

THE VOICE OF THE MARTYRS, INC.

Financial Statements

Year Ended December 31, 2018

With Comparative Information

as of December 31, 2017

With Independent Auditor's Report

THE VOICE OF THE MARTYRS, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position - December 31, 2018	3
Statement of Activities - Year Ended December 31, 2018	4
Statement of Cash Flows - Year Ended December 31, 2018	5
Statement of Functional Expenses - Year Ended December 31, 2018	6
Notes to Financial Statements	7 - 20



Independent Auditor's Report

Board of Directors
The Voice of the Martyrs, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Voice of the Martyrs, Inc., (the "Ministry"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 from 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 presents fairly, in all material respects, the financial position of The Voice of the Martyrs, Inc. as of December 31, 2018, and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Voice of the Martyrs, Inc. 2017 financial statements, and our report dated April 19, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Ministry adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

MORSE & CO., PLLC

Tulsa, Oklahoma
April 24, 2019

THE VOICE OF THE MARTYRS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Comparative Totals for 2017)

ASSETS		2018	2017
Current assets			
Cash and cash equivalents		\$ 15,290,784	\$ 12,091,019
Cash held for donor-restricted ministry purposes		3,300,037	6,055,353
Accounts receivable, net of an allowance of \$2,695 in 2018 and 2017.		395,596	231,619
Prepaid expenses		373,252	716,736
Inventory		1,305,789	1,935,132
Notes receivable, current portion		5,947	5,715
Short-term investments		6,000,753	5,967,730
Land and buildings - held for sale, net		703,400	-
Total current assets		27,375,558	27,003,304
Noncurrent assets			
Notes receivable		41,133	47,080
Investments		1,749,903	1,889,681
Other assets		523,568	229,606
Property and equipment - held for use, net		24,714,576	26,579,086
Total noncurrent assets		27,029,180	28,745,453
Total assets		\$ 54,404,738	\$ 55,748,757
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 1,323,917	\$ 877,504
Accrued expenses		666,753	608,739
Planned giving agreements, current portion		78,474	76,914
Donor commitments, current portion		20,542	22,345
Total current liabilities		2,089,686	1,585,502
Noncurrent liabilities			
Planned giving agreements		1,419,526	1,375,603
Donor commitments		159,769	194,760
Total noncurrent liabilities		1,579,295	1,570,363
Total liabilities		3,668,981	3,155,865
Net assets			
Without donor restriction			
Undesignated		30,906,200	31,803,099
Board designated for persecution response		7,357,617	5,831,746
Board designated for contingent operating expenses		7,422,000	7,013,013
Board designated for charitable gift annuities		1,749,903	1,889,681
With donor restriction		3,300,037	6,055,353
Total net assets		50,735,757	52,592,892
Total liabilities and net assets		\$ 54,404,738	\$ 55,748,757

See independent auditor's report and accompanying notes to financial statements.

THE VOICE OF THE MARTYRS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018		2017	
	Without Donor Restriction	With Donor Restriction	Total	Total
Support and revenue				
Contributions and bequests	\$ 32,848,531	\$ 24,436,847	\$ 57,285,378	\$ 55,231,380
Contributions in-kind	-	292,541	292,541	139,772
Ministry related resources	808,461	-	808,461	1,037,908
Investment income (loss), net	(248,378)	-	(248,378)	452,111
Interest income	172,935	-	172,935	44,672
Impairment loss on fixed assets	(141,275)	-	(141,275)	-
Gain (loss) on sale of fixed assets	71,925	-	71,925	(79,192)
Other income	75,109	-	75,109	168,478
	33,587,308	24,729,388	58,316,696	56,995,129
Total support and revenue				
Reclassifications				
Satisfaction of program restrictions	27,484,704	(27,484,704)	-	-
Expenses				
Program services				
Persecution response, Bibles and front-line ministry	36,520,784	-	36,520,784	31,054,573
Fellowship and inspiration	14,403,413	-	14,403,413	13,471,714
Supporting activities				
General and administrative	6,793,980	-	6,793,980	6,477,997
Fundraising	2,455,654	-	2,455,654	2,565,101
	60,173,831	-	60,173,831	53,569,385
Total expenses				
Increase (decrease) in net assets	898,181	(2,755,316)	(1,857,135)	3,425,744
Net assets, beginning of year	46,537,539	6,055,353	52,592,892	49,167,148
Net assets, end of year	\$ 47,435,720	\$ 3,300,037	\$ 50,735,757	\$ 52,592,892

See independent auditor's report and accompanying notes to financial statements.

