

CHRISTIAN RECORD SERVICES, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016



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

CHRISTIAN RECORD SERVICES, INC.  
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## 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 nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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.

***Report on Summarized Comparative Information***

We have previously audited Christian Record Services, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dana F Cole + Company, LLP*

Lincoln, Nebraska  
June 7, 2018

CHRISTIAN RECORD SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities and Trusts Fund	2017 Total	2016 Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	1,595,609	46,757			1,642,366	935,059
Short-term investments	3,556	115,537	37,836	988	157,917	156,896
Receivables, net	29,420				29,420	251,689
Supplies inventory, at cost	119,190				119,190	119,640
Prepaid expense						24,000
Total current assets	<u>1,747,775</u>	<u>162,294</u>	<u>37,836</u>	<u>988</u>	<u>1,948,893</u>	<u>1,487,284</u>
<b>OTHER ASSETS</b>						
Investments	24,140	442,494		448,743	915,377	865,437
Beneficial interest in trust assets				2,069,855	2,069,855	1,919,807
Plant assets (net)			188,305		188,305	116,787
Total other assets	<u>24,140</u>	<u>442,494</u>	<u>188,305</u>	<u>2,518,598</u>	<u>3,173,537</u>	<u>2,902,031</u>
ω <b>TOTAL ASSETS</b>	<u>1,771,915</u>	<u>604,788</u>	<u>226,141</u>	<u>2,519,586</u>	<u>5,122,430</u>	<u>4,389,315</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	33,384				33,384	51,361
Expenses accrued	112,165				112,165	115,300
Current loan payable						403,000
Total current liabilities	<u>145,549</u>				<u>145,549</u>	<u>569,661</u>
<b>OTHER LIABILITIES</b>						
Present value of annuities payable				297,352	297,352	309,086
<b>TOTAL LIABILITIES</b>	<u>145,549</u>			<u>297,352</u>	<u>442,901</u>	<u>878,747</u>
<b>NET ASSETS</b>						
Unrestricted	1,429,574	81,722	226,141	165,322	1,902,759	849,864
Temporarily restricted	121,792	430,137		54,274	606,203	627,242
Permanently restricted	75,000	92,929		2,002,638	2,170,567	2,033,462
Total net assets	<u>1,626,366</u>	<u>604,788</u>	<u>226,141</u>	<u>2,222,234</u>	<u>4,679,529</u>	<u>3,510,568</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>1,771,915</u>	<u>604,788</u>	<u>226,141</u>	<u>2,519,586</u>	<u>5,122,430</u>	<u>4,389,315</u>

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities and Trusts Fund	2017 Total	2016 Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>						
Revenues and support						
Contributions	1,036,587				1,036,587	1,435,181
Offerings from associated churches	287,627				287,627	407,100
Legacies and bequests	238,831			11,734	250,565	405,204
Investment income	1,444	34,965	207	56,997	93,613	91,849
Other income	<u>1,401,801</u>		<u>(35,622)</u>		<u>1,366,179</u>	<u>1,393,898</u>
	2,966,290	34,965	(35,415)	68,731	3,034,571	3,733,232
Net assets released from restriction	<u>67,877</u>				<u>67,877</u>	<u>194,838</u>
Total revenues and support	<u>3,034,167</u>	<u>34,965</u>	<u>(35,415)</u>	<u>68,731</u>	<u>3,102,448</u>	<u>3,928,070</u>
Expenses						
Program services	865,888		18,024		883,912	2,857,334
Supporting activities						
Development and fundraising	455,579		959	43,422	499,960	647,580
Executive administration	<u>647,220</u>		<u>18,647</u>	<u>(186)</u>	<u>665,681</u>	<u>733,999</u>
Total expenses	<u>1,968,687</u>		<u>37,630</u>	<u>43,236</u>	<u>2,049,553</u>	<u>4,238,913</u>
Change in unrestricted net assets	<u>1,065,480</u>	<u>34,965</u>	<u>(73,045)</u>	<u>25,495</u>	<u>1,052,895</u>	<u>(310,843)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>						
Contributions	44,985				44,985	30,429
Legacies and bequests	1,086				1,086	
Investment income		767			767	210
	<u>46,071</u>	<u>767</u>			<u>46,838</u>	<u>30,639</u>
Net assets released from restriction	<u>(67,877)</u>				<u>(67,877)</u>	<u>(198,145)</u>
Change in temporarily restricted net assets	<u>(21,806)</u>	<u>767</u>			<u>(21,039)</u>	<u>(167,506)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>						
Contributions						3,307
Change in beneficial interest in trust assets				137,105	137,105	76,982
Change in permanently restricted net assets				<u>137,105</u>	<u>137,105</u>	<u>80,289</u>
NET ASSETS, beginning of year	740,405	569,056	154,416	2,046,691	3,510,568	3,908,628
Transfers between funds	<u>(157,713)</u>		<u>144,770</u>	<u>12,943</u>		
NET ASSETS, end of year	<u>1,626,366</u>	<u>604,788</u>	<u>226,141</u>	<u>2,222,234</u>	<u>4,679,529</u>	<u>3,510,568</u>

