

Financial Statements and Report of
Independent Certified Public
Accountants

American Bible Society

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position as of June 30, 2019 and 2018	5
Statements of activities for the years ended June 30, 2019 and 2018	6
Statement of functional expenses for the year ended June 30, 2019	7
Statement of functional expenses for the year ended June 30, 2018	8
Statements of cash flows for the years ended June 30, 2019 and 2018	9
Notes to financial statements	10

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
American Bible Society

We have audited the accompanying financial statements of American Bible Society (the "Society"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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 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 present fairly, in all material respects, the financial position of American Bible Society as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
April 9, 2020

AMERICAN BIBLE SOCIETY
Statements of Financial Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,313,347	\$ 1,788,846
Accounts, contributions, program loan and accrued interest receivables, net of allowance of \$277,011 in 2019 and \$382,414 in 2018	9,941,091	7,346,752
Amounts held in escrow for construction (Note G)	4,119,153	-
Inventories, net (Note C)	5,453,146	5,699,816
Prepaid expenses and other assets	4,401,033	4,353,070
Investments (Note D)	699,198,616	723,740,880
Beneficial interest in investments held by third-party trustees (Note F)	25,575,058	25,937,956
Fixed assets, net (Note G)	<u>19,759,971</u>	<u>15,559,127</u>
Total assets	<u>\$ 770,761,415</u>	<u>\$ 784,426,447</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 17,559,929	\$ 8,573,067
Payable under securities loan agreement (Note D)	2,802,709	4,243,369
Deferred allowance from lease activity	16,769,867	16,826,466
Obligations under charitable remainder trusts (Note B)	5,673,748	5,465,941
Annuities payable (Note B)	21,891,526	23,077,957
Deferred revenue under life income agreements (Note B)	4,902,720	5,106,146
Accrued postretirement benefits (Note I)	<u>34,044,855</u>	<u>34,305,840</u>
Total liabilities	<u>103,645,354</u>	<u>97,598,786</u>
Commitments and contingencies (Notes D and J)		
NET ASSETS (Note B)		
Net assets without donor restrictions		
Designated for specific operating purposes and other	253,532	7,588,586
Funds functioning as endowment (Note L)	537,263,434	555,590,742
Land, building, and equipment	<u>19,759,971</u>	<u>15,559,127</u>
Total net assets without donor restrictions	<u>557,276,937</u>	<u>578,738,455</u>
Net assets with donor restrictions (Note L)	<u>109,839,124</u>	<u>108,089,206</u>
Total net assets	<u>667,116,061</u>	<u>686,827,661</u>
Total liabilities and net assets	<u>\$ 770,761,415</u>	<u>\$ 784,426,447</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN BIBLE SOCIETY
Statement of Activities
For the year ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Operating revenues and support:						
Contributions	\$ 23,068,137	\$ 28,868,227	\$ 51,936,364	\$ 23,406,604	\$ 30,443,424	\$ 53,850,028
Legacies	7,544,509	-	7,544,509	5,220,357	-	5,220,357
Scripture sales (Note C)	3,359,566	-	3,359,566	3,836,146	-	3,836,146
Other	2,749,432	-	2,749,432	2,921,212	-	2,921,212
Net assets released from restrictions and reclassifications	30,382,747	(30,382,747)	-	18,981,459	(18,981,459)	-
Total operating revenues and support	67,104,391	(1,514,520)	65,589,871	54,365,778	11,461,965	65,827,743
Operating expenses (Note K)						
Program services						
Scripture engagement and distribution:						
National ministries	33,399,152	-	33,399,152	39,951,208	-	39,951,208
International ministries	56,750,330	-	56,750,330	34,764,818	-	34,764,818
Total program services	90,149,482	-	90,149,482	74,716,026	-	74,716,026
Supporting services						
Administration	5,831,875	-	5,831,875	5,959,816	-	5,959,816
Development	17,328,575	-	17,328,575	15,663,622	-	15,663,622
Total supporting services	23,160,450	-	23,160,450	21,623,438	-	21,623,438
Total operating expenses	113,309,932	-	113,309,932	96,339,464	-	96,339,464
Changes in net assets from operating activities, before investment return appropriated for operations	(46,205,541)	(1,514,520)	(47,720,061)	(41,973,686)	11,461,965	(30,511,721)
Investment return appropriated for operations (Note D)	35,218,782	-	35,218,782	32,791,320	-	32,791,320
Changes in net assets from operating activities	(10,986,759)	(1,514,520)	(12,501,279)	(9,182,366)	11,461,965	2,279,599
Nonoperating Activities						
Investment return appropriated for capital activities and other (Note D)	4,902,729	-	4,902,729	-	-	-
Investment (losses) gains, net of amounts appropriated for operations (Note D)	(13,405,496)	2,520,835	(10,884,661)	16,510,480	3,981,583	20,492,063
(Depreciation) appreciation in fair value of third-party trusts (Notes D and F)	-	(404,060)	(404,060)	-	443,802	443,802
Change in value of split-interest agreements	(1,421,882)	1,147,663	(274,219)	(1,137,166)	472,854	(664,312)
Pension related activity other than net periodic pension expense	(550,110)	-	(550,110)	720,608	-	720,608
Changes in net assets from nonoperating activities	(10,474,759)	3,264,438	(7,210,321)	16,093,922	4,898,239	20,992,161
Changes in net assets	(21,461,518)	1,749,918	(19,711,600)	6,911,556	16,360,204	23,271,760
Net assets, beginning of year	578,738,455	108,089,206	686,827,661	571,826,899	91,729,002	663,555,901
Net assets, end of year	\$ 557,276,937	\$ 109,839,124	\$ 667,116,061	\$ 578,738,455	\$ 108,089,206	\$ 686,827,661

The accompanying notes are an integral part of these financial statements.