THE VOICE OF THE MARTYRS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,857,135)	\$ 3,425,744
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,698,483	1,785,983
Unrealized investment (gains) losses	508,768	(208,692)
Dividends and interest	(260,389)	(243,419)
Impairment loss on fixed assets	141,275	-
(Gain) loss on disposal of fixed assets	(71,925)	79,192
Stock contributions	(378,352)	(441,694)
Changes in assets and liabilities:		
Accounts receivable	(163,977)	65,310
Prepaid expenses	343,484	708,391
Inventory	629,343	(769,736)
Other assets	(293,962)	-
Accounts payable	446,413	84,565
Accrued expenses	58,014	10,173
Deferred revenue	-	(9,000)
	<u>800,040</u>	<u>4,486,817</u>
Cash flows from investing activities		
Payments received on notes receivable	5,715	5,491
Purchases of property and equipment	(678,648)	(136,179)
Purchases of investments	(374,044)	(360,742)
Proceeds from sale of investments	610,772	522,444
Proceeds from sale of equipment	71,925	350
	<u>(364,280)</u>	<u>31,364</u>
Cash flows from financing activities		
Changes in planned giving agreements	45,483	117,489
Change in donor commitments	(36,794)	(25,148)
	<u>8,689</u>	<u>92,341</u>
Change in cash and cash equivalents	444,449	4,610,522
Cash and cash equivalents at beginning of year	<u>18,146,372</u>	<u>13,535,850</u>
Cash and cash equivalents at end of year	<u>\$ 18,590,821</u>	<u>\$ 18,146,372</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 45,439</u>	<u>\$ 44,453</u>

See independent auditor's report and accompanying notes to financial statements.

**THE VOICE OF THE MARTYRS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)**

	2018				2017			
	Persecution Response, Bibles, and Front-Line Ministry	Fellowship and Inspiration	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	Total	Total
Foreign aid	\$ 31,983,491	\$ 161,084	\$ 32,144,575	\$ -	\$ -	\$ -	\$ 32,144,575	\$ 25,439,885
Staffing and benefits	2,809,008	2,965,382	5,774,390	3,095,874	452,250	3,548,124	9,322,514	9,449,717
Advertising	-	3,246,285	3,246,285	580,893	560,470	1,141,363	4,387,648	3,402,762
Printing and production	14,673	2,203,095	2,217,768	367,844	321,727	689,571	2,907,339	2,894,002
Postage	1,704	2,083,503	2,085,207	388,945	390,595	779,540	2,864,747	3,109,156
Depreciation	257,066	930,153	1,187,219	355,384	155,880	511,264	1,698,483	1,785,983
Contract services	163,486	587,266	750,752	366,030	93,036	459,066	1,209,818	1,100,238
Office expense	342,146	890,683	1,232,829	591,097	305,200	896,297	2,129,126	2,115,701
International operations	833,748	-	833,748	-	-	-	833,748	1,506,611
Bank fees	-	-	-	593,228	-	593,228	593,228	582,772
Occupancy cost	82,283	384,301	466,584	123,578	63,052	186,630	653,214	674,446
Other	33,179	951,661	984,840	331,107	113,444	444,551	1,429,391	1,508,112
Total expenses	\$ 36,520,784	\$ 14,403,413	\$ 50,924,197	\$ 6,793,980	\$ 2,455,654	\$ 9,249,634	\$ 60,173,831	\$ 53,569,385

As a percentage of total expenses

60.69% 23.94% 84.63% 11.29% 4.08% 15.37% 100.00%

See independent auditor's report and accompanying notes to financial statements.

