

CHRISTIAN RECORD SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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

CHRISTIAN RECORD SERVICES, INC.  
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3 - 4
Statement of Activities	5 - 6
Statement of Functional Expenses	7
Statements of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS	9 - 20



**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, 2019, 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 auditors' 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dana F Cole + Company, LLP*

Lincoln, Nebraska  
April 21, 2020

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2019 Total	2018 Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	599,574	46,757			646,331	622,556
Short term investments	2,175,481				2,175,481	2,202,623
Receivables, net	35,353				35,353	55,111
Supplies inventory, at cost	106,910				106,910	117,283
Prepaid expense	13,761				13,761	6,456
Total current assets	<u>2,931,079</u>	<u>46,757</u>			<u>2,977,836</u>	<u>3,004,029</u>
<b>OTHER ASSETS</b>						
Investments		833,852		331,444	1,165,296	999,866
Beneficial interest in trust assets				3,497,313	3,497,313	3,146,957
Plant assets, net			117,948		117,948	165,741
Total other assets		<u>833,852</u>	<u>117,948</u>	<u>3,828,757</u>	<u>4,780,557</u>	<u>4,312,564</u>
<b>TOTAL ASSETS</b>	<u>2,931,079</u>	<u>880,609</u>	<u>117,948</u>	<u>3,828,757</u>	<u>7,758,393</u>	<u>7,316,593</u>

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>					
Accounts payable	37,580			37,580	32,499
Expenses accrued	103,344			103,344	123,547
Total current liabilities	<u>140,924</u>			<u>140,924</u>	<u>156,046</u>
<b>OTHER LIABILITIES</b>					
Present value of annuities payable			261,087	261,087	270,862
<b>TOTAL LIABILITIES</b>	<u>140,924</u>		<u>261,087</u>	<u>402,011</u>	<u>426,908</u>
<b>NET ASSETS</b>					
Without donor restrictions	2,159,457	348,531	117,948	2,733,374	2,745,961
With donor restrictions					
Restricted by purpose or time	310,348	439,149		844,381	912,017
Restricted in perpetuity	320,350	92,929		3,778,627	3,231,707
Total net assets	<u>2,790,155</u>	<u>880,609</u>	<u>117,948</u>	<u>7,356,382</u>	<u>6,889,685</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>2,931,079</u>	<u>880,609</u>	<u>117,948</u>	<u>7,758,393</u>	<u>7,316,593</u>

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2019 Total	2018 Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>						
Revenues and support						
Contributions	1,008,717				1,008,717	989,302
Offerings from associated churches	320,557				320,557	369,633
Legacies and bequests	249,245			17,951	267,196	1,327,653
Investment income	48,811	43,060	125	34,541	126,537	(57,728)
Other income	127,489				127,489	225,094
	1,754,819	43,060	125	52,492	1,850,496	2,853,954
Net assets released from restriction	241,751				241,751	66,290
Total revenues and support	1,996,570	43,060	125	52,492	2,092,247	2,920,244
Expenses						
Program services	1,400,468		27,212		1,427,680	1,353,694
Supporting activities						
Development and fundraising	362,192		9,242	36,659	408,093	397,055
Executive administration	254,172		14,889		269,061	326,293
Total expenses	2,016,832		51,343	36,659	2,104,834	2,077,042
	(20,262)	43,060	(51,218)	15,833	(12,587)	843,202
Change in net assets without donor restrictions						
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>						
Restricted by purpose or time						
Contributions	126,126				126,126	346,335
Legacies and bequests				40,610	40,610	24,137
Investment income		7,379			7,379	1,632
	126,126	7,379		40,610	174,115	372,104
	(241,751)				(241,751)	(66,290)
Net assets released from restriction						
	(115,625)	7,379		40,610	(67,636)	305,814
Change in net assets restricted by purpose or time						

CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2019 Total	2018 Total
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
(Continued)						
Restricted in perpetuity						
Contributions	245,350				245,350	
Change in beneficial interest in trust assets				301,570	301,570	1,061,140
Change in net assets restricted in perpetuity	245,350			301,570	546,920	1,061,140
Change in net assets	109,463	50,439	(51,218)	358,013	466,697	2,210,156
NET ASSETS, beginning of year	2,907,286	595,705	176,570	3,210,124	6,889,685	4,679,529
Transfers between funds	(226,594)	234,465	(7,404)	(467)		
NET ASSETS, end of year	2,790,155	880,609	117,948	3,567,670	7,356,382	6,889,685

See accompanying notes to financial statements.