AMERICAN BIBLE SOCIETY
Statement of Functional Expenses
For the year ended June 30, 2019

	Program Services			Supporting Services			Total
	National Ministries	International Ministries	Total	Administration	Development	Total	
Bible ministry grants	\$ 3,958,527	\$ 33,753,949	\$ 37,712,476	\$ 5,667	\$ 183,183	\$ 188,850	\$ 37,901,326
Scripture-based conventions and meetings	156,893	191,232	348,125	23,500	61,112	84,612	432,737
Cost of Scripture and related materials sold	1,670,155	1,540	1,671,695	-	-	-	1,671,695
Printing, publications and promotions	2,487,631	2,621,230	5,108,861	7,621	4,120,778	4,128,399	9,237,260
Salaries and wages	6,930,481	8,073,245	15,003,726	2,656,676	4,706,774	7,363,450	22,367,176
Employee benefits	2,333,694	2,713,549	5,047,243	895,273	1,578,410	2,473,683	7,520,926
Relocation costs	4,370	2,717	7,087	-	-	-	7,087
Pension expense	530,479	627,316	1,157,795	207,329	368,003	575,332	1,733,127
Postretirement benefits	955,065	429,509	1,384,574	102,106	130,460	232,566	1,617,140
Professional fees	5,826,144	3,915,591	9,741,735	358,485	1,805,551	2,164,036	11,905,771
Postage and mailing	938,356	989,738	1,928,094	5,670	2,302,271	2,307,941	4,236,035
Depreciation and amortization	701,067	141,507	842,574	157,447	149,330	306,777	1,149,351
Travel and related costs	538,722	1,329,289	1,868,011	139,735	410,905	550,640	2,418,651
Data processing	1,206,095	418,127	1,624,222	236,452	618,425	854,877	2,479,099
Occupancy	3,558,325	468,753	4,027,078	453,883	321,644	775,527	4,802,605
Equipment, repairs and rentals	662,290	371,213	1,033,503	231,514	132,872	364,386	1,397,889
Telephone	82,274	108,036	190,310	35,383	49,141	84,524	274,834
Office supplies	222,390	62,214	284,604	9,302	54,803	64,105	348,709
Storage costs	147,600	6,635	154,235	9,884	3,749	13,633	167,868
Insurance	94,727	122,566	217,293	116,069	106,317	222,386	439,679
Memberships and subscriptions	74,897	59,743	134,640	14,125	56,417	70,542	205,182
Legal, tax and audit fees	215,775	104,462	320,237	88,071	35,822	123,893	444,130
Banking and compliance	60,554	69,231	129,785	48,481	103,364	151,845	281,630
Miscellaneous	42,641	168,938	211,579	29,202	29,244	58,446	270,025
Total expenses	<u>\$ 33,399,152</u>	<u>\$ 56,750,330</u>	<u>\$ 90,149,482</u>	<u>\$ 5,831,875</u>	<u>\$ 17,328,575</u>	<u>\$ 23,160,450</u>	<u>\$ 113,309,932</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN BIBLE SOCIETY
Statement of Functional Expenses
For the year ended June 30, 2018

	Program Services			Supporting Services			Total
	National Ministries	International Ministries	Total	Administration	Development	Total	
Bible ministry grants	\$ 3,472,731	\$ 15,188,618	\$ 18,661,349	\$ -	\$ 212,885	\$ 212,885	\$ 18,874,234
Scripture-based conventions and meetings	199,226	85,769	284,995	29,830	62,837	92,667	377,662
Cost of scripture and related materials sold	2,389,497	-	2,389,497	-	-	-	2,389,497
Printing, publications and promotions	3,733,429	1,530,592	5,264,021	3,985	3,998,492	4,002,477	9,266,498
Salaries and wages	8,611,820	6,570,062	15,181,882	2,602,379	4,382,321	6,984,700	22,166,582
Employee benefits	2,891,408	2,219,252	5,110,660	871,629	1,480,323	2,351,952	7,462,612
Pension expense	662,958	503,934	1,166,892	198,644	337,078	535,722	1,702,614
Postretirement benefits	1,051,391	423,030	1,474,421	128,562	140,884	269,446	1,743,867
Professional fees	6,892,244	4,951,255	11,843,499	338,746	1,178,670	1,517,416	13,360,915
Postage and mailing	1,515,375	733,401	2,248,776	7,631	1,918,509	1,926,140	4,174,916
Depreciation and amortization	899,562	119,204	1,018,766	194,725	164,059	358,784	1,377,550
Travel and related costs	706,265	1,095,244	1,801,509	130,358	355,977	486,335	2,287,844
Data processing	1,381,508	235,601	1,617,109	168,392	465,716	634,108	2,251,217
Occupancy	3,835,932	291,623	4,127,555	600,537	319,642	920,179	5,047,734
Equipment, repairs and rentals	632,142	249,643	881,785	330,221	153,167	483,388	1,365,173
Telephone	106,816	95,440	202,256	36,704	44,672	81,376	283,632
Office supplies	170,724	54,526	225,250	26,695	55,522	82,217	307,467
Storage costs	133,083	7,362	140,445	17,494	5,914	23,408	163,853
Insurance	134,132	96,208	230,340	107,806	123,333	231,139	461,479
Memberships and subscriptions	135,966	70,099	206,065	64,091	75,785	139,876	345,941
Legal, tax and audit fees	246,981	38,286	285,267	82,174	25,328	107,502	392,769
Banking and compliance	68,401	39,398	107,799	16,711	90,882	107,593	215,392
Miscellaneous	79,617	166,271	245,888	2,502	71,626	74,128	320,016
Total expenses	<u>\$ 39,951,208</u>	<u>\$ 34,764,818</u>	<u>\$ 74,716,026</u>	<u>\$ 5,959,816</u>	<u>\$ 15,663,622</u>	<u>\$ 21,623,438</u>	<u>\$ 96,339,464</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN BIBLE SOCIETY
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (19,711,600)	\$ 23,271,760
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	1,149,351	1,377,550
Change in provision for obsolete and slow-moving inventory	(175,633)	(193,707)
Net unrealized and realized appreciation in fair value of investments	(20,550,918)	(45,534,190)
Net unrealized and realized depreciation (appreciation) in fair value of third-party trusts	404,060	(443,802)
Changes in assets and liabilities:		
Increase in accounts and accrued interest receivables	(2,594,339)	(3,116,144)
Increase in amounts held in escrow	(4,119,153)	-
Decrease (increase) in inventories	422,304	(2,381,687)
Decrease (increase) in prepaid expenses and other assets	(47,964)	497,183
Increase in contributions receivable and beneficial interest in investments held by third-party trustees, excluding split-interest agreements	(559,769)	(282,623)
Increase (decrease) in accounts payable and accrued expenses	7,546,202	(9,514,385)
(Decrease) increase in deferred allowances from leasing activity, net	(56,599)	5,591
Decrease in accrued postretirement benefits	(260,985)	(1,569,090)
Net cash used in operating activities	<u>(38,555,043)</u>	<u>(37,883,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment securities	274,819,241	274,420,709
Purchases of investment securities	(229,894,779)	(240,428,760)
Acquisition of fixed assets	(5,333,695)	(23,304)
Net cash provided by investing activities	<u>39,590,767</u>	<u>33,968,645</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of new split-interest agreements, in excess of contributions recognized	590,792	310,188
Endowment contributions	45,525	10,959
Change in value of split-interest agreements	1,034,125	1,057,054
Change in value of split-interest agreements held by third parties	625,252	326,720
Payments to third-party beneficiaries under split-interest agreements	(3,767,697)	(3,927,610)
Investment income on split-interest agreements held for others	960,780	783,017
Net cash used in financing activities	<u>(511,223)</u>	<u>(1,439,672)</u>
Net increase (decrease) in cash and cash equivalents	524,501	(5,354,571)
Cash and cash equivalents, beginning of year	<u>1,788,846</u>	<u>7,143,417</u>
Cash and cash equivalents, end of year	<u>\$ 2,313,347</u>	<u>\$ 1,788,846</u>