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Voice of the Martyrs, Inc. (The Ministry) is a not-for-profit ministry whose five main purposes are based on Hebrews 13:3:

1. To encourage and empower Christians to fulfill the Great Commission in areas of the world where they are persecuted for sharing the gospel of Jesus Christ.
2. To provide practical relief and spiritual support to the families of Christian martyrs.
3. To equip persecuted Christians to love and win to Christ those who are opposed to the gospel in their part of the world.
4. To undertake projects of encouragement, helping believers rebuild their lives and Christian witness in countries where they have formerly suffered oppression.
5. To promote the fellowship of all believers by informing the world of the faith and courage of persecuted Christians, thereby inspiring believers to a deeper level of commitment to Christ and involvement in His Great Commission.

The Voice of the Martyrs was founded in 1967 by Pastor Richard Wurmbrand, who spent a total of 14 years in communist prisons in Romania for his Christian witness. When he and his family were ransomed to the West for \$10,000, he traveled the world, sharing his story and awakening the free world to Christian persecution worldwide. In so doing, he encouraged Christians in free countries to remember their persecuted Christian family (Heb. 13:3). The Ministry continues in this mission today. We provide help to those persecuted or in prison for their faith, give Bibles to Christians in countries where they are illegal or extremely difficult to obtain, equip local believers in hostile countries to share the gospel, and tell their stories to Christians in the U.S. in order to bring them into fellowship with their persecuted brothers and sisters in Christ.

The Voice of the Martyrs, Inc. is a 501 (c)(3) exempt organization that has been classified as a mission society. Under Treasury regulation section 1.6033-2(g)(1)(iv), a mission society affiliated with or sponsored by one or more churches or church denominations and with more than one-half of the activities of such society conducted in, and directed at persons in foreign countries, is not required by the Internal Revenue Service to complete and file Form 990.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Organization (Continued)

What We Do

Serve persecuted Christians through practical and spiritual assistance and lead other members of the body of Christ into fellowship with them.

Total number of individuals employed	138
Total number of volunteers	2,077

Basis of Accounting

The accompanying financial statements of the Ministry are prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP). Net assets are classified in the financial statements based on the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restriction

Net assets currently available at the discretion of the Board of Directors for use in the Ministry's mission projects and for operations.

Net Assets With Donor Restriction

Net assets which are restricted by donors for a particular purpose. When a donor's restriction is satisfied by using the resources in the manner specified by the donor, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to without donor restrictions.

Revenue Recognition

Contributions are recorded when the donor makes a promise to give to the Ministry that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. All contributions are considered without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

Revenue derived from the sale of resources is recorded at the point of sale.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

During the years ended December 31, 2018 and 2017, the Ministry received an estimated 32,403 and 36,950 hours of donated services from domestic volunteers, respectively. These performed services are not reflected in the financial statements as the services did not require specialized skills as specified by Generally Accepted Accounting Principles (GAAP) pertaining to Accounting for Contributions Received and Contributions Made.

Cash and Cash Equivalents

The Ministry defines cash and cash equivalents to be all cash on hand and cash in bank accounts with original maturities of three months or less. Cash and cash equivalents include donor restricted deposits that are readily available and will be consumed during the next operating cycle.

Accounts Receivable

Accounts receivable are short-term, non-interest bearing, and uncollateralized. The ministry provides an allowance for uncollectible accounts based upon management's assessment of existing specific accounts. An allowance of \$2,695 has been established for the years ended December 31, 2018, and 2017.

Inventory

Inventory consists of ministry-related resources held for future distribution. These are valued at lower of cost or net realizable value using the first-in, first-out method.

Investments

Investments in equity securities with readily determinable fair market value and all investments in debt securities are measured at fair value in the statement of financial position. Dividends, interest, and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions, in which case earnings are reported in the same category as the donations.

Fair Value Measurement

Fair value is defined under GAAP as an exit price, representing 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. The Ministry utilizes market data or assumptions that market participants would use in pricing the asset or liability.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Property and Equipment

Property and equipment are stated at cost if purchased by the Ministry. Donations of property and equipment are recorded as support at the estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, the Ministry reports the expiration of donor restrictions when the donated or acquired assets are placed in service. At that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated using the straight-line method. Useful lives of assets range from three to thirty years. The Ministry follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000 if their useful lives exceed one year.

