

Financial Statements
With Independent Auditor's Report Thereon

CHRISTIAN RECORD SERVICES, INC.

December 31, 2009 and 2008

CHRISTIAN RECORD SERVICES, INC.

December 31, 2009 and 2008

Table of Contents

	Page
Report of Independent Auditor	1
Statements of Financial Position.....	2
Statements of Activities	3, 4
Statements of Cash Flows	5
Statements of Functional Expenses	6, 7
Notes to the Financial Statements	8-16

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Christian Record Services, Inc. as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated August 17, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009, 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.

Dana F Cole + Company, LLP

Lincoln, Nebraska
May 5, 2010

Christian Record Services, Inc.

Statements of Financial Position

December 31, 2009

With Summarized Financial Information for 2008

ASSETS	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2009 Total Funds	2008 Total Funds
<u>Current Assets</u>						
Cash and Cash Equivalents	\$ 119,105	22,391	15,330	193,756	350,582	325,285
Short Term Investments (Note 2)	57,818	228,988	49,294	178,897	514,997	540,541
Receivables, Net (Note 8)	205,643	0	0	0	205,643	216,042
Notes Receivable	0	0	0	0	0	0
Supplies Inventory, at cost	214,597	0	0	0	214,597	249,414
Prepaid Expense	27,284	0	0	0	27,284	26,130
Total Current Assets	<u>624,447</u>	<u>251,379</u>	<u>64,624</u>	<u>372,653</u>	<u>1,313,103</u>	<u>1,357,412</u>
Investments (Note 2)	18,219	418,978	0	712,192	1,149,389	974,740
Beneficial Interest in Trust Assets	0	0	0	1,678,452	1,678,452	1,476,727
Plant Assets (Net) (Note 3)	<u>0</u>	<u>0</u>	<u>828,181</u>	<u>0</u>	<u>828,181</u>	<u>846,433</u>
Total Assets	<u>\$ 642,666</u>	<u>670,357</u>	<u>892,805</u>	<u>2,763,297</u>	<u>4,969,125</u>	<u>4,655,312</u>
 <u>LIABILITIES & NET ASSETS</u>						
<u>Current Liabilities</u>						
Accounts Payable (Note 5)	261,173	0	625	365	262,163	241,879
Accrued Expenses	243,919	0	0	0	243,919	272,411
Current Loan Payable (Note 5)	44,989	0	0	0	44,989	0
Inter-Fund Payables	60,637	(192,552)	67,514	64,401	0	0
Total Current Liabilities	<u>610,718</u>	<u>(192,552)</u>	<u>68,139</u>	<u>64,766</u>	<u>551,071</u>	<u>514,290</u>
<u>Other Liabilities</u>						
Notes Payable (Affiliate) (Note 5)	187,337	0	0	0	187,337	282,965
Refundable Advances (Rev. Trusts)	0	0	0	14,250	14,250	14,250
Present Value of Trusts Payable	0	0	0	26,879	26,879	31,065
Present Value of Annuities Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>455,540</u>	<u>455,540</u>	<u>475,442</u>
Total Liabilities	<u>798,055</u>	<u>(192,552)</u>	<u>68,139</u>	<u>561,435</u>	<u>1,235,077</u>	<u>1,318,012</u>
<u>Net Assets</u>						
Unrestricted (Note 6)	(189,143)	233,617	823,085	368,498	1,236,057	1,005,583
Temporarily Restricted (Note 6)	33,754	536,363	1,581	154,912	726,610	762,061
Permanently Restricted (Note 6)	<u>0</u>	<u>92,929</u>	<u>0</u>	<u>1,678,452</u>	<u>1,771,381</u>	<u>1,569,656</u>
Total Net Assets	<u>(155,389)</u>	<u>862,909</u>	<u>824,666</u>	<u>2,201,862</u>	<u>3,734,048</u>	<u>3,337,300</u>
Total Liabilities & Net Assets	<u>\$ 642,666</u>	<u>670,357</u>	<u>892,805</u>	<u>2,763,297</u>	<u>4,969,125</u>	<u>4,655,312</u>

The notes to the financial statement are an integral part of these statements.