The accompanying notes are an integral part of these financial statements.

American Bible Society
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - DESCRIPTION OF ORGANIZATION AND NATURE OF ACTIVITIES

The Organization

In 1816, American Bible Society (the “Society”) was founded in New York City as a Christian organization committed to distributing and engaging people with God’s Word in the United States and throughout the world. Serving alongside the global Christian Church, the Society remains dedicated to this original purpose, with a mission “to make the Bible available to every person in a language and format each can understand and afford, so all people may experience its life-changing message.”

Today, the Society invites millions across the globe to experience the profound, life-changing message of the Bible, focusing on:

- **TRANSLATION.** We make the Word of God available and alive for millions of people still waiting for a Bible in their own language. We work with ministries and Bible Societies across the globe to accelerate Bible translation through innovative technology, collaborative partnerships, and a shared sense of urgency. By 2026, we will see 100% of languages open to Scripture engagement.
- **TRAUMA HEALING.** Trauma is a barrier to the hope of the gospel. Bible-based trauma healing uses the power of Scripture, combined with mental health best practices, to bring joy to wounded hearts. We bring God’s message of love, hope, and redemption to some of the world’s darkest places such as refugee camps, orphanages, prisons, and war-torn villages.
- **TRANSFORMING AMERICA.** American virtues like liberty and justice are drawn from the pages of Scripture. Throughout our history, from the Founding Fathers to the Civil Rights movement, the Bible has guided American heroes in their pursuit of justice. Today, we invite millions of Americans to engage with the Word of God to transform our neighborhoods, our cities, and our country, one heart at a time.

The Society carries out its mission by:

- Affirming the power of God to speak to every generation through the Holy Scriptures;
- Providing translations of the Holy Scriptures that are faithful to the original biblical texts;
- Working in partnership with all Christian churches and Christian communities; and
- Engaging culture and empowering the Church with God’s Word through technology, new media, and digital channels.

The ongoing work of the Society, incorporated in the State of New York in 1841, is dependent on strong contributions from thousands of donors and supporters. The Society has been classified by the Internal Revenue Service as a not-for-profit organization exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

While remaining incorporated in the state of New York, the Society relocated its headquarters to Philadelphia in August 2015, after the sale of its New York City headquarters building in January 2015.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Society have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). This ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes – “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature either in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

A presentation of net assets as previously reported as of June 30, 2018, and then as required under ASU 2016-14 follows:

	June 30, 2018			
	As Previously Presented	Presentation under ASU 2016-14		Total
	Without Donor Restrictions	With Donor Restrictions		
Net assets:				
Unrestricted	\$ 578,738,455	\$ 578,738,455	\$ -	\$ 578,738,455
Temporarily restricted	66,600,448	-	66,600,448	66,600,448
Permanently restricted	41,488,758	-	41,488,758	41,488,758
Total net assets	\$ 686,827,661	\$ 578,738,455	\$ 108,089,206	\$ 686,827,661

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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

Net Assets Without Donor Restrictions

Represent net assets which are not subject to donor-imposed stipulations and are fully available to be utilized in any of the Society's programs or supporting services. Net assets without donor restrictions include certain amounts designated for specific use by the Society's Board of Directors.

Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose. A portion of the Society's net assets with donor restrictions requires the Society to use or expend the gifts as specified, based on purpose or passage of time.

The statement of activities reports the changes in net assets by operating and nonoperating activities. Nonoperating activities principally include investment return (loss), net of amounts appropriated for operations, changes in the fair value of third-party trusts, change in value of split-interest agreements, pension related activities, other than net periodic pension expense, and other nonrecurring activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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. The most significant estimates and assumptions embodied in the accompanying financial statements relate to actuarial assumptions used to calculate postretirement benefit obligations, the determination of allowances for doubtful accounts, loans and contribution receivables, provision for obsolete and slow-moving inventory, the useful lives assigned to fixed assets, obligations under split-interest agreements, and the fair value of certain financial instruments, particularly non-exchange traded alternative investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Society classifies deposits in banks, money market accounts, and debt instruments with original maturities of three months or less from the date of purchase as cash equivalents, excluding cash and cash equivalents available for long-term investment, which are included within investments on the statement of financial position.

Bible Ministry Grants Payable

The awarding of grants is reflected on the financial statements at the time they are approved by the Society and the respective grantee is notified. Grants represent unconditional promises to give and are expected to be paid within one year of approval. Grants payable are included within accounts payable and accrued expenses on the accompanying statements of financial position. As of June 30, 2019 and 2018, the Society had grants payable of \$7,193,567 and \$6,100, respectively.

Split-Interest Agreements

Assets held under charitable gift annuities, life income funds, and charitable remainder trusts with the Society acting as trustee are included in investments. The Society's remainder interests under charitable remainder trusts administered by third parties are reflected as beneficial interest in investments held by third-party trustees. Contribution revenue is recognized at the date these split-interest agreements are established.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Under the Society's charitable gift annuities program and for charitable remainder trusts where the Society is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other stipulated beneficiaries. Under life income funds, deferred revenue is recorded representing the amount of the discount for future interests.

Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to the Society. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the statement of activities.

The discount rate utilized to value split-interest agreements remained constant at 6% at June 30, 2019 and June 30, 2018. The mortality table utilized to calculate the life expectancy of annuitants at June 30, 2019 and 2018 was the IAR 2012 Mortality Table, which is a dynamic table that updates life expectancy from year-to-year.

