

CHRISTIAN RECORD SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



**DANA F. COLE  
& COMPANY** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

CHRISTIAN RECORD SERVICES, INC.  
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**DANA F. COLE  
& COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Christian Record Services, Inc.  
Lincoln, Nebraska

We have audited the accompanying financial statements of Christian Record Services, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the entity'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 the entity'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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Record Services, Inc., as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited Christian Record Services, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska  
May 7, 2019

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

ASSETS	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2018 Total	2017 Total
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	575,799	46,757			622,556	1,642,366
Short term investments	2,047,230	117,217	37,710	466	2,202,623	157,917
Receivables, net	55,111				55,111	29,420
Supplies inventory, at cost	117,283				117,283	119,190
Prepaid expense	6,456				6,456	
Total current assets	<u>2,801,879</u>	<u>163,974</u>	<u>37,710</u>	<u>466</u>	<u>3,004,029</u>	<u>1,948,893</u>
<b>OTHER ASSETS</b>						
Investments	234,572	431,731		333,563	999,866	915,377
Beneficial interest in trust assets				3,146,957	3,146,957	2,069,855
Plant assets (net)	26,881		138,860		165,741	188,305
Total other assets	<u>261,453</u>	<u>431,731</u>	<u>138,860</u>	<u>3,480,520</u>	<u>4,312,564</u>	<u>3,173,537</u>
<b>TOTAL ASSETS</b>	<u>3,063,332</u>	<u>595,705</u>	<u>176,570</u>	<u>3,480,986</u>	<u>7,316,593</u>	<u>5,122,430</u>

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018

WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2018 Total	2017 Total
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	32,499				32,499	33,384
Expenses accrued	123,547				123,547	112,165
Total current liabilities	<u>156,046</u>				<u>156,046</u>	<u>145,549</u>
<b>OTHER LIABILITIES</b>						
Present value of annuities payable				270,862	270,862	297,352
<b>TOTAL LIABILITIES</b>	<u>156,046</u>			<u>270,862</u>	<u>426,908</u>	<u>442,901</u>
<b>NET ASSETS</b>						
Without donor restrictions	2,406,313	71,006	176,570	92,072	2,745,961	1,902,759
With donor restrictions						
Restricted by purpose or time	425,973	431,770		54,274	912,017	606,203
Restricted in perpetuity	75,000	92,929		3,063,778	3,231,707	2,170,567
Total net assets	<u>2,907,286</u>	<u>595,705</u>	<u>176,570</u>	<u>3,210,124</u>	<u>6,889,685</u>	<u>4,679,529</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>3,063,332</u>	<u>595,705</u>	<u>176,570</u>	<u>3,480,986</u>	<u>7,316,593</u>	<u>5,122,430</u>

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2018 Total	2017 Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>						
Revenues and support						
Contributions	989,302				989,302	1,036,587
Offerings from associated churches	369,633				369,633	287,627
Legacies and bequests	1,309,339			18,314	1,327,653	250,565
Investment income	23,127	(4,260)	556	(77,151)	(57,728)	93,613
Other income	225,094				225,094	1,366,179
Net assets released from restriction	2,916,495	(4,260)	556	(58,837)	2,853,954	3,034,571
Total revenues and support	<u>2,982,785</u>	<u>(4,260)</u>	<u>556</u>	<u>(58,837)</u>	<u>2,920,244</u>	<u>3,102,448</u>
Expenses						
Program services	1,327,488		26,206		1,353,694	883,912
Supporting activities						
Development and fundraising	350,142		8,900	38,013	397,055	499,960
Executive administration	311,954		14,339		326,293	665,681
Total expenses	<u>1,989,584</u>		<u>49,445</u>	<u>38,013</u>	<u>2,077,042</u>	<u>2,049,553</u>
Change in net assets without donor restrictions	993,201	(4,260)	(48,889)	(96,850)	843,202	1,052,895
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>						
Restricted by purpose or time						
Contributions	346,335				346,335	44,985
Legacies and bequests	24,137				24,137	1,086
Investment income		1,632			1,632	767
Net assets released from restriction	370,472	1,632			372,104	46,838
	<u>(66,290)</u>				<u>(66,290)</u>	<u>(67,877)</u>
Change in net assets restricted by purpose or time	304,182	1,632			305,814	(21,039)

CHRISTIAN RECORD SERVICES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2018 Total	2017 Total
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
(Continued)						
Restricted in perpetuity						
Change in beneficial interest in trust assets				1,061,140	1,061,140	137,105
NET ASSETS, beginning of year	1,626,366	604,788	226,141	2,222,234	4,679,529	3,510,568
Transfers between funds	(16,463)	(6,455)	(682)	23,600		
NET ASSETS, end of year	2,907,286	595,705	176,570	3,210,124	6,889,685	4,679,529

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See accompanying notes to financial statements.



CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Activities			2018 Total	2017 Total
	Outreach Ministries	Library/ Studio	Information and Education	Total Program Services	Development and Fundraising Administration	Executive Administration		
Salaries	306,377	55,343	94,756	456,476	131,519	93,852	681,847	652,466
Employee benefits	163,366	21,852	42,710	227,928	57,473	79,015	364,416	311,039
Payroll taxes	24,740	5,062	8,153	37,955	10,975	7,991	56,921	52,720
Total salaries and related expense	494,483	82,257	145,619	722,359	199,967	180,858	1,103,184	1,016,225
Contracted services	10,993	829	34,207	46,029	7,698	53,266	106,993	92,796
Supplies	3,929	1,561	547	6,037	505	3,289	9,831	9,378
Telephone	1,618	280	342	2,240	1,603	780	4,623	13,222
Postage and shipping	3,551	240	55,669	59,460	18,088	559	78,107	75,881
Insurance	947	947	947	2,841	947	947	4,735	
Occupancy and depreciation	55,618	23,047	24,715	103,380	35,031	54,170	192,581	134,078
Equipment rental and maintenance	1,842	675	737	3,254	1,105	3,048	7,407	106,453
Small equipment and software	3,198	754	1,448	5,400	1,676	2,619	9,695	
Outside printing and computer	10,716	18,013	94,007	122,736	44,238	7,240	174,214	153,157
Transportation and auto insurance	30,357	3,739	14,814	48,910	13,997	11,398	74,305	74,838
Committees and meetings	1,240		3,366	4,606	343	594	5,543	5,153
Subscriptions	93,472	1,195	71	94,738	86	86	94,824	126,996
Specific assistance to individuals	71,007			71,007	33,886		104,893	110,246
Licenses and permits			699	699	5,315	94	6,108	8,418
Miscellaneous	10,029	11,944	38,025	59,998	32,570	7,431	99,999	122,712
	793,000	145,481	415,213	1,353,694	397,055	326,293	2,077,042	2,049,553

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>2,210,156</u>	<u>1,168,961</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	49,445	37,632
Gain on disposal of plant assets		(912,110)
Unrealized market (gain) loss	15,561	(34,358)
Change in beneficial interest in trust assets	(1,061,140)	(137,105)
Actuarial gain on annuity obligations	(18,314)	(24,679)
(Increase) decrease in assets:		
Receivables	(25,691)	222,269
Inventories	1,907	450
Prepaid expenses	(6,456)	24,000
Increase (decrease) in liabilities:		
Accounts payable	(885)	(17,977)
Expenses accrued	11,382	(3,135)
Total adjustments	<u>(1,034,191)</u>	<u>(845,013)</u>
Net cash provided by operating activities	<u>1,175,965</u>	<u>323,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the maturities of investments	54,517	59,184
Purchases of investments	(2,223,411)	(75,787)
Proceeds from the sale of plant assets		947,732
Purchases of plant assets	<u>(26,881)</u>	<u>(144,770)</u>
Net cash provided by (used in) investing activities	<u>(2,195,775)</u>	<u>786,359</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short-term debt	<u>                    </u>	<u>(403,000)</u>
Net cash used in financing activities	<u>                    </u>	<u>(403,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,019,810)	707,307
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,642,366</u>	<u>935,059</u>
CASH AND CASH EQUIVALENTS, end of year	<u>622,556</u>	<u>1,642,366</u>

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Christian Record Services, Inc., is a not-for-profit corporation that is organized to provide aid and assistance to persons who are legally blind. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation, but is an organization described in Section 509(a)(2) of the Code.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

New Accounting Pronouncement

Effective January 1, 2018, the Organization adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Organization's financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

The financial statements for the year ended December 31, 2017, have been retroactively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statements of activities for the year ended December 31, 2017.

Classes of Net Assets

The financial statements report amounts by class of net assets.

*Net assets without donor restrictions* are currently available for operating purposes under the direction of the Board, or invested in property and equipment.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Classes of Net Assets (Continued)

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes, for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations and specific projects.

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts receivable.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which consist mainly of paper and other production materials and publications for giveaway, are valued at the lower of cost (first-in, first-out method) or net realizable value.