Christian Record Services, Inc.
Statements of Activities
For Period Ended December 31, 2009
With Summarized Financial Information for 2008

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2009 Total Funds	2008 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
<u>Revenue and Support</u>						
Contributions Remitted by District Reps	\$ 1,968,683	\$0	\$0	\$0	\$1,968,683	2,329,448
Direct Mail	1,093,446	0	0	0	1,093,446	1,409,380
Other Contributions	143,045	0	0	0	143,045	142,527
Offerings from Associated Churches	454,746	0	0	0	454,746	425,066
Legacies and Bequests	313,594	0	0	24,088	337,682	428,467
Annuity Net Change						52,905
Investment Income	47,473	37,025	134	146,257	230,889	(240,402)
Other Income	315,386	21	46,829	0	362,236	150,545
Net Assets Released from Restrictions	0	66,259	0	0	66,259	91,050
Total Revenue, Support, and Net Assets	<u>4,336,373</u>	<u>103,305</u>	<u>46,963</u>	<u>170,345</u>	<u>4,656,986</u>	<u>4,788,986</u>
<u>Expenses</u>						
<u>Program Services</u>						
Personal Service	519,213	0	2,622	0	521,835	583,172
Production of Periodicals	488,461	0	38,951	0	527,412	406,141
Lending Library	327,368	41,421	5,991	0	374,780	376,290
Public Information and Education	839,994	0	8,713	0	848,707	1,045,060
Camps and Other Direct Services	565,314	150	10,313	70,023	645,800	756,319
Total Program Services	<u>2,740,350</u>	<u>41,571</u>	<u>66,590</u>	<u>70,023</u>	<u>2,918,534</u>	<u>3,166,982</u>
<u>Supporting Activities</u>						
Fund Raising	1,090,759	0	14,203	0	1,104,962	1,386,739
Administrative and General	398,772	0	4,244	0	403,016	463,321
Total Supporting Activities	<u>1,489,531</u>	<u>0</u>	<u>18,447</u>	<u>0</u>	<u>1,507,978</u>	<u>1,850,060</u>
Total Expenses	<u>4,229,881</u>	<u>41,571</u>	<u>85,037</u>	<u>70,023</u>	<u>4,426,512</u>	<u>5,017,042</u>
Increase (Decrease) in Unrestricted Net Assets	<u>106,492</u>	<u>61,734</u>	<u>(38,074)</u>	<u>100,322</u>	<u>230,474</u>	<u>(228,056)</u>

The notes to the financial statement are an integral part of these statements.

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2009 Total Funds	2008 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
Increase (Decrease) in Unrestricted Net Assets	106,492	61,734	(38,074)	100,322	230,474	(228,056)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Contributions Remitted by District Reps	13,715	0	0	0	13,715	9,563
Direct Mail	6,094	0	0	0	6,094	0
Other Contributions	10,500	0	0	0	10,500	3,100
Offerings from Associated Churches	210	0	0	0	210	0
Investment Income	0	289	0	0	289	2,214
Other Income	0	0	0	0	0	120
Net Assets Released from Restrictions	0	(66,259)	0	0	(66,259)	(91,050)
Increase (Decrease) in Temporarily Restricted Net Assets	30,519	(65,970)	0	0	(35,451)	(76,053)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS						
Increase (Decr) in Beneficial Interest in Trust Assets	0	0	0	201,725	201,725	(512,437)
Increase (Decrease) in Perm. Rest. Net Assets	0	0	0	201,725	201,725	(512,437)
Change in Net Assets	137,011	(4,236)	(38,074)	302,047	396,748	(816,546)
Net Assets, Beginning of Year	(292,400)	867,145	862,740	1,899,815	3,337,300	4,153,846
Net Assets, End of Year	(155,389)	862,909	824,666	2,201,862	3,734,048	3,337,300

The notes to the financial statement are an integral part of these statements.