CHRISTIAN RECORD SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Activities			
	Outreach Ministries	Library/ Studio	Information and Education	Total Program Services	Development and Fundraising Administration	Total Supporting Activities	2019 Total
Salaries	300,614	71,912	81,869	454,395	111,087	205,166	659,561
Employee benefits	130,607	23,358	34,652	188,617	77,661	133,355	321,972
Payroll taxes	26,366	6,737	7,520	40,623	10,229	18,615	59,238
Total salaries and related expense	457,587	102,007	124,041	683,635	198,977	357,136	1,040,771
Contracted services	11,897	833	36,216	48,946	1,363	29,738	78,684
Supplies	13,794	11,975	1,044	26,813	1,415	2,429	29,242
Telephone	1,838	323	390	2,551	1,050	1,873	4,424
Postage and shipping	4,111	201	56,482	60,794	18,048	18,531	79,325
Insurance	2,137	2,137	2,137	6,411	2,137	4,274	10,685
Occupancy and depreciation	60,745	22,219	23,648	106,612	34,666	85,530	192,142
Equipment rental and maintenance	2,769	869	833	4,471	1,201	3,049	7,520
Small equipment and software	3,456	8,809	521	12,786	285	1,411	14,197
Outside printing and computer	17,248	25,679	125,294	168,221	50,731	55,583	223,804
Transportation and auto insurance	28,021	4,830	11,608	44,459	12,226	24,660	69,119
Committees and meetings	112,280	2,089	6,766	6,766	1,125	3,016	9,782
Subscriptions			84	114,453	90	90	114,543
Specific assistance to individuals	63,542		723	63,542	33,270	33,270	96,812
Licenses and permits	28,401	1,119	46,977	723	6,466	6,466	7,189
Miscellaneous	807,826	183,090	436,764	76,497	45,671	50,098	126,595
				1,427,680	408,093	677,154	2,104,834
					269,061		2,077,042

See accompanying notes to financial statements.

CHRISTIAN RECORD SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>466,697</u>	<u>2,210,156</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	51,343	49,445
Unrealized market loss	2,233	15,561
Contributions to be maintained perpetually	(245,350)	
Change in beneficial interest in trust assets	(301,570)	(1,061,140)
Actuarial gain on annuity obligations	(17,951)	(18,314)
(Increase) decrease in assets:		
Receivables	19,758	(25,691)
Inventories	10,373	1,907
Prepaid expenses	(7,305)	(6,456)
Increase (decrease) in liabilities:		
Accounts payable	5,081	(885)
Expenses accrued	(20,203)	11,382
Total adjustments	<u>(503,591)</u>	<u>(1,034,191)</u>
Net cash provided by (used in) operating activities	<u>(36,894)</u>	<u>1,175,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the maturities of investments	1,742,057	54,517
Purchases of investments	(1,923,188)	(2,223,411)
Purchases of plant assets	<u>(3,550)</u>	<u>(26,881)</u>
Net cash used in investing activities	<u>(184,681)</u>	<u>(2,195,775)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be maintained perpetually	<u>245,350</u>	
Net cash provided by financing activities	<u>245,350</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,775	(1,019,810)
CASH AND CASH EQUIVALENTS, beginning of year	<u>622,556</u>	<u>1,642,366</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>646,331</u></u>	<u><u>622,556</u></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.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The provisions of ASU No. 2014-09 apply to exchange transactions with customers that are bound by contracts or similar arrangements and establish a performance obligation approach to revenue recognition. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018, and permits the use of either a full retrospective or a modified retrospective approach.

The Organization adopted the new standard on January 1, 2019, using the modified retrospective method. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption of the ASU No. 2014-09 did not have an impact on the Organization's financial statements. Therefore, no cumulative adjustment was recognized in net assets upon adoption.