The Ministry records impairment to property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Ministry based on facts and circumstances in existence at the time of determination, estimates of probable future economic conditions, and other information. During 2018, management determined an impairment loss of \$141,275 was necessary for certain land and buildings. The impairment was deemed necessary due to a fair market value evaluation by management.

Other Assets

The Ministry acquired the rights to two works of art which are included in other assets. The acquired rights give the Ministry permission to use the images in Ministry endeavors in perpetuity and have no expiration. As a result, these rights are not subject to amortization.

Allocation of Expenses

The costs of providing various programs and supporting activities of the Ministry have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on the following: directly on the activity benefited, an estimate of the time and effort spent by personnel, or an estimate of the proportional use of the overall square feet of usable space.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2017 balances to conform to the 2018 financial statement presentation.

Advertising

The Ministry expenses advertising costs as incurred. Advertising expense amounted to \$4,387,648 and \$3,402,762 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Ministry is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Ministry has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Ministry has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Ministry will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority.

The Ministry's evaluation on December 31, 2018, revealed no uncertain tax positions that would have a material impact on the financial statements. The Ministry will recognize future interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Ministry is no longer subject to examinations by taxing authorities for years before 2015.

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 reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses and related disclosures during the reporting period. Actual results could differ from those estimates.

Shipping and Handling

The Ministry allocates shipping and handling costs directly based on the activity benefited.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

The financial statements include certain summarized prior year comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Ministry's financial statements for the year ended December 31, 2017, from which the summarized information is derived.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Ministry has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU was applied retrospectively to all periods presented.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 15,290,784
Accounts receivable, net	263,596
Notes receivable, current portion	5,947
Inventory	483,142
Land and buildings - held for sale, net	703,400
Short-term investments	<u>6,000,753</u>
Total	<u><u>\$ 22,747,622</u></u>

At year-end The Voice of the Martyrs, Inc. maintained short-term cash and cash equivalent reserves for the following purposes:

- 1.) Rapid response to persecution events
- 2.) Fulfilling commitments on international projects with planned first quarter needs
- 3.) Contingent operating expenses
- 4.) Meet requirements on gift annuity agreements

The cash and cash equivalents held at year-end are generally expected to be utilized within three months of the balance sheet date.

The Ministry utilized a number of different investment options and financial institutions to mitigate risk while also maintaining quick access to the funds for ministry needs. Those options included fully insured certificates of deposit with maturities of ninety days or less as well as partially insured cash and cash equivalents held at financially stable and reputable financial institutions that are available on demand.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 3 - INVESTMENTS

Investments are presented in the financial statements at fair market value and are summarized as follows:

	2018	
	Market Value	Cost
Cash and cash equivalents	\$ 74,127	\$ 74,127
Equities	49,370	2,921
Real estate and tangible assets	41,560	38,955
Mutual funds	7,585,599	7,852,277
Total	\$ 7,750,656	\$ 7,968,280

	2017	
	Market Value	Cost
Cash and cash equivalents	\$ 61,975	\$ 61,975
Equities	17,164	3,230
Mutual funds	7,778,272	7,572,506
Total	\$ 7,857,411	\$ 7,637,711

Investment income and gains and losses on investments consist of the following for the years ended December 31:

	2018	2017
Dividends and interest	\$ 309,265	\$ 288,499
Net change in unrealized gain (loss) on investments	(508,768)	208,692
Investment fees	(48,875)	(45,080)
Total	\$ (248,378)	\$ 452,111

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured at December 31, 2018 and 2017, were as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
<u>December 31, 2018</u>			
Short-term investments	\$ 7,750,656	\$ -	\$ -
Planned giving arrangements	-	-	1,498,000
Donor commitments	-	-	180,311
Total	\$ 7,750,656	\$ -	\$ 1,678,311

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
<u>December 31, 2017</u>			
Short-term investments	\$ 7,857,411	\$ -	\$ -
Planned giving arrangements	-	-	1,452,517
Donor commitments	-	-	217,105
Total	<u>\$ 7,857,411</u>	<u>\$ -</u>	<u>\$ 1,669,622</u>

For all investment balances, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. For planned giving arrangements and donor commitments, fair value is determined by the present value of future cash flows as of the statement of financial position date.