CHRISTIAN RECORD SERVICES, INC.
Statements of Cash flows
For Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 396,748	\$ (816,546)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation Expense	85,048	97,611
Non Cash Donations of Plant Assets	(46,829)	0
Unrealized Market (Gain) Loss	(142,364)	345,253
(Increase) Decrease in Beneficial Interest in Trust Assets	(201,725)	512,437
Actuarial Gain on Annuity Obligations	(24,088)	(37,269)
(Increase) Decrease in Receivables	10,399	131,882
(Increase) Decrease - Inventories	34,817	(18,021)
(Increase) Decrease - Prepaid Expense	(1,154)	1,417
Increase (Decrease) - Accounts Payable	20,284	(496,154)
Increase (Decrease) - Accrued Expenses	(28,492)	20,194
Net Cash Provided by (Used in) Operating Activities	<u>102,644</u>	<u>(259,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Investments	56,106	167,135
Purchase of Investments	(62,847)	(290,473)
Purchase of Plant Assets	(19,967)	(2,650)
Payments received on Loans	0	2,467
Net Cash Provided by (Used in) Investing Activities	<u>(26,708)</u>	<u>(123,521)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) - Loan Payable	(50,639)	282,965
Net Cash Provided by Financing Activities	<u>(50,639)</u>	<u>282,965</u>
Net Increase (Decrease) in Cash & Cash Equivalents	25,297	(99,752)
Cash & Cash Equivalents, Beginning of Year	325,285	425,037
Cash & Cash Equivalents, End of Year	<u>\$ 350,582</u>	<u>\$ 325,285</u>
SUPPLEMENTAL DATA:		
Interest Paid	2,607	0
Additions to Plant Assets	66,796	2,650
Less Donated Assets	(46,829)	0
Cash Paid for Purchases of Plant Assets	<u>19,967</u>	<u>2,650</u>

The notes to the financial statements are an integral part of these statements.

Christian Record Services, Inc.

Statement of Functional Expenses

For Period Ending December 31, 2009

	Program Services					Supporting Activities			Total Expenses	
	Personal Services	Production of Periodicals	Lending Library	Public Information and Education	National Camps and Other Direct Svcs	Total Program	Fund Raising	Admin and General	Total Support	2009
Salaries	314,834	279,398	150,126	446,750	255,442	1,446,550	494,852	157,009	651,861	2,098,411
Employee Benefits	101,936	145,775	40,956	151,572	83,900	524,139	173,391	48,367	221,758	745,897
Payroll Taxes, Etc.	30,138	24,762	13,427	44,720	24,230	137,277	51,190	14,839	66,029	203,306
Total Salaries and Related Expense	446,908	449,935	204,509	643,042	363,572	2,107,966	719,433	220,215	939,648	3,047,614
Contracted Services	1,247	12,054	1,676	3,738	13,526	32,241	7,095	60,771	67,866	100,107
Supplies	642	81,966	45,383	16,386	4,145	148,522	23,290	3,979	27,269	175,791
Telephone	1,567	3,659	906	2,445	2,206	10,783	2,354	3,393	5,747	16,530
Postage and Shipping	7,434	4,050	3,878	26,171	8,564	50,097	102,705	2,441	105,146	155,243
Occupancy and Depreciation	8,357	83,457	21,833	20,927	30,855	165,429	26,387	12,691	39,078	204,507
Equipment Rental and Maintenance	141	32,473	237	326	495	33,672	404	611	1,015	34,687
Outside Printing Lists and Computer	50	25,569	89	7,363	295	33,366	28,432	9,663	38,095	71,461
Transportation and Auto Insurance	24,868	12,205	2,913	31,180	20,626	91,792	36,597	29,688	66,285	158,077
Conferences, Conventions, and Rallies	1,187	(182)	(76)	1,491	42	2,462	3,009	4,925	7,934	10,396
Subscriptions and Reference Publications	26	84	46	46	561	763	333	1,949	2,282	3,045
Specific Assistance to Individuals	6,569	0	41,421	0	176,518	224,508	0	0	0	224,508
Permits/Fees/Registration/Membership	0	0	0	265	0	265	6,780	595	7,375	7,640
Miscellaneous	485	2,600	965	3,034	8,895	15,979	2,070	47,965	50,035	66,014
Job Printing Supplies	5,981	62,054	19,175	22,313	3,644	113,167	35,515	2,210	37,725	150,892
Sub-total	58,554	319,989	138,446	135,685	270,372	923,046	274,971	180,881	455,852	1,378,898
Job Ticket Labor and Overhead Allocation	16,373	(242,512)	31,825	69,980	11,856	(112,478)	110,558	1,920	112,478	0
Total Expense	521,835	527,412	374,780	848,707	645,800	2,918,534	1,104,962	403,016	1,507,978	4,426,512

The notes to the financial statements are an integral part of these statements

Christian Record Services, Inc.
Statement of Functional Expenses
For Period Ending December 31, 2008