Investments

The Organization has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Split-Interest Agreements

The Organization acts as trustee of and/or has a beneficial interest in various kinds of trusts and annuities for which they act as trustee or administrator. For those agreements that are unconditional and irrevocable, the respective donated assets are recorded by the Organization at fair value at the date of gift or acceptance of agreement.

For those agreements, liabilities are recorded for the present value of the amount due to income beneficiaries and other remainder beneficiaries. Standard actuarial tables and conservative interest rates ranging from 3.8% to 8.5% are used to compute liabilities due to annuitants. For those irrevocable agreements that are unconditional, the Organization's remainder interest is classified as unrestricted or temporarily restricted depending on the terms of each agreement.

The Organization has beneficial interest in six donor-established irrevocable perpetual trusts whose assets are held by third party financial institutions. The Organization receives periodic distributions representing their percentage interests in the income from the trusts' assets. While these beneficial interests are assets of the Organization, they do not represent expendable cash available for discretionary use of the Organization.

Plant Assets

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property over \$1,000 and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 2 to 40 years.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Advertising

Advertising expenses of the Organization are expensed as incurred.

Joint Cost Allocation

In 2018 and 2017, the Organization conducted joint activities that included requests for contributions, as well as program and management and general components. These activities included direct mail campaigns, and newsletters. The costs of conducting these activities included a total of \$667,470 and \$1,196,159, respectively, of joint costs which are not specifically attributable to a particular component of the activities. In conformity with Statement of Position 98-2 these joint costs were allocated as follows:

	2018	2017
Program Services: Public Information & Education	415,213	167,510
Supporting Activities: Fund Raising	<u>397,055</u>	<u>499,960</u>
	<u>812,268</u>	<u>667,470</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis in the statement of functional expenses.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organization has deposits in financial institutions subject to the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2018 and 2017, the amount of deposits in excess of the insurance provided by FDIC were \$217,860 and \$812,119, respectively.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

The Organization has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and Cash Equivalents

The fair value of cash and cash equivalents is the market value of checking, savings, or money market accounts reported as a fiscal year end by financial institutions.



CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Pooled investment funds

Pooled investment funds are reported as their net asset value, as reported by the custodian of the funds.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2018, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash equivalents	2,202,622	2,202,622		
Equity mutual funds	17,552	17,552		
Pooled investment funds	<u>982,315</u>		982,315	
Totals	<u>3,202,489</u>	<u>2,220,174</u>	<u>982,315</u>	

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2018 and 2017, are as follows:

	2018		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	2,202,622		2,202,622
Equity mutual funds	<u>17,870</u>	<u>(318)</u>	<u>17,552</u>
Totals	<u>2,220,492</u>	<u>(318)</u>	<u>2,220,174</u>
	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	157,917		157,917
Equity mutual funds	<u>17,377</u>	<u>206</u>	<u>17,583</u>
Totals	<u>175,294</u>	<u>206</u>	<u>175,500</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organizations to retain their investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Total investment return for the years ended December 31, 2018 and 2017, consists of the following:

	2018	2017
Investment income - unrestricted	39,094	7,639
Investment income - unrestricted - annuities and trusts	(81,262)	51,616
Net unrealized gains - unrestricted	(19,670)	28,975
Net unrealized gains - unrestricted - annuities and trusts	4,109	5,383
Investment income - temporarily restricted	<u>1,632</u>	<u>767</u>
	<u>(56,097)</u>	<u>94,380</u>

NOTE 4. ACCOUNTS RECEIVABLE

Components of accounts receivable as of December 31, 2018 and 2017, are as follows:

	2018	2017
Affiliated organization receivable	26,437	17,091
Contributions receivable	21,515	
Other receivable	<u>7,159</u>	<u>12,329</u>
	<u>55,111</u>	<u>29,420</u>

NOTE 5. PLANT ASSETS

The major classes of plant assets in service at December 31, 2018 and 2017, are as follows:

	2018	2017
Buildings	62,497	62,497
Equipment	<u>423,941</u>	<u>398,225</u>
	486,438	460,722
Less accumulated depreciation	<u>(320,697)</u>	<u>(272,417)</u>
Net plant assets	<u>165,741</u>	<u>188,305</u>

CHRISTIAN RECORD SERVICES, INC.  
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NOTE 6. RELATED PARTY TRANSACTIONS

The General Conference of Seventh-day Adventists (GC), the North American Division of Seventh-day Adventists (NAD), the Mid-America Union Conference of Seventh-day Adventists (MAUC), AdventSource (AS), and Union College (UC) are related parties with respect to the Organization in that the Organization receives appropriations from the GC and NAD to carry out its services for persons who are legally blind, and through shared membership in the respective governing committees of the GC, NAD, MAUC, AS, and UC. Significant transactions occur between the Organization and these organizations, including:

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$369,633 and \$270,536 in 2018 and 2017, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

Pension And Other Post-Retirement Benefits

The Organization participates in a non-contributory, defined benefit retirement plan known as the "Seventh-day Adventist Retirement Plan of the North American Division". This plan, which covers substantially all full time employees of the Organization, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency.