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Program Services				Supporting Activities				2017 Total	2016 Total
	Outreach Ministries	Library/ Studio	Public Information and Education	Total Program Services	Development and Fundraising	Executive Administration	Total Supporting Activities			
Salaries	127,208	63,718	56,984	247,910	162,022	242,534	404,556	652,466	1,266,144	
Employee benefits	77,672	24,649	30,350	132,671	48,638	129,730	178,368	311,039	655,259	
Payroll taxes	7,430	5,423	5,195	18,048	13,795	20,877	34,672	52,720	101,564	
Total salaries and related expense	<u>212,310</u>	<u>93,790</u>	<u>92,529</u>	<u>398,629</u>	<u>224,455</u>	<u>393,141</u>	<u>617,596</u>	<u>1,016,225</u>	<u>2,022,967</u>	
Contracted services	8,996	1,200	3,467	13,663	5,945	73,188	79,133	92,796	137,292	
Supplies	4,510	2,767	220	7,497	286	1,595	1,881	9,378	708,692	
Telephone	3,548	561	1,934	6,043	2,623	4,556	7,179	13,222	14,947	
Postage and shipping	40,162	179	2,178	42,519	28,191	5,171	33,362	75,881	75,301	
Occupancy and depreciation	23,745	26,461	8,378	58,584	17,031	58,463	75,494	134,078	430,474	
Equipment rental and maintenance	18,937	19,277	7,586	45,800	19,431	41,222	60,653	106,453	68,754	
Outside printing and computer	6,352	3,307	823	10,482	125,617	17,058	142,675	153,157	216,525	
Transportation and auto insurance	10,310	3,477	11,860	25,647	22,563	26,628	49,191	74,838	79,645	
Committees and meetings			2,022	2,022	15	3,116	3,131	5,153	12,146	
Subscriptions	126,996			126,996				126,996		
Specific assistance to individuals	69,606			69,606	38,826	1,814	40,640	110,246	129,899	
Licenses and permits			1,069	1,069	7,224	125	7,349	8,418	8,179	
Miscellaneous	15,994	23,917	35,444	75,355	7,753	39,604	47,357	122,712	45,251	
Job printing supplies									288,841	
	<u>541,466</u>	<u>174,936</u>	<u>167,510</u>	<u>883,912</u>	<u>499,960</u>	<u>665,681</u>	<u>1,165,641</u>	<u>2,049,553</u>	<u>4,238,913</u>	

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>1,168,961</u>	<u>(398,060)</u>
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,632	59,493
(Gain) loss on disposal of plant assets	(912,110)	508,438
Unrealized market gain	(34,358)	(42,320)
Change in beneficial interest in trust assets	(137,105)	5,289
Actuarial gain on annuity obligations	(24,679)	(23,354)
(Increase) decrease in assets:		
Receivables	222,269	(248,640)
Inventories	450	299,788
Prepaid expenses	24,000	(19,725)
Increase (decrease) in liabilities:		
Accounts payable	(17,977)	(1,537)
Expenses accrued	(3,135)	(164,524)
Total adjustments	<u>(845,013)</u>	<u>372,908</u>
Net cash provided by (used in) operating activities	<u>323,948</u>	<u>(25,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the maturities of investments	59,184	43,460
Purchases of investments	(75,787)	9,623
Proceeds from the sale of plant assets	947,732	
Purchases of plant assets	<u>(144,770)</u>	<u>25,179</u>
Net cash provided by investing activities	<u>786,359</u>	<u>78,262</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments on) short-term debt	<u>(403,000)</u>	<u>403,000</u>
Net cash provided by (used in) financing activities	<u>(403,000)</u>	<u>403,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	707,307	456,110
CASH AND CASH EQUIVALENTS, beginning of year	<u>935,059</u>	<u>478,949</u>
CASH AND CASH EQUIVALENTS, end of year	<u>1,642,366</u>	<u>935,059</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

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories utilized by the Organization follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Prior to the current year, the Company reported inventories at the lower of cost (FIFO) or market. This change was made in response to a recent FASB standard issued with the intent to simplify the measurements of inventories. Net realizable value is based on the selling price. The change is intended to reduce the complexity in financial statement preparation. This change had no significant effect on earnings for the current year.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 five 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.