The Society is required to segregate assets to serve as reserves related to its gift annuity program based on the laws of the State of New York and other states in which it solicits and administers these gifts. Such reserves totaled \$31,525,863 and \$32,994,021 at June 30, 2019 and 2018, respectively, and are in excess of all reserve requirements in all states that require such reserves.

The following tables summarize the changes in the Society's obligations under split-interest agreements for the years ended June 30, 2019 and 2018:

	2019			
	Charitable Remainder Trusts	Annuity Agreements	Life Income Fund	Total
Balance at June 30, 2018	\$ 5,465,941	\$ 23,077,957	\$ 5,106,146	\$ 33,650,044
Proceeds of new split-interest agreements	458,247	132,545	-	590,792
Change in value of split-interest agreements	(181,728)	1,421,648	(205,845)	1,034,075
Payments to third-party beneficiaries under split-interest agreements	(736,373)	(2,741,949)	(289,375)	(3,767,697)
Investment income on split-interest agreements held for others	667,661	1,325	291,794	960,780
Balance at June 30, 2019	\$ 5,673,748	\$ 21,891,526	\$ 4,902,720	\$ 32,467,994

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

	2018			
	Charitable Remainder Trusts	Annuity Agreements	Life Income Fund	Total
Balance at June 30, 2017	\$ 5,619,208	\$ 24,584,706	\$ 5,223,481	\$ 35,427,395
Proceeds of new split-interest agreements	-	310,188	-	310,188
Change in value of split-interest agreements	61,274	1,123,210	(127,430)	1,057,054
Payments to third-party beneficiaries under split-interest agreements	(711,772)	(2,940,251)	(275,587)	(3,927,610)
Investment income on split-interest agreements held for others	497,231	104	285,682	783,017
Balance at June 30, 2018	<u>\$ 5,465,941</u>	<u>\$ 23,077,957</u>	<u>\$ 5,106,146</u>	<u>\$ 33,650,044</u>

Fixed Assets and Depreciation

Furniture and equipment acquired for greater than \$5,000 and with useful lives greater than three years are capitalized and depreciated over their estimated useful lives, ranging from three to ten years. Depreciation is calculated using the straight-line method. Leasehold improvements installed for greater than \$5,000 are recorded at cost and amortized on a straight-line basis over the lesser of the economic useful life of the respective betterment or the lease period to which they pertain.

Library Collection

The Society maintains a rare Scripture collection held for exhibition, education and research which has been acquired through purchases and contributions since the Society's inception. The Society maintains policies and procedures addressing the collection's upkeep and management. The Society has adopted the policy of not capitalizing its collection, which is insured at a value of approximately \$14 million. Purchases of collections are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give to the Society after one year are discounted using an appropriate discount rate commensurate with the risks involved (credit adjusted). Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

The Society has been notified of certain intentions to give under various wills and trust agreements as well as conditional gifts, the realizable amounts of which are not presently determinable. The Society's share of such bequests is recorded when the Society has an irrevocable right to the bequest and the proceeds are measurable.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Scripture Sales, Royalties and Accounts Receivable

Scripture sales, net of discounts, are recorded when shipped, that is when title passes to customers. Royalty income is recognized when earned. Accounts receivable, which principally relate to Scripture sales, are reflected net of an appropriate allowance for doubtful accounts. The allowance for doubtful accounts is determined based-upon an annual review of account balances, including age of the balance and historical collection experience. Such receivables are written-off when determined to be uncollectible.

Fair Value of Financial Instruments

The carrying amounts of financial instruments approximate fair value. The fair value of investments is based on quoted market prices, except for certain investments, principally private equities and similar interests, for which quoted market prices are not readily available. The estimated fair value of these investments is based on valuations provided by external investment managers or by the respective general partner or manager as of the reporting date. Because the fair value of the Society's investment in these assets is not readily available, their estimated value is subject to uncertainty and, therefore, may differ markedly from the value that would have been reported on the accompanying financial statements had a ready market for such investments existed. Such difference could be material. Liabilities under split-interest agreements are reflected based-upon the present value of the estimated future payments expected to be made to donors and other stipulated beneficiaries.

Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents and investments in fixed income funds, equity funds, and alternative investments. The Society maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. The Society's cash accounts were placed with high credit quality financial institutions and the Society's investment portfolio is diversified with several investment managers in a variety of asset classes. The Society has not experienced, nor does it anticipate, any losses with respect to such accounts.

Income Taxes

Certain of the Society's investments (See Note D) give rise to unrelated business income tax ("UBIT") liabilities. The Society had a UBIT liability of \$5,728 and \$0 at June 30, 2019 and 2018, respectively. The 2018 UBIT liability was amended to \$0 related to the repeal of taxing certain qualified transportation and benefits.

In July 2006, guidance was issued in the area of accounting for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. It was effective for the Society on July 1, 2009, and had no material impact on the accompanying financial statements. The tax years ended 2017, 2018 and 2019 are still open to audit for both federal and state purposes. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and, to identify and evaluate other matters that may be considered tax positions.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Subsequent Events

The Society evaluated its June 30, 2019 financial statements for subsequent events through April 9, 2020, the date the financial statements were available to be issued, and other than what is disclosed in the following paragraph, there are no other matters to report.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our donors and program partners, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact our financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE C - INVENTORIES, NET

Inventories are valued at the lower of cost or market under the standard cost method, less an appropriate reserve for slow-moving or obsolete items. Inventories at June 30, 2019 and 2018 consist of the following:

	2019	2018
Finished Scripture products held for sale	\$ 2,843,204	\$ 2,966,231
Scripture Resources for Ministry Use	2,633,671	2,867,837
Work in process and raw materials	24,607	89,717
	5,501,482	5,923,785
Less: Inventory reserve	(48,336)	(223,969)
	\$ 5,453,146	\$ 5,699,816
Components of gross margin:		
Scripture sales	\$ 3,359,566	\$ 3,836,146
Less: Cost of Scripture and related materials sold	(1,671,695)	(2,389,497)
Gross margin on Scripture sales	\$ 1,687,871	\$ 1,446,649

Included in national ministries expenses is the cost of Scripture resources for ministry use which totaled \$2,095,771 and \$3,055,541 for the years ended June 30, 2019 and 2018, respectively.