	Program Services						Supporting Activities			Total Expenses
	Personal Services	Production of Periodicals	Lending Library	Public Information and Education	National Camps and Other Direct Srvs	Total Program	Fund Raising	Admin and General	Total Support	2008
Salaries	352,743	308,183	152,657	499,479	294,757	1,607,819	549,428	165,589	715,017	2,322,836
Employee Benefits	138,952	163,105	41,247	204,263	107,663	655,230	230,816	59,002	289,818	945,048
Payroll Taxes, Etc.	30,514	22,842	12,685	44,761	25,048	135,850	51,094	13,778	64,872	200,722
Total Salaries and Related Expense	<u>522,209</u>	<u>494,130</u>	<u>206,589</u>	<u>748,503</u>	<u>427,468</u>	<u>2,398,899</u>	<u>831,338</u>	<u>238,369</u>	<u>1,069,707</u>	<u>3,468,606</u>
Contracted Services	1,143	10,613	0	23,168	956	35,880	87,845	81,636	169,481	205,361
Supplies	955	72,275	(23,928)	8,195	5,817	63,314	45,584	6,034	51,618	114,932
Telephone	1,032	3,888	973	2,270	2,039	10,202	2,545	3,307	5,852	16,054
Postage and Shipping	7,938	3,736	2,920	45,136	6,615	66,345	103,048	1,616	104,664	171,009
Occupancy and Depreciation	6,809	74,422	26,716	27,594	35,111	170,652	27,321	10,484	37,805	208,457
Equipment Rental and Maintenance	286	33,042	297	1,098	719	35,442	1,056	5,070	6,126	41,568
Outside Printing Lists and Computer	2	9,130	87	9,897	10	19,126	39,176	8,053	47,229	66,355
Transportation and Auto Insurance	19,952	10,491	2,442	31,332	21,510	85,727	36,410	17,028	53,438	139,165
Conferences, Conventions, and Rallies	609	331	146	2,434	2,260	5,780	1,689	6,387	8,076	13,856
Subscriptions and Reference Publications	1	36	76	4	13	130	3	4,328	4,331	4,461
Specific Assistance to Individuals	1,227	156	48,268	(27)	212,677	262,301	(27)	0	(27)	262,274
Permits/Fees/Registration/Membership	118	36	1	1,507	1,292	2,954	6,071	164	6,235	9,189
Miscellaneous	755	184	2,825	3,764	20,902	28,430	10,312	77,752	88,064	116,494
Job Printing Supplies	4,968	44,999	32,084	38,361	7,149	127,560	50,499	1,200	51,699	179,259
Sub-total	<u>568,004</u>	<u>757,469</u>	<u>299,496</u>	<u>943,236</u>	<u>744,538</u>	<u>3,312,742</u>	<u>1,242,870</u>	<u>461,428</u>	<u>1,704,298</u>	<u>1,548,435</u>
Job Ticket Labor and Overhead Allocation	15,168	(351,328)	76,794	101,824	11,781	(145,761)	143,869	1,892	145,761	0
Total Expense	<u>583,172</u>	<u>406,141</u>	<u>376,290</u>	<u>1,045,060</u>	<u>756,319</u>	<u>3,166,981</u>	<u>1,386,739</u>	<u>463,320</u>	<u>1,850,059</u>	<u>5,017,041</u>

The notes to the financial statement are an integral part of these statements.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note1 -Organization and Significant Accounting Policies

Christian Record Services, Inc. (Organization) is a not-for-profit corporation that is organized to provide aid and assistance to blind and visually impaired persons. 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)(3) 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.

Basis of Presentation

The Organization reports in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-205, "Financial Statements of Not-for-Profit-Organizations". Under FASB ASC 958-205, 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.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Accounts Receivable

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions

The Organization accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Significant Accounting Policies (Continued)

Donated Equipment and Services

The Organization receives the use of certain equipment and significant amounts of donated services related to its tape recording of books as well as the operation of its camps for blind individuals. These services were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605. However, included in Other Contributions in the Statements of Activities are specialized services and other "in-kind" contributions received of approximately \$23,574 and \$22,853 in 2009 and 2008, respectively.

Joint Cost Allocation

In 2009 and 2008, 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 \$1,953,669 and \$2,431,799, 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:

		<u>2009</u>	<u>2008</u>
Program Services:	Public Information & Education	\$ 848,707	\$ 1,045,060
Supporting Activities:	Fund Raising	<u>1,104,962</u>	<u>1,386,739</u>
	Total	<u>\$ 1,953,669</u>	<u>\$ 2,431,799</u>

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 market.