The following is a reconciliation of activity, for the years ended December 31, 2018 and 2017, for liabilities measured at fair value based upon significant unobservable (non-market) information:

	2018	2017
Balance, beginning of year	\$ 1,669,622	\$ 1,577,281
Changes in planned giving agreements	45,483	117,489
Change in donor commitments	(36,794)	(25,148)
Total	<u>\$ 1,678,311</u>	<u>\$ 1,669,622</u>

NOTE 5 - SUPPLEMENTAL CASH FLOW INFORMATION

The Ministry has adopted *FASB ASU 2016-18, Restricted Cash*, which requires the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheet that equal the total of the same such amounts shown in the statement of cash flows.

	2018	2017
Cash and cash equivalents	\$ 15,290,784	\$ 12,091,019
Restricted cash	3,300,037	6,055,353
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 18,590,821</u>	<u>\$ 18,146,372</u>

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment - held for use at December 31, consist of the following:

	2018	2017
Land	\$ 418,606	\$ 455,606
Land improvements	5,324,744	5,324,744
Buildings	28,229,643	29,757,046
Office furniture and equipment	8,582,358	8,320,302
Automobiles	288,025	293,126
	<u>42,843,376</u>	<u>44,150,824</u>
Accumulated depreciation	<u>(18,128,800)</u>	<u>(17,571,738)</u>
Property and equipment, net	<u>\$ 24,714,576</u>	<u>\$ 26,579,086</u>

Land and buildings - held for sale, net at December 31, consist of the following:

	2018	2017
Land	\$ 37,000	\$ -
Buildings	1,398,841	-
	<u>1,435,841</u>	<u>-</u>
Accumulated depreciation	<u>(732,441)</u>	<u>-</u>
Land and buildings - held for sale, net	<u>\$ 703,400</u>	<u>\$ -</u>

Depreciation in the amount of \$1,698,483 and \$1,785,983 in 2018 and 2017, respectively, has been allocated to program services and supporting activities in the statement of activities.

NOTE 7 - PLANNED GIVING AGREEMENTS

The Ministry's planned giving agreements with donors consist of charitable gift annuities. Assets are invested, and payments are made to donors or other beneficiaries in accordance with the respective agreements, commencing on a specified date and continuing for their lifetime.

Contribution revenue for charitable gift annuities is recognized at the date the agreement is established, and is classified as either with or without donor restrictions, depending on donor instructions. A liability is also recorded on the date the agreement is established, using the current IRS mortality table and discount rate. Annually, the present value of the estimated future liability is calculated using the more conservative IAR mortality table (updated in 2012) used by the American Council on Gift Annuities, with the original discount rate. The gain or loss resulting from this annual present value adjustment is recorded as the change in the value of planned giving agreements. The loss on change in value of planned giving agreements was \$41,883 and \$36,880, in 2018 and 2017, respectively.

Contributions of \$139,177 and \$125,365 were recognized relating to charitable gift annuities during 2018 and 2017, respectively.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 7 - PLANNED GIVING AGREEMENTS (CONTINUED)

Annuity assets are maintained in a separate account and are invested in various mutual funds. At December 31, 2018 and 2017, the fair market value of assets invested related to annuities payable were \$1,749,903 and \$1,889,681, respectively.

The Ministry is licensed to issue annuity contracts in many states and is in compliance with those state laws which require a minimum reserve amount be maintained.

NOTE 8 - DONOR COMMITMENTS

In 2012, the Ministry became aware of a situation that was negatively affecting a small number of donors who had funded Charitable Gift Annuities (CGA's) and Charitable Remainder Annuity Trusts (CRAT's) with a third party. These donors had designated the Ministry to be the recipient of their gifts. However, the third party making the CGA and CRAT payments to these donors encountered severe financial difficulties and was unable to continue making payments.