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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 and 2016, 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, newsletters, and District Representatives' visitations to the public. 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:

		2017	2016
Program Services	Public information and education	167,510	548,579
Supporting Activities	Fund raising	499,960	647,580
		667,470	1,196,159

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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, 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, 2017 and 2016, the amount of deposits in excess of the insurance provided by FDIC was \$812,119 and \$134,863, 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.

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

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

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, 2017 and 2016, 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.

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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2017, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash equivalents	157,917	157,917		
Equity mutual funds	17,583	17,583		
Pooled investment funds	<u>897,794</u>		897,794	
Totals	<u>1,073,294</u>	<u>175,500</u>	<u>897,794</u>	

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2017 and 2016, are as follows:

	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>
	2016		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	156,896		156,896
Equity mutual funds	<u>16,905</u>	<u>27</u>	<u>16,932</u>
Totals	<u>173,801</u>	<u>27</u>	<u>173,828</u>

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

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

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, 2017 and 2016 consists of the following:

	2017	2016
Investment income - unrestricted	7,639	57,421
Investment income - unrestricted - annuities and trusts	51,616	34,428
Net unrealized gains - unrestricted	28,975	6,424
Net unrealized gains - unrestricted - annuities and trusts	5,383	35,896
Investment income - temporarily restricted	<u>767</u>	<u>210</u>
	<u>94,380</u>	<u>134,379</u>

NOTE 4. ACCOUNTS RECEIVABLE

Components of accounts receivable as of December 31, 2017 and 2016 are as follows:

	2017	2016
Bequest receivable		199,433
Affiliated organization receivable	17,091	22,063
Equipment receivable		14,000
Other receivable	<u>12,329</u>	<u>16,193</u>
	<u>29,420</u>	<u>251,689</u>

NOTE 5. PLANT ASSETS

The major classes of plant assets in service at December 31, 2017 and 2016, are as follows:

	2017	2016
Land		35,622
Buildings	62,497	
Equipment	398,225	315,951
Motor vehicles		<u>2,650</u>
	<u>460,722</u>	<u>354,223</u>
Less accumulated depreciation	<u>272,417</u>	<u>237,436</u>
Net plant assets	<u>188,305</u>	<u>116,787</u>



CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

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 \$270,536 and \$470,100 for 2017 and 2016, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

The Organization received funding from the North American Division in the amount of \$400,000 in 2016. These funds were processed as a note payable to pay for the cost of removing the building and getting the land ready to sell from the prior headquarters building. The note had accrued interest of \$3,000 as of December 31, 2016, at an interest rate of 4.5%. The loan was paid off when the land was sold.

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 \$58,729 and \$109,020 to these plans for the years ended December 31, 2017 and 2016, 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

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

Pension and Other Post-Retirement Benefits (Continued)

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.

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 \$48,374 and \$67,305 to the plan for the years ended December 31, 2017 and 2016, 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

Unrestricted net assets represent resources available to support the Organization's operations at the discretion of the governing board.

Temporarily restricted net assets may only be utilized in accordance with the limitations established by the donors of such resources. Temporarily restricted net assets are available for the following as of December 31, 2017 and 2016:

	2017	2016
Oregon Blind Campers, Bibles for the Blind, and special projects	551,929	572,968
Trusts	54,274	54,274
	606,203	627,242

Net assets were released from restrictions as follows:

Special project expenses	67,877	198,145
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CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. NET ASSETS (Continued)

Permanently restricted net assets 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, 2017 and 2016:

	2017	2016
Bibles for the blind	73,753	73,753
Scholarships for the blind	7,895	7,985
Reading materials for the blind	500,177	500,177
National camps for the blind	1,282,773	1,282,773
Bible services - unrestricted	305,879	168,774
	<u>2,170,477</u>	<u>2,033,462</u>

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, 2017 and 2016.

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 five-year noncancellable lease expiring on October 31, 2021. There is an option to renew the lease for 2 three-year options.

- At December 31, 2017 the minimum future payments required under the above are as follows:

2018	86,820
2019	86,820
2020	86,820
2021	72,350
	<u>332,810</u>

NOTE 10. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 7, 2018, the date the financial statements were available to be issued.