American Bible Society
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

NOTE D - INVESTMENTS

Investments, at fair value, at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 52,464,969	\$ 65,145,970
Equities	356,754,123	383,755,082
Fixed income	111,315,226	115,935,163
Private equities	40,623,661	29,192,757
Real assets	44,800,988	39,564,632
Absolute return	93,239,649	90,147,276
	<u>\$ 699,198,616</u>	<u>\$ 723,740,880</u>

The cost of investments totaled \$559,363,012 and \$588,102,940 at June 30, 2019 and 2018, respectively.

Included in investments at June 30, 2019 and 2018 are \$11,615,994 and \$10,703,914, respectively, held under trusts where the Society acts as trustee in connection with its split-interest agreements with donors. Life income agreements of \$9,528,609 and \$9,865,059 at June 30, 2019 and 2018, respectively, are also included in investments.

The Society lends certain equities and bonds included in its investment portfolio to brokerage firms. In return for the securities loaned, the Society receives cash and/or U.S. treasury securities as collateral in amounts at least equal to the fair value of the securities loaned. At June 30, 2019 and 2018, the fair value of the collateral received totaled \$2,802,709 and \$4,243,369, respectively, and is reflected as part of liabilities. The Society retains all rights of ownership to the securities loaned and continues to receive all interest and dividend income. The related collateral at June 30, 2019 and 2018 is presented as part of investments and payable under securities loan agreement on the accompanying statements of financial position.

The Society has committed to investing an additional \$44,403,505 in certain private equity partnerships, which are to be funded primarily over the next 3-5 years, with a maximum commitment period of 12 years.

Fair Value Measurements

The Society adopted guidance that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition for fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument. The standard defines three levels of inputs which may be used to measure fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 include listed equities held in the name of the Society, and exclude listed equities and other securities held indirectly through commingled funds.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

- Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table prioritizes the inputs used to report the fair value of the Society's investments within the hierarchy levels discussed above as of June 30, 2019:

	Cash/Equiv. & Net Receivables/ Payables		Fixed Income	Alternative Assets			Total
	Equities			Private Equity	Real Assets	Absolute Return	
Level 1	\$ 52,464,969	\$ 137,412,773	\$ 44,177,270	\$ -	\$ -	\$ -	\$ 234,055,012
Level 2	-	46,527,020	43,023,676	-	-	-	89,550,696
Level 3	-	1,708,430	-	-	20,523,483	-	22,231,913
NAV	-	171,105,900	24,114,280	40,623,661	24,277,505	93,239,649	353,360,995
Total	<u>\$ 52,464,969</u>	<u>\$ 356,754,123</u>	<u>\$ 111,315,226</u>	<u>\$ 40,623,661</u>	<u>\$ 44,800,988</u>	<u>\$ 93,239,649</u>	<u>\$ 699,198,616</u>

The following table summarizes the changes in the Society's Level 3 investments for the year ended June 30, 2019:

	Equities	Real Assets	Total
Balance at June 30, 2018	\$ 1,708,211	\$ 19,349,904	\$ 21,058,115
Unrealized appreciation	219	1,096,415	1,096,634
Purchases of investments	-	77,164	77,164
Proceeds from sales, redemptions, and distributions	-	-	-
Balance at June 30, 2019	<u>\$ 1,708,430</u>	<u>\$ 20,523,483</u>	<u>\$ 22,231,913</u>

The following table prioritizes the inputs used to report the fair value of the Society's investments within the hierarchy levels discussed above as of June 30, 2018:

	Cash/Equiv. & Net Receivables/ Payables		Fixed Income	Alternative Assets			Total
	Equities			Private Equity	Real Assets	Absolute Return	
Level 1	\$ 65,145,970	\$ 160,526,607	\$ 51,683,937	\$ -	\$ -	\$ -	\$ 277,356,514
Level 2	-	42,729,429	41,339,059	-	-	-	84,068,488
Level 3	-	1,708,211	-	-	19,349,904	-	21,058,115
NAV	-	178,790,835	22,912,167	29,192,757	20,214,728	90,147,276	341,257,763
Total	<u>\$ 65,145,970</u>	<u>\$ 383,755,082</u>	<u>\$ 115,935,163</u>	<u>\$ 29,192,757</u>	<u>\$ 39,564,632</u>	<u>\$ 90,147,276</u>	<u>\$ 723,740,880</u>

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The following table summarizes the changes in the Society's Level 3 investments for the year ended June 30, 2018:

	Equities	Real Assets	Total
Balance at June 30, 2017	\$ 1,708,281	\$ 16,336,967	\$18,045,248
Unrealized appreciation	230	2,332,937	2,333,167
Purchases of investments	-	680,000	680,000
Proceeds from sales, redemptions, and distributions	(300)	-	(300)
Balance at June 30, 2018	\$ 1,708,211	\$ 19,349,904	\$21,058,115

The Society's investments are managed in accordance with investment guidelines established by the Society's Board of Directors. The Society's Board of Directors annually approves the level of investment return to be appropriated for operations. The annual spending rate, subject to Board approval, is calculated as follows: 70% of the previous year's spending amount adjusted for the annual rate of inflation, plus 30% of the most recent four-quarter average fair value of the investment pool multiplied by 5%. Amounts approved totaled \$28,777,257 and \$26,932,567 in 2019 and 2018, respectively. In addition, the Society's Board of Directors also approved the use of an additional \$6,441,525 and \$5,858,753 in 2019 and 2018, respectively, of investment return to fund additional ministry expense, pension expense, and post-retiree health care benefits. Amounts approved for capital activities and other purposes, which are reflected as part of nonoperating activities in the accompanying 2019 statement of activities, totaled \$4,902,729.