The Ministry's Board of Directors carefully studied the circumstances and made the decision to assist the small number of donors who were no longer receiving payments per their contracts with the third party (the Ministry was not legally obligated to do so). As a result, the Ministry entered into a new contract with each of these donors, whereby the Ministry will make quarterly payments to each donor in an amount equal to the payments that were specified in their original CGA/CRAT agreements. In 2012, the Ministry recorded the present value of these obligations as a liability and recorded a one-time charge of approximately \$366,000. The present value of these obligations using IAR mortality table (updated in 2012) and current IRS discount rate was \$180,311 and \$217,105 at December 31, 2018 and 2017, respectively.

NOTE 9 - ALLOCATION OF JOINT COST

The Ministry produces a monthly newsletter that includes fellowship and inspiration, general and administrative information, and fundraising components. The costs of producing the newsletter included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows as of December 31:

	2018	2017
Fellowship and inspiration	\$ 5,904,386	\$ 4,940,045
General and administrative	1,329,348	1,239,329
Fundraising	1,036,990	1,042,795
Total	\$ 8,270,724	\$ 7,222,169

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 10 - RETIREMENT PLAN

The Ministry provides a Tax Deferral Savings - Section 403(b) Retirement Plan (the Plan) for its employees. Under the Plan, each eligible employee is allowed to contribute up to the lesser of 100% of their annual compensation, or \$18,500 for the year ended December 31, 2018 and \$18,000 for the year ended December 31, 2017. "Catch up" contributions are allowed for employees over age 50. Each employee has the option to contribute funds as a pre-tax salary deferral or after tax Roth deferral. The Ministry matches 100% of employee contributions up to an annual discretionary employer percent of employee wages. Contributions of \$265,542 and \$240,735 were made to the Plan for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 - LEASE COMMITMENTS

The Ministry leases various equipment and facilities through operating leases. The leases vary in length from monthly to long-term. Total rental expense for the years ending December 31, 2018 and 2017, was \$43,558 and \$649,851, respectively. Long-term lease commitments are as follows: 2019 - \$39,972, 2020 - \$33,910, 2021 - \$26,692, and 2022 - \$17,420.

NOTE 12 - OTHER COMMITMENTS

The Ministry has entered into various contracts with vendors for security, janitorial, production, and information technology services. The contracts vary in length. The contract commitments are as follows: 2019 - \$1,108,430, 2020 - \$287,640, 2021 - \$168,900, and 2022 - \$76,500.

NOTE 13 - GIFTS-IN-KIND

The Ministry receives various types of donated items which are sent to aid persecuted Christians in various countries. The total value of gifts-in-kind received during 2018 and 2017 totaled \$292,541 and \$139,772, respectively. These noncash transactions are not reflected in the cash flow statements.

NOTE 14 - CONCENTRATION OF CREDIT AND MARKET RISK

The Ministry's financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents and investments. The Ministry maintains its cash balances at high-quality financial institutions. At times the balances may be in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation. The Ministry performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure. In addition the Ministry utilizes certificates of deposits at numerous financial institutions, none of which exceed insured limits. Management believes credit risk related to these deposits is minimal. The Ministry maintains its investment balances at a financial institution. The balances are insured by the Securities Investor Protection Corporation up to \$500,000 coverage for cash and securities held by a firm that is forced into bankruptcy. Cash coverage is limited at \$250,000. At times, the Ministry's deposits may exceed insured amounts. Management believes the funds are not exposed to any significant risks due to the diversity of high-grade financial instruments held by the fund and management's routine assessment of the portfolio.

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 15 - SUBSEQUENT EVENTS

The Ministry has evaluated subsequent events through, April 24, 2019, the date the financial statements were available to be issued.

NOTE 16 - RESTRICTIONS ON ASSETS

All of the restrictions on assets at December 31, 2018 and 2017, relate to funds contributed to support certain mission projects.

Net assets with donor restrictions are available for the following purposes:

	2018	2017
East Asia and Pacific	\$ 1,075,558	\$ 586,470
Europe	1,500	12,527
Middle East and North Africa	12,425	1,124,350
Russia	2,611	1,641
South America	-	310
South Asia	1,098	12,808
Sub-Saharan and Africa	38,564	543,072
Non-Region	2,168,281	3,774,175
Total	<u>\$ 3,300,037</u>	<u>\$ 6,055,353</u>

NOTE 17 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the occurrence of events specified by the donors. The following amounts reflect only donor-restricted contributions expended on the listed programs.

