<u>\$ 980,038</u>
SUPPLEMENTAL DISCLOSURES:		
Real estate held for sale transferred to property & equipment	<u>\$ 443,942</u>	<u>\$ -</u>
Interest paid	<u>\$ 701</u>	<u>\$ -</u>
Equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 41,665</u>

See notes to financial statements

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 Christian content and delivering it through various media channels 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. However, FEBC is subject to federal income tax on any unrelated business taxable income. 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 years ended June 30, 2023 and 2022, approximately 21% and 9% of FEBC's contributions consisted of trust and estate gifts, respectively. Approximately 7% and 8% of contributions were received from other FEBC affiliates (see Note 8), and approximately 33% and 22% of contributions were received from churches, foundations, ministries, and other institutions for the years ended June 30, 2023 and 2022, respectively. 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. At June 30, 2023 and 2022, FEBC's cash balances on deposit exceeded federally insured limits by approximately \$787,000 and \$874,000, respectively.

ACCOUNTS RECEIVABLE, ESTATE RECEIVABLES, AND TRUST RECEIVABLES

Accounts, estate, and trust receivables 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 was \$0 for each of the years ended, June 30, 2023 and 2022, respectively.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of deposits and advances to affiliates.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Unconditional promises-to-give are recognized as income when the promise is received and recorded at net present value using a risk-free rate applicable to the years in which the promises were received. All contributions receivable are expected to be collected within one year, so no discount was recorded.

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 alternatively managed futures and indexed annuities have an estimated market value based on reasonable valuation methodologies including items such as surrender value and recent offering prices, which approximate 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.

REAL ESTATE HELD FOR SALE

FEBC placed real estate in La Mirada, California, up for sale during the year ended June 30, 2021. The real estate was held at the lower of cost or fair value, less estimated selling costs. In April 2021, FEBC entered into a sale agreement amended in June 2021 with a selling price of \$8,200,000 and an escrow closing date in December 2022. During the year ended June 30, 2023, the purchaser terminated the purchase and sale agreement, and FEBC collected earnest money totaling \$375,000, which is recorded as other income on the statements of activities.

OPERATING AND FINANCING LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

FEBC adopted Accounting Standards Update (ASU) 2016-02 and its related amendments as of July 1, 2022, which resulted in the recognition of operating and financing lease right-of-use assets and liabilities of \$191,039 and \$191,366, respectively, as of June 30, 2023. The right-of-use asset and liability balances are immaterial to the financial statements, and therefore no additional footnote disclosures are included.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment over \$5,000 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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions 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.

Net assets with donor restrictions are those related to fiduciary agreements and those which are stipulated by donors for specific purposes.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

Contributions are recorded as net assets with donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to FEBC. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. 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.

GIFTS-IN-KIND

Gifts-in-kind consists of non-cash gifts including donated real estate, air time, radios, and other. Non-cash gifts are recorded as support at the estimated fair market value on the date of the gift. Donated real estate was valued at market value then liquidated. Proceeds from the sale of the donated real estate was used to fulfill donor restrictions which included granting approximately \$138,000 to another ministry. Donated air time and radios are utilized to fulfill FEBC's mission to move listeners closer to Jesus Christ and His Kingdom.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FORGIVENESS OF DEBT

FEBC obtained a Payroll Protection Program loan in May 2020, due to the coronavirus pandemic. The loan was fully forgivable if FEBC met certain spending and employment thresholds. The loan was fully forgiven during the year ended June 30, 2023. FEBC recognized \$514,269 of income, which is recorded as forgiveness of debt on the statements of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one or more program or supporting function of FEBC. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, shared services and office and occupancy, which are allocated on a combined square footage basis and estimated benefit received. Salaries and benefits are allocated on the basis of estimates of time and effort.

ALLOCATION OF JOINT COSTS

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. The allocation of these joint costs is disclosed in Note 11 to the financial statements.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. FEBC adopted this update for the year ended June 30, 2023. Three of FEBC's contracts contain the right to control the use of property or assets and are therefore considered leases. FEBC elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. FEBC elected the short-term accounting policy election in which only contracts with terms of more than 12 months are recognized. FEBC also elected the practical expedient to not separate lease and non-lease components. The right-of-use asset and liability balances are immaterial to the financial statements, and therefore no additional footnote disclosures are included. The effect of the adjustment to the opening balance of net assets totaled \$327. As it was deemed immaterial, the net asset difference was adjusted through general and administrative on the consolidated statements of activities and functional expenses.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

3. **LIQUIDITY:**

The following reflects FEBC's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. FEBC maintains liquidity sufficient to meet general obligations as they become due.