In 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (ASC Topic 606 - *Revenue Recognition*). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. ASU 2018-08 was implemented on a modified prospective basis. Therefore, in 2019, the new standard was applied to

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. The 2018 financial statements were not restated and continue to be reported under the accounting standards in effect in that period. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Net Asset Classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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, 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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements (Continued)

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.

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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Cost Allocation

In 2019 and 2018, 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 \$844,857 and \$812,268, 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:

	2019	2018
Program Services: Public Information & Education	436,764	415,213
Supporting Activities: Fund Raising	<u>408,093</u>	<u>397,055</u>
	<u>844,857</u>	<u>812,268</u>

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, 2018, 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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, the amount of deposits in excess of the insurance provided by FDIC were \$1,393,966 and \$217,860, 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 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.



CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

For the fiscal years ended December 31, 2019 and 2018, 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.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2019 and 2018, at fair value on a recurring basis.

		2019	2018
Program Services:	Public Information & Education	436,764	415,213
Supporting Activities:	Fund Raising	<u>408,093</u>	<u>397,055</u>
		<u>844,857</u>	<u>812,268</u>

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2019 and 2018, are as follows:

		2019	
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash equivalents	2,175,481		2,175,481
Equity mutual funds	<u>18,390</u>	<u>949</u>	<u>19,339</u>
Totals	<u>2,193,871</u>	<u>949</u>	<u>2,194,820</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

	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>

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, 2019 and 2018, consists of the following:

	2019	2018
Investment income - unrestricted	55,071	39,094
Investment income - unrestricted - annuities and trusts	29,563	(81,262)
Net realized gains - unrestricted	44,136	
Net unrealized gains - unrestricted	(7,211)	(19,670)
Net unrealized gains - unrestricted - annuities and trusts	4,978	4,109
Investment income - temporarily restricted	<u>7,379</u>	<u>1,632</u>
	<u>133,916</u>	<u>(56,097)</u>

NOTE 4. ACCOUNTS RECEIVABLE

Components of accounts receivable as of December 31, 2019 and 2018, are as follows:

	2019	2018
Affiliated organization receivable	31,919	26,437
Contributions receivable		21,515
Other receivable	<u>3,434</u>	<u>7,159</u>
	<u>35,353</u>	<u>55,111</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. PLANT ASSETS

The major classes of plant assets in service at December 31, 2019 and 2018, are as follows:

	2019	2018
Buildings	62,497	62,497
Equipment	<u>398,452</u>	<u>423,941</u>
	460,949	486,438
Less accumulated depreciation	<u>(343,001)</u>	<u>(320,697)</u>
Net plant assets	<u><u>117,948</u></u>	<u><u>165,741</u></u>

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 \$320,557 and \$369,633 in 2019 and 2018, 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 \$67,842 and \$93,108 to these plans for the years ended December 31, 2019 and 2018, respectively.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

Pension And Other Post-Retirement Benefits (Continued)

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.

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 \$51,607 and \$51,430 to the plan for the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Oregon Blind Campers, Bibles for the Blind, and special projects	749,497	857,743
Trusts	94,884	54,274
	<u>844,381</u>	<u>912,017</u>
Net assets were released from restrictions as follows:		
Special project expenses	<u>241,751</u>	<u>66,290</u>

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. NET ASSETS (Continued)

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, 2019 and 2018:

	2019	2018
Bibles for the blind	73,753	73,753
Scholarships for the blind	7,985	7,985
Reading materials for the blind	574,022	500,177
National camps for the blind	1,788,323	1,542,973
Bible services	1,334,544	1,106,819
	<u>3,778,627</u>	<u>3,231,707</u>

NOTE 8. 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 two 3-year options.

At December 31, 2019, the minimum future payments required under the above are as follows:

2020	86,820
2021	72,350
	<u>159,170</u>

NOTE 9. 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:

	2019	2018
Cash and cash equivalents	646,331	622,556
Short-term investments	1,331,100	1,290,606
Receivables, net	35,353	55,111
	<u>2,012,784</u>	<u>1,968,273</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.

CHRISTIAN RECORD SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19) and anticipated slowing of services that the Organization provides, a decline in revenue for part of the year ending December 31, 2020, is possible. The dollar amount of any decline in revenue related to COVID-19 is not known at the time of issuance of the financial statements.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 21, 2020, the date the financial statements were available to be issued.