The components of investment return for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Interest and dividends	\$ 11,640,119	\$ 10,825,562
Unrealized appreciation in fair value of investments	4,233,509	24,588,149
Realized gains	16,313,489	20,945,210
Investment expenses	(2,950,267)	(3,075,538)
Investment return, net	29,236,850	53,283,383
Amounts appropriated for program services	(28,777,257)	(26,932,567)
Amounts appropriated for specific operating purposes	(6,441,525)	(5,858,753)
Investment return appropriated for operations	(35,218,782)	(32,791,320)
Amounts appropriated for capital activities and other purposes	(4,902,729)	-
Investment return (loss), less amounts appropriated for operations and capital activities	<u>\$ (10,884,661)</u>	<u>\$ 20,492,063</u>
Unrealized appreciation (depreciation) in fair value of investment in third-party trusts	<u>\$ (404,060)</u>	<u>\$ 443,802</u>

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Society uses the net asset value (NAV) per share or its equivalent to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value; and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following tables list investments reported at fair value based on NAV by major category as of June 30, 2019 and 2018:

2019								
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms	Redemption Restrictions
Private Equity	Venture and buyout in the U.S. and international	\$ 40,623,661	29	1 to 12 years	\$ 29,068,870	1 to 10 years	N/A	N/A
Inflation Hedging/Real Assets	Real assets and natural resources, primarily in the U.S., private equity structure and ETF	24,277,505	12	1 to 30 years	15,334,635	1 to 4 years	Private equity structures have no redemption options.	N/A
Flexible Capital/Absolute Return	Global equity and fixed income funds in market neutral strategies, fund-of-funds structure	83,025,414	6	N/A	N/A	N/A	Ranges as follows: Quarterly/Annual/3-year liquidity, 45-91 days.	1 fund allows annual liquidity, 2 funds quarterly liquidity, 3 funds 3-year liquidity, and 1 fund liquidating.
Equity Partnership	Long/short and long only funds structured as partnerships	60,138,109	2	N/A	N/A	N/A	30 days notice and quarterly redemptions.	N/A
Commingled Funds	Global funds, primarily long only, equities and bond funds, and ETF	145,296,306	6	N/A	N/A	N/A	Ranges from 1 business day notice to 30 days, monthly redemptions.	N/A
Total		<u>\$ 353,360,995</u>	<u>55</u>		<u>\$ 44,403,505</u>			

2018								
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms	Redemption Restrictions
Private Equity	Venture and buyout in the U.S. and international	\$ 29,192,757	29	1 to 12 years	\$ 18,754,969	1 to 10 years	N/A	N/A
Inflation Hedging/Real Assets	Real assets and natural resources, primarily in the U.S., private equity structure and ETF	20,214,728	13	1 to 30 years	20,006,236	1 to 4 years	Private equity structures have no redemption options.	N/A
Flexible Capital/Absolute Return	Global equity and fixed income funds in market neutral strategies, fund-of-funds structure	90,147,276	7	N/A	N/A	N/A	Ranges as follows: Quarterly/Annual/3-year liquidity, 45-91 days.	1 fund allows annual liquidity, 2 funds quarterly liquidity, 3 funds 3-year liquidity, and 1 fund liquidating.
Equity Partnerships	Long/short and long only funds structured as partnerships	44,569,519	1	N/A	N/A	N/A	30 days notice and quarterly redemptions.	N/A
Commingled Funds	Global funds, primarily long only, equities and bond funds, and ETF	157,133,483	6	N/A	N/A	N/A	Ranges from 1 business day notice to 30 days, monthly redemptions.	N/A
Total		<u>\$ 341,257,763</u>	<u>56</u>		<u>\$ 38,761,205</u>			

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - TRANSACTIONS WITH FELLOWSHIP AND AFFILIATED ORGANIZATIONS

The Society provides major financial support to the United Bible Societies Association (“UBSA”) and, as one of the founding national Bible Societies of the United Bible Societies fellowship, performs much of its program efforts globally through funding programmatic efforts of its fellow national Bible Societies. During fiscal 2019 and 2018, this support amounted to \$24,259,127 and \$14,083,384, respectively.

During fiscal 2006, due to the uncertainty associated with repayment, the Society agreed to convert its then program loan receivable due from the Bible Society in Russia, in the amount of \$1,500,000, to a local fundraising challenge grant which, if successful, would lead to the eventual forgiveness of the loan balance. At June 30, 2019 and 2018, the receivable, which has been fully reserved for, net of amounts forgiven, totaled \$251,843 and \$356,071, respectively.

NOTE F - BENEFICIAL INTEREST IN INVESTMENTS HELD BY THIRD-PARTY TRUSTEES

The Society maintains a beneficial interest in investments held by third-party trustees. The Society’s share of such funds had a fair value totaling \$25,575,058 and \$25,937,956 at June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, the Society’s beneficial interest in investments held by third-party trustees was classified as Level 3 within the fair value hierarchy.

The following tables summarize the changes in the Society’s Level 3 beneficial interest in investments held by third-party trustees for the years ended June 30, 2019 and 2018:

	2019	2018
Balance beginning of year	\$ 25,937,956	\$ 25,488,217
New agreements	46,471	119,900
Terminated agreements	(630,523)	(405,613)
Change in value due to actuarial valuations	625,214	291,650
Unrealized appreciation (depreciation) in fair value of third-party trusts	(404,060)	443,802
Balance end of year	\$ 25,575,058	\$ 25,937,956

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE G - FIXED ASSETS, NET

Fixed assets are carried at cost less accumulated depreciation and amortization and consist of the following at June 30, 2019 and 2018:

	2019	2018
Furniture, fixtures, and equipment	\$ 7,803,504	\$ 7,798,004
Leasehold improvements	13,712,044	13,878,069
Capitalized software	4,948,941	4,970,941
	26,464,489	26,647,014
Less: Accumulated depreciation and amortization	(12,220,738)	(11,087,887)
CIP - Leasehold improvements	5,107,687	-
CIP - Capitalized software	408,533	-
	\$ 19,759,971	\$ 15,559,127

During fiscal year 2019, the Society began construction on the Faith and Liberty Discovery Center ("FLDC"), which will be located on the ground floor of the headquarters location. Construction and exhibit costs are recorded as construction in progress ("CIP"), until the FLDC is placed into service. As of June 30, 2019, the Society advanced a total of \$4,119,153 to be held in escrow for purposes of construction of the FLDC.

NOTE H - NET ASSETS

The Society's Board of Directors has designated certain unrestricted assets for employee pension benefits which total \$11,729,351 and \$12,939,785 at June 30 2019 and 2018, respectively. In fiscal year 2019, the Society's Board of Directors also designated certain unrestricted assets for the Faith and Liberty Center development which total \$4,919,532.

In addition, the Society's Board of Directors has designated certain net assets without donor restrictions to function as an endowment (quasi-endowment). The investment return generated from these assets is used to fund operating expenses as approved by the Board of Directors. Investment return in excess of approved amounts is used to maintain the purchasing power of the investments and to help ensure resources for future needs, ministries, and opportunities (see also Note L).