Cash Equivalents

Cash equivalents are highly-liquid investments which are readily convertible to cash and have a maturity date of less than three months from date of acquisition.

Investments

Investments are carried at fair value based on quoted market prices for these or similar instruments, and investment income and gains and losses are included in the statement of activities as unrestricted unless there are unmet donor restrictions at year end.

Investments include a unitrust which represents resources received and administered by the Organization subject to the condition that stipulated amounts are paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreement. The liability for the present value of future annuity payments is determined actuarially using discount rate of 8.5%.

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.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

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 four 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 recorded at cost when purchased or at fair value at date of gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The Organization capitalizes long-lived plant asset acquisitions over \$500.

Note 2 – Investments

The Organization utilizes 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 year ended December 31, 2009, 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:

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2 – 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.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2009 at fair value on a recurring basis.

	2009			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	514,997	514,997		
Equity securities	1,149,389	272,735	876,654	_____
Total	<u>1,664,386</u>	<u>787,732</u>	<u>876,654</u>	=====

The carrying amounts and market value of Level 1 marketable securities at December 31, 2009 & 2008 are as follows:

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Savings Accounts	\$ 514,997	514,997	\$ 540,541	540,541
Investment Funds	975,840	877,302	949,435	748,585
Mutual Funds	153,854	272,087	156,130	226,155
Aggregate Cost and Fair Value	<u>\$ 1,644,691</u>	<u>1,664,386</u>	<u>\$ 1,646,106</u>	<u>1,515,281</u>

The total fair value of investments is presented on the Statements of Financial Position as follows:

Short-term Investments	514,997	540,541
Other Investments	<u>1,149,389</u>	<u>974,740</u>
	<u>\$ 1,664,386</u>	<u>\$ 1,515,281</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 Foundation to retain its 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, 2009 and 2008 consists of the following:

	2009	2008
Investment Income - Unrestricted	\$ 19,871	\$ 25,242
Investment Income - Unrestricted - Annuities & Trusts	67,828	73,785
Net Realized Gains - Unrestricted	826	0
Net Realized Gains - Unrestricted - Annuities & Trusts	0	5,824
Net Unrealized Gains (Losses) - Unrestricted	21,342	(69,864)
Net Unrealized Gains - Unrestricted - Annuities & Trusts	121,022	(275,389)
Investment Income - Temporarily Restricted	289	2,214
Total Investment Return	<u>\$ 231,178</u>	<u>\$ (238,188)</u>

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2 – Investments (Continued)

The Organization's endowment consists of 4 individual funds established for a variety of purposes. Its endowment includes donor-restricted funds, and when applicable funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted the investment strategies of the managers from Bank of the West, Community Bank and Trust, Wachovia, and Wells Fargo. These policies were reviewed and approved by the Board of Directors. The endowments are to provide a stream of funding to programs supported by its endowment funds while also maintaining principal. Actual income will vary year to year with market fluctuation.

Spending Policy. The Organization has a policy of appropriating for distribution the funds received for the specific programs stipulated by the donors in the year received.

Endowment Net Asset Composition by Type of Fund as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,771,381</u>	<u>\$ 1,771,381</u>

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2 – Investments (Continued)

Changes in endowment net assets as of December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 0	\$ 0	\$ 1,569,656	\$ 1,569,656
Contributions	0	0	0	0
Investment income	42,593	0	0	42,593
Net appreciation (depreciation)	0	0	201,725	201,725
Net loss on perpetual trusts	0	0	0	0
Amounts appropriated for expenditure	<u>(42,593)</u>	<u>0</u>	<u>0</u>	<u>(42,593)</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,771,381</u>	<u>\$ 1,771,381</u>

Note 3 - Plant Assets

Land	35,622	35,622
Land Improvements	74,544	74,544
Buildings	1,144,851	1,136,308
Equipment	1,518,364	1,460,110
Motor Vehicles	33,889	33,889
Total Cost	<u>2,807,270</u>	<u>2,740,473</u>
Less Accumulated Depreciation	<u>(1,979,088)</u>	<u>(1,894,040)</u>
Net Plant Assets	<u>\$ 828,182</u>	<u>\$ 846,433</u>

Note 4 - Concentration of Credit Risk

The Organization maintains several bank accounts at one bank. Aggregate amounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for 2009 and 2008. Cash at this institution exceeded the FDIC limits by \$92,267 and \$46,927 as of December 31, 2009 and 2008, respectively.