Purpose of restrictions:

	2018	2017
Central America and Caribbean	\$ 135,498	\$ 119,056
East Asia and Pacific	1,787,541	1,537,909
Europe	16,960	29,782
Mideast and North Africa	1,506,080	1,086,307
North America	58,900	40,787
Russia	40,029	11,363
South America	37,207	3,525
South Asia	594,116	605,796
Sub-Saharan and Africa	2,382,660	1,093,780
Non-Region	20,925,713	18,280,997
Total	<u>\$ 27,484,704</u>	<u>\$ 22,809,302</u>

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Ministry will be evaluating the impact this standard will have on its financial statements and related disclosures.

NOTE 19 - CURRENT BOARD MEMBERS AND KEY EMPLOYEES

<u>Name</u>	<u>Title</u>	<u>Compensation</u>	<u>Employer Provided Benefits</u>
Harvey Little	Chairman of the Board	\$ -	\$ -
C. Mark Shumaker	Vice-Chairman	-	-
Thomas Holland	Secretary/Treasurer	-	-
Marshal Wright	Member	-	-
Mervyn Knight	Member	-	-
David Dyson	Member	-	-
Paul Gustafson	Member	-	-
Donald Banner	Member	-	-
Paul Peterson	Member	-	-
Edwin Baelde	Member	-	-
Blake Stice	Member	-	-
Tammy Schneider	Member	-	-
Cole Richards	Member, President & CEO	\$ 150,241	\$ 32,951
Key Employees			
Corey Odden	Chief Financial Officer	\$ 135,166	\$ 7,931

(Continued)

THE VOICE OF THE MARTYRS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

NOTE 20 - PROGRAM SERVICE ACCOMPLISHMENTS

	2018	2017
Persecution Response:	\$ 12,978,137	\$ 9,706,517

When a pastor, evangelist or other Christian worker is imprisoned or killed because of his or her witness, the immediate family is often left with little means of financial support. The Ministry helps sustain these believers until a job or other financial provision can be obtained. The Ministry also provides immediate support to those who have suffered persecution themselves according to their needs, including living expenses, relocation, medical assistance or vocational training. The Ministry provided persecuted-related support in 63 countries in 2018 and 60 countries in 2017.

Bibles:	\$ 8,779,525	\$ 8,348,186
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Christians in restricted nations and hostile areas are often denied access to Bibles. They are considered illegal or can be extremely difficult to obtain. The Ministry prints Bibles in the languages of the countries where we work and smuggles them to believers who would otherwise never have an opportunity to read God's Word. The Ministry also provides New Testaments, children's Bibles, study Bibles and digital Bibles. Audio Bibles are distributed to those who cannot read. The Ministry distributed more than 1.5 million Bibles in 54 countries in 2018, and 1.1 million Bibles in 49 countries in 2017.

Front-Line Ministry:	\$ 14,763,122	\$ 12,999,870
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The Ministry directly assists pastors, evangelists and Christian workers who carry out their ministry in the face of hostility and persecution. Assistance includes supplies that allow them to minister in remote villages, evangelistic materials, and training. In addition, The Ministry may provide support to workers and their families, helping them meet daily needs such as food, clothing, and housing. The Ministry provided support to front-line workers in 80 countries in 2018 and 78 countries in 2017.

Fellowship and Inspiration:	\$ 14,403,413	\$ 13,471,714
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The Ministry is committed to informing believers in the U.S. of the persecution endured by their Christian family worldwide in order to create fellowship in the Body of Christ and inspire all believers to make a deeper commitment to Christ and His Great Commission. The Ministry uses various forms of media to publicize stories of hope, faith and courage as persecuted Christians stand boldly for Jesus Christ, but our flagship communication piece is our free, monthly newsletter. The newsletter was sent to an average of 525,325 readers in 2018 and 528,772 in 2017. The Ministry also publishes books, videos and related material and utilizes several online tools. The Ministry held regional conferences (23 in 2018 and 2017) as well as various local events.

	\$ 50,924,197	\$ 44,526,287
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