The Organization also participates in a non-contributory, defined benefit health care plan known as the "Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division". This plan, which covers substantially all full time employees of the Organization, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency.

The Organization contributed \$93,108 and \$58,729 to these plans for the years ended December 31, 2018 and 2017, respectively.

These plans are defined by the Financial Accounting Standards Board as multi-employer plans. As such, it is not required, nor is it possible, to determine the actuarial present value of accumulated benefits or plan net assets for employees of the Organization apart from other plan participants. However, based on the latest actuarial valuation of the Seventh-day Adventist Retirement Plan of the North American Division, as of December 31, 1998, the actuarially computed value of accumulated plan benefits exceeded the estimated market value of plan assets for that plan. No actuarial valuation has been obtained for the Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division.

The North American Division Committee voted to freeze accrual of service credit in these plans effective December 31, 1999, except for employees who choose the career completion option, and to start a new defined contribution plan effective January 1, 2000. The Organization is scheduled to continue making contributions (at a reduced rate) to the frozen plans after December 31, 1999. Certain employees will continue to be eligible for future benefits under these plans.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

Effective January 1, 2000, the Organization participates in a defined contribution retirement plan known as "The Adventist Retirement Plan". This plan, which covers substantially all full time employees of the Organization, is administered by the General Conference of Seventh-day Adventists (GC) in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency. The Organization contributed \$51,430 and \$48,374 to the plan for the years ended December 31, 2018 and 2017, respectively, based on a stated matching percentage of certain employee voluntary contributions. Investment management of the accumulated employee contributions is provided under an agreement between the GC and the plan trustee and custodian.

NOTE 7. NET ASSETS

Net assets without donor restrictions represent resources available to support the Organization's operations at the discretion of the governing board.

Net assets with donor restrictions may only be utilized in accordance with the limitations established by the donors of such resources. Net assets with donor restrictions are available for the following as of December 31, 2018 and 2017:

	2018	2017
Oregon Blind Campers, Bibles for the Blind, and special projects	857,743	551,929
Trusts	<u>54,274</u>	<u>54,274</u>
	<u>912,017</u>	<u>606,203</u>

Net assets were released from restrictions as follows:

Special project expenses	<u>66,290</u>	<u>67,877</u>
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Net assets restricted in perpetuity represent resources that are subject to restrictions from donors requiring that the principal be held in perpetuity, be invested, and only the income from such investments be used for the purposes stipulated by the donor. Permanently restricted net assets are held for the income to be used for the following as of December 31, 2018 and 2017:

	2018	2017
Bibles for the blind	73,753	73,753
Scholarships for the blind	7,985	7,985
Reading materials for the blind	500,177	500,177
National camps for the blind	1,542,973	1,282,773
Bible services	<u>1,106,819</u>	<u>305,879</u>
	<u>3,231,707</u>	<u>2,170,567</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with Union Bank & Trust which requires monthly interest payments at the bank's prime rate, currently 4.0%. The line is collateralized by assets held within the named institution. The balance of the line of credit was \$- 0 - at December 31, 2018 and 2017.

The agreement contains covenants relating to notice of claims and litigation, insurance coverage, and business existence and operations.

NOTE 9. LEASE COMMITMENTS

The Organization conducts its operations with offices leased under a 5-year noncancellable lease expiring on October 31, 2021. There is an option to renew the lease for 2 three year options.

At December 31, 2018, the minimum future payments required under the above are as follows:

2019	86,820
2020	86,820
2011	<u>72,350</u>
	<u>245,990</u>

NOTE 10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year of the balance date are as follows:

	2018	2017
Cash and cash equivalents	622,556	1,194,080
Short-term investments	1,290,606	
Receivables, net	<u>55,111</u>	<u>29,420</u>
	<u>1,968,273</u>	<u>1,223,500</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 7, 2019, the date the financial statements were available to be issued.