Note 5 - Related Party Transactions

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

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 5 - Related Party Transactions (Continued)

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$454,746 and \$425,066 in 2009 and 2008, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

As of December 31, 2008 the amount in accounts payable due the NAD was converted into a note payable. The balance on the note was \$232,326 and \$282,965 as of December 31, 2009 and 2008, respectively.

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 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 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 \$170,335 and \$323,040 to these plans for the years ended December 31, 2009 and 2008, 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.

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 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 \$114,241 and \$115,372 to the plan for the years ended December 31, 2009 and 2008, respectively, based on a stated percentage of each employee's earnings and 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.

Canadian Organization

Christian Record Services, Inc. is an organization of the General Conference of Seventh-day Adventists and is directly controlled by the General Conference executive committee. Christian Record Services, Inc. (Canada) is a registered Canadian corporation. Both organizations are part of the Seventh-day Adventist denomination's ministry to the blind.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 5 - Related party Transactions (Continued)

Christian Record Services, Inc. (Canada) is controlled by the Seventh-day Adventist Church of Canada and is thereby related to the North American Division and General Conference of Seventh-day Adventists. Christian Record Services, Inc. sold materials in the amount of \$19,350 and \$19,213 to Christian Record Services, Inc. (Canada) for the years ended December 31, 2009 and 2008, respectively. Christian Record Services, Inc. is receiving payments from Christian Record Service, Inc. (Canada) on current and prior year billings resulting in accounts receivable in the amount of \$9,750 as of December 31, 2009 and as of December 31, 2008.

Note 6 - 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 purposes or periods:

	2009	2008
Funding for blind children from Oregon to go to camp, purchase of Bibles for the blind, and other special projects	\$ 539,548	\$ 593,660
Buildings and Equipment	34,696	13,489
For Period after Trust Maturity	154,912	154,912
	\$ 729,156	\$ 762,061

Net assets were released from restrictions as follows:

Special Projects Expenses	41,571	50,161
Purchase of Equipment	24,688	40,889
Required Payments to Uni-trustor	0	0
	\$ 66,259	\$ 91,050

Permanently restricted net assets represent resources that are subject to restrictions of the 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 purposes:

Bibles for the Blind	73,753	73,753
Scholarships for the Blind	7,985	7,985
Reading Materials for the Blind	452,119	416,654
National Camps for the Blind	1,021,552	878,204
Blind Services-Unrestricted	215,972	193,060
	\$1,771,381	\$1,569,656

Note 7 - Bequests Benefiting the Organization

The Organization served as trustee of one charitable remainder trust and one other unconditional irrevocable trust as of December 31, 2009 and 2008. In accordance with generally accepted accounting principles, the assets, liabilities, and net assets related to these trusts have been included in these financial statements.

The Organization served as trustee of 2 revocable trusts as of December 31, 2009 and 2008. These agreements are conditional, as the trustor can revoke the agreement, and are shown as refundable advances, a liability of the Organization.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2009 and 2008

Note 8 - Promises Receivable

Receivables in the Statement of Financial Position include \$259,030 of promises receivable as of December 31, 2009, and \$274,638 as of December 31, 2008. The receivables are from numerous geographically diverse donors. Netted against receivables in the Statement of Financial Position is an allowance of \$175,000 for December 31, 2009, and \$150,000 for December 31, 2008, uncollectible promises to give.

Promises to give, net of discount to present value at 0% and allowance for doubtful accounts, are due to be collected as follows:

	2009	2008
Gross amount due in		
One year or less	15,000	25,000
One to five years	244,030	249,638
More than five years	<u>0</u>	<u>0</u>
	259,030	274,638
Less discount to present value	<u>0</u>	<u>0</u>
	259,030	274,638
Less allowance for doubtful accounts	<u>175,000</u>	<u>150,000</u>
	<u>84,030</u>	<u>124,638</u>

The discount will be recognized as contribution income in years 2009 through 2021.

Note 9 – Income Taxes

The Organization has adopted 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.

Note 10 – Subsequent Events

In preparing the Financial Statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 5, 2010, the date the financial statements were available to be issued.