Net assets with donor restrictions at June 30, 2019 and 2018 are expendable for the following purposes:

	2019	2018
Life income agreements	\$ 12,527,307	\$ 11,965,903
Trust agreements	33,484,375	30,748,347
Geographically focused and operations	22,635,495	23,886,198
	\$ 68,647,177	\$ 66,600,448

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Net assets of the Society with donor restrictions are restricted to investment in perpetuity, the income from which is expendable for the following purposes:

	2019	2018
Bible engagement and distribution	\$ 7,852,355	\$ 7,790,630
General support	33,339,592	33,698,128
	\$ 41,191,947	\$ 41,488,758

During each of the years ended June 30, 2019 and 2018, the Society released \$30,382,747 and \$18,981,459, respectively, from donor restrictions.

NOTE I - PENSION, POSTRETIREMENT HEALTH CARE, AND LIFE INSURANCE BENEFITS

The Society currently provides a defined contribution pension plan for all qualified employees. The Society contributed approximately \$1,733,000 and \$1,703,000 in 2019 and 2018, respectively, to the plan. Contributions are based on a percentage of each eligible employee's compensation which includes an employer matching contribution.

The Society also provides certain noncontributory health care and life insurance benefits to retired employees hired prior to July 1, 2005. This unfunded plan is designed to provide medical benefits to participants based upon date of hire and years of service.

The following table sets forth the plan's funded status and other information relative to the plan as of and for the years ended June 30, 2019 and 2018.

	2019	2018
Funded status:		
Accumulated Postretirement Benefit Obligation ("APBO"):		
Current retirees	\$ (29,194,800)	\$ (30,022,456)
Actives	(4,850,055)	(4,283,384)
Total unfunded status	\$ (34,044,855)	\$ (34,305,840)

Amounts recognized in net assets without donor restrictions as of June 30, 2019 and 2018 consist of:

	2019	2018
Actuarial losses	\$ 5,859,932	\$ 5,309,822

American Bible Society
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

Components of net periodic benefit cost for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 37,254	\$ 52,502
Interest cost	1,322,497	1,253,746
Amortization of:		
Prior service cost	-	-
Actuarial losses	<u>224,787</u>	<u>240,537</u>
Net periodic postretirement benefit cost	<u>\$ 1,584,538</u>	<u>\$ 1,546,785</u>

Other changes in benefit obligations recognized in net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net actuarial loss (gain)	\$ 774,897	\$ (480,071)
Amortization of net (gain)	<u>(224,787)</u>	<u>(240,537)</u>
Total changes recognized in net assets without donor restrictions	<u>\$ 550,110</u>	<u>\$ (720,608)</u>
Total changes recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 2,134,648</u>	<u>\$ 826,177</u>

The estimated net loss to be amortized from net assets without donor restrictions into net periodic benefit cost during fiscal 2020 is \$296,194.

Assumptions

	<u>2019</u>	<u>2018</u>
Assumptions used to determine benefit obligations at June 30:		
Discount rate	3.28 %	3.99 %
Assumptions used to determine net periodic benefit cost for the years ended June 30:		
Discount rate	3.99 %	3.61 %
Assumed health care cost trend rates at June 30:		
Health care cost trend rate assumed for next year	6.50 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2024	2024
Rate of increase in the per capita cost of covered dental benefits	4.50 %	4.50 %
Effect of a 1% increase in health care cost trend rate on:		
Interest and service cost	\$ 133,122	\$ 150,506
Accumulated postretirement benefit obligation	\$ 3,683,762	\$ 3,540,319
Effect of a 1% decrease in health care cost trend rate on:		
Interest and service cost	\$ (109,974)	\$ (123,211)
Accumulated postretirement benefit obligation	\$ (3,045,788)	\$ (2,942,698)

American Bible Society
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

Contributions

The Society expects to contribute \$2,137,768 to its postretirement benefit plan during the year ending June 30, 2020.

Estimated Future Benefit Payments

The following benefit payments, which reflect anticipated future service, are expected to be paid in the years ending June 30, as follows:

2020	\$ 2,137,768
2021	2,105,318
2022	2,095,758
2023	2,025,850
2024	2,031,820
2025-2029	9,215,684

NOTE J - COMMITMENTS AND CONTINGENCIES

Rental Expense

Total future minimum rental commitments due under non-cancelable operating leases for facilities and equipment are as follows:

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
Year ending June 30:			
2020	\$ 3,649,916	\$ 74,304	\$ 3,724,220
2021	3,712,106	8,904	3,721,010
2022	3,774,297	5,936	3,780,233
2023	3,836,487	-	3,836,487
2024	3,898,678	-	3,898,678
Thereafter	<u>76,183,948</u>	<u>-</u>	<u>76,183,948</u>
	<u>\$ 95,055,432</u>	<u>\$ 89,144</u>	<u>\$ 95,144,576</u>

Effective July 2, 2015, the Society entered into a 25-year operating facilities lease for its new headquarters space located in Philadelphia, Pennsylvania. Rent expense for the use of this space for the years ended June 30, 2019 and 2018 totaled \$3,531,126 and \$3,531,126, respectively. Deferred allowance from lease activity primarily relates to a period of free rent related to the Society's new headquarters operating lease and a tenant construction allowance that is being amortized over the term of the lease.

Office rent expense for the year ended June 30, 2018 totaled \$55,199 for the Society's leased facilities in Wayne, Pennsylvania. Upon relocation to Philadelphia, the Society vacated the facilities in Wayne, Pennsylvania such that effective November 30, 2017, the Society was no longer obligated for such space. During fiscal 2016, the Society entered into sub-lease agreements for these facilities and also recognized a related lease abandonment cost of \$548,104, net of anticipated sublease rentals.

Equipment rent expense for the years ended June 30, 2019 and 2018 totaled \$73,587 and \$73,989, respectively.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Contingencies

In the normal course of its operations, the Society is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate resolution of such matters, management of the Society is not aware of any claims or contingencies that would have a material adverse effect on the Society's financial position, changes in net assets or cash flows.

NOTE K - EXPENSES AND OTHER CHARGES

During the years ended June 30, 2019 and 2018, the Society incurred joint costs of \$12,492,375 and \$12,229,423, respectively, for informational materials and activities that included development appeals. Of those costs \$7,133,146 and \$7,019,689, respectively, have been allocated to development with \$5,359,229 and \$5,209,734, respectively, allocated to program services.