	June 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,092,959	\$ 980,038
Accounts receivable	713,869	138,303
Contributions receivable	3,000	3,000
Estate and trusts receivable	176,757	235,670
Investments	16,235,092	14,381,447
Investments held for board designated purposes	1,720,231	2,060,268
Financial assets, at year end	19,941,908	17,798,726
Less those unavailable for FEBC's activities within one year due to:		
Beneficial interest held in others	(32,575)	(32,575)
Restricted by donors with purpose or time restrictions	(3,651,282)	(4,052,041)
Board designated	(1,720,231)	(2,060,268)
Fiduciary obligations	(1,909,210)	(2,255,759)
	(7,313,298)	(8,400,643)
Financial assets available to meet cash needs for FEBC's activities within one year	\$ 12,628,610	\$ 9,398,083

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for FEBC's activities within one year of the date of the statements of financial position, other than as noted. FEBC has a goal to maintain cash and investments on hand to meet ninety days of normal operating expenses, which are on average \$1,311,000 per month. FEBC is committed to having adequate cash reserves as part of its overall financial plan. As part of the FEBC's liquidity management plan, excess cash is invested in short term certificates of deposit or interest bearing checking accounts.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS AND INVESTMENTS HELD FOR BOARD DESIGNATED PURPOSES:

The carrying value of FEBC's investments and fiduciary fund assets at June 30, 2023 and 2022 are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 487,549	\$ 682,400
Investments:		
Equities	8,900,386	8,085,308
Bonds	3,923,959	3,070,336
Mutual funds	3,419,547	3,039,529
Money market accounts	689,160	1,046,242
Indexed annuities	373,162	355,005
Alternative managed futures	101,416	102,751
Investment in LLC	60,144	60,144
	<u>\$ 17,955,323</u>	<u>\$ 16,441,715</u>

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification (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, 2023 and 2022

4. INVESTMENTS AND INVESTMENTS HELD FOR BOARD DESIGNATED PURPOSES, continued:

The following tables present the fair value measurements of assets 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, 2023 and 2022:

As of June 30, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 8,900,386	\$ 8,900,386	\$ -	\$ -
Mutual funds	3,419,547	3,419,547	-	-
Bonds	3,923,959	-	3,923,959	-
Indexed annuities	373,162	-	373,162	-
Alternative managed futures	101,416	-	101,416	-
Limited partnership	60,144	-	-	60,144
	<u>\$ 16,778,614</u>	<u>\$ 12,319,933</u>	<u>\$ 4,398,537</u>	<u>\$ 60,144</u>

As of June 30, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 8,085,308	\$ 8,085,308	\$ -	\$ -
Mutual funds	3,039,529	3,039,529	-	-
Bonds	3,070,336	-	3,070,336	-
Indexed annuities	355,005	-	355,005	-
Alternative managed futures	102,751	-	102,751	-
Limited partnership	60,144	-	-	60,144
	<u>\$ 14,713,073</u>	<u>\$ 11,124,837</u>	<u>\$ 3,528,092</u>	<u>\$ 60,144</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

4. INVESTMENTS AND INVESTMENTS HELD FOR BOARD DESIGNATED PURPOSES, continued:

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 \$58,203 and \$407,958, as of June 30, 2023 and 2022, 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 3.38% to 13.2%.

5. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2023	2022
Land	\$ 300,310	\$ -
Land improvements	70,634	-
Buildings and improvements	1,066,040	-
Equipment	1,520,329	1,526,737
Less accumulated depreciation	(2,510,231)	(1,452,892)
	447,082	73,845
Construction in process	32,343	-
	\$ 479,425	\$ 73,845
Reclassification to land, buildings, and equipment from real estate held for sale	\$ 443,942	\$ -

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

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6. FIDUCIARY OBLIGATIONS, continued:

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 net assets without donor restrictions 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 net assets with donor restrictions 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 net assets with donor restrictions.

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.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

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6. FIDUCIARY OBLIGATIONS, continued:

Fiduciary obligations consist of:

	June 30,	
	2023	2022
Gift annuity liabilities	\$ 1,349,557	\$ 1,588,527
Irrevocable agreements	246,213	369,993
Amounts due to other beneficiaries	310,430	294,229
Charitable savings agreements	3,010	3,010
	\$ 1,909,210	\$ 2,255,759

The change in value of fiduciary obligations consists of:

	June 30,	
	2023	2022
Change in value of charitable gift annuities:		
Actuarial change	\$ 166,228	\$ 28,468
Other income		
Maturities	139,410	109,921
Payments and distributions (including miscellaneous expenses)	(447,088)	(218,788)
	(141,450)	(80,399)
Change in value of charitable trusts:		
Interest and dividends	19,646	23,733
Realized and unrealized gains (losses) on investments	25,589	(107,755)
Actuarial change	107,577	58,135
Payments (including miscellaneous expenses)	(123,627)	(53,010)
	29,185	(78,897)
Change in value of charitable savings agreements:		
Maturities	-	46,528
Interest and dividends	10,487	10,595
Realized and unrealized gains (losses) on investments	(4,742)	6,061
Payments (including miscellaneous expenses)	(548)	(5,388)
	5,197	57,796
	\$ (107,068)	\$ (101,500)

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

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7. NET ASSETS:

Net assets consist of:

	June 30,	
	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 8,687,757	\$ 5,252,465
Funds held for fields	-	2,904
	8,687,757	5,255,369
Designated:		
Designated by board for the Legacy Fund	1,720,231	2,060,268
Total net assets without donor restrictions	\$ 10,407,988	\$ 7,315,637
Net assets with donor restrictions:		
Operations in foreign countries *	\$ 5,581,442	\$ 6,524,809
Missionary support	476,372	500,864
Investment account held for restricted purposes	253,951	248,068
Irrevocable agreements	327,517	145,868
Other projects	1,872	4,993
	\$ 6,641,154	\$ 7,424,602

* Net assets restricted by donors for operations in foreign countries as of June 30, 2023 and 2022, includes \$1,154,543 and \$1,357,154, respectively, restricted to support broadcast operations in South-East Asia. Net assets restricted by donors for operations in foreign countries also includes \$326,315 and \$514,547 restricted for developmental growth of international Asian ministries, as of June 30, 2023 and 2022, respectively.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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,	
	2023	2022
Vietnam	\$ 2,067,000	\$ 1,973,900
Russia and Ukraine	1,270,666	1,301,447
Hong Kong	741,791	842,700
Korea	719,889	636,414
Thailand	545,531	281,644
Central Asia	460,178	236,935
Cambodia	390,664	275,721
Philippines	321,731	313,668
Mongolia	270,850	225,971
Indonesia	219,795	271,257
Other countries	162,295	32,758
South Africa	128,855	-
India	124,643	115,094
Taiwan	104,670	105,320
Japan	82,420	34,330
Pakistan	74,983	52,825
Malaysia	61,046	25,535
England	14,076	22,712
Myanmar	6,000	-
Canada	1,799	28,500
	\$ 7,768,882	\$ 6,776,731

In addition, financial support is provided to, and received from, other FEBC sending fields in England, Australia, Canada, and Asia. Financial support in the amount of \$849,345 and \$957,676 was received from these fields during the years ended June 30, 2023 and 2022, respectively, and is included in contributions in the statements of activities. Financial support was provided to these fields in the amount of \$178,170 and \$83,970, during the years ended June 30, 2023 and 2022, respectively, and is included in broadcast operations expense.

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

9. LONG-TERM DEBT:

Long-term debt consists of the following:

	June 30,	
	2023	2022
In May 2020, FEBC signed a loan agreement through a financial institution to obtain funding for a Paycheck Protection Program loan through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan qualified for forgiveness if requirements set by the Small Business Administration were met. The loan agreement provided for loan forgiveness up to the full amount of the loan, provided that FEBC complied with certain loan stipulations. The loan bore interest at 1% per annum. Any unforgiven portion of the loan was to be repaid over two years in monthly installments beginning six months after the expiration of the 24 week period beginning on May 4, 2020, which was the date the loan was fully funded. The loan was fully forgiven during the year ended June 30, 2023.	\$ -	\$ 514,269

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 \$182,592 and \$155,558, for the years ended June 30, 2023 and 2022, respectively.

11. JOINT COSTS:

As stated in Note 2, 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,	
	2023	2022
Program services	\$ 481,895	\$ 441,215
Supporting activities:		
General and administrative	1,471	1,347
Fundraising	6,863	6,284
	<u>\$ 490,229</u>	<u>\$ 448,846</u>

FAR EAST BROADCASTING COMPANY, INC.

Notes to Financial Statements

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12. RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2023 and 2022, FEBC paid \$12,000 and \$18,847, respectively, for broadcasting services to a company owned by a board member. FEBC also received donated broadcasting time valued at \$78,600, for each of the years ended June 30, 2023 and 2022, from a broadcasting company owned by a board member.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 13, 2024, which is the date the financial statements were available to be issued.

In August 2023, FEBC entered into a sale agreement for its La Mirada building with a scheduled closing date in December 2024. The selling price is \$7,500,000 with an escrow deposit of \$100,000 as of February 13, 2024.