NOTE L - ENDOWMENT

The Society's endowment consists of approximately 450 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Society's Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Society's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or relevant law.

During 2010, New York State passed the New York State Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). All not-for-profit organizations formed in New York, including the Society, must comply with this law, commencing with the Society's 2011 fiscal year.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. At June 30, 2019 and 2018, there were no deficiencies of this nature.

The Society has adopted investment and spending policies for its endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the Society's activities through the annual operating budget while preserving the real (inflation adjusted) purchasing power of the endowment, exclusive of gift additions. The Society's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Society has interpreted NYPMIFA as requiring the Society, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligations to use the endowment to achieve the purposes for which it was donated. As a result of this interpretation, the Society classifies as part of its donor-restricted endowment: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Such accumulated gains are appropriated for expenditure by the Board of Directors of the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Society and its donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and appreciation of endowment investments;
- (6) Other resources of the Society;
- (7) The investment policies of the Society; and
- (8) Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the Society.

The following tables summarize endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Corpus	
Donor-restricted endowment funds	\$ -	\$ 14,397,032	\$ 19,753,074	\$ 34,150,106
Board-designated endowment funds	<u>537,263,434</u>	<u>-</u>	<u>-</u>	<u>537,263,434</u>
Total endowment funds	<u>\$ 537,263,434</u>	<u>\$ 14,397,032</u>	<u>\$ 19,753,074</u>	<u>\$ 571,413,540</u>

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Corpus	
Donor-restricted endowment funds	\$ -	\$ 12,992,079	\$ 19,674,674	\$ 32,666,753
Board-designated endowment funds	<u>555,590,742</u>	<u>-</u>	<u>-</u>	<u>555,590,742</u>
Total endowment funds	<u>\$ 555,590,742</u>	<u>\$ 12,992,079</u>	<u>\$ 19,674,674</u>	<u>\$ 588,257,495</u>

Excluded from the donor-restricted portion of the endowment in the tables above at June 30, 2019 and 2018 are \$21,385,704 and \$21,814,084, respectively, of perpetual trusts held by third parties.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The following table summarizes the changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Restrictions</u>	<u>Accumulated Gains</u>	<u>Corpus</u>	
Endowment net assets, beginning of year	\$ 555,590,742	\$ 12,992,079	\$19,674,674	\$ 588,257,495
Contributions, net of amounts transferred to operations*	(3,483,889)	-	16,675	(3,467,214)
Interest and dividends	10,701,709	-	61,725	10,763,434
Unrealized appreciation in fair value of investments	3,067,988	1,404,953	-	4,472,941
Realized gains	15,252,301	-	-	15,252,301
Investment expenses	(2,879,942)	-	-	(2,879,942)
Other income, primarily royalties	557,917	-	-	557,917
Net change in value of split-interest agreements	(1,421,881)	-	-	(1,421,881)
Amounts appropriated for capital activities and other	(4,902,729)	-	-	(4,902,729)
Amounts appropriated for program services	(28,777,257)	-	-	(28,777,257)
Amounts appropriated for specific operating purposes	(6,441,525)	-	-	(6,441,525)
Endowment net assets, end of year	<u>\$ 537,263,434</u>	<u>\$ 14,397,032</u>	<u>\$19,753,074</u>	<u>\$ 571,413,540</u>

* The Society reports legacies received as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions. Because of the variability of this support, the application of such funds to support operations is budgeted at an amount approved by the Board of Directors annually. The excess between the unrestricted legacies received and the amount budgeted is reported as an addition or deduction in funds functioning as endowment.

The following table summarizes the changes in endowment net assets for the year ended June 30, 2018:

	<u>Without Donor</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Restrictions</u>	<u>Accumulated Gains</u>	<u>Corpus</u>	
Endowment net assets, beginning of year	\$ 547,073,486	\$ 10,516,055	\$ 19,554,463	\$ 577,144,004
Contributions, net of amounts transferred to operations*	(6,006,087)	-	10,959	(5,995,128)
Interest and dividends	9,881,807	-	109,252	9,991,059
Unrealized appreciation in fair value of investments	21,063,434	2,476,024	-	23,539,458
Realized gains	20,177,613	-	-	20,177,613
Investment expenses	(2,961,071)	-	-	(2,961,071)
Other income, primarily royalties	290,046	-	-	290,046
Net change in value of split-interest agreements	(1,137,166)	-	-	(1,137,166)
Amounts appropriated for program services	(26,932,567)	-	-	(26,932,567)
Amounts appropriated for specific operating purposes	(5,858,753)	-	-	(5,858,753)
Endowment net assets, end of year	<u>\$ 555,590,742</u>	<u>\$ 12,992,079</u>	<u>\$ 19,674,674</u>	<u>\$ 588,257,495</u>

* The Society reports legacies received as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions. Because of the variability of this support, the application of such funds to support operations is budgeted at an amount approved by the Board of Directors annually. The excess between the unrestricted legacies received and the amount budgeted is reported as an addition or deduction in funds functioning as endowment.

American Bible Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE M - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Society regularly monitors liquidity required to meet its operating needs. The Society's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Available financial assets as of June 30, 2019

Cash and cash equivalents	\$ 2,313,347
Accounts, program loan and accrued interest receivables, net, due within one year	9,787,127
Contributions receivable, due within one year, unrestricted as to use	<u>1,008,824</u>
Total financial assets available within one year	13,109,298
Add: Anticipated investment return to be used for fiscal year 2020 operations (endowment spending)	<u>34,900,000</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 48,009,298</u>

Excluded from the detail provided above are all investment amounts pertaining to the Society's endowment fund totaling \$571,413,540 as of June 30, 2019. The Society's endowment fund includes both donor-restricted investments (original gift amount and accumulated gains) totaling \$34,150,106 and the Society's board-designated endowment (quasi-endowment) totaling \$537,263,434 (See footnote L for a detail of the Society's endowment fund). Earnings from donor-restricted endowment funds are unavailable for general use. The endowment is subject to an annual spending rate that is further described in footnote D. Although the Society does not intend to spend from its board-designated endowment, other than amounts appropriated for operations annually, as of June 30, 2019, the Society had \$537,263,434 of board-designated endowment funds could be made available to support operations if necessary, following Board approval. Accordingly, the extent of available financial assets as of June 30, 2019 only includes an approximation of investment return that will be made available to fund fiscal year 2020 operations, pursuant to the Society's Board approved endowment spending policy.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.