



*Annual Report to the Board*  
CHRISTIAN MEDICAL & DENTAL SOCIETY  
d/b/a CHRISTIAN MEDICAL & DENTAL  
ASSOCIATIONS

Financial Statements  
With Independent Auditors' Report

June 30, 2018 and 2017

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Christian Medical & Dental Society  
d/b/a Christian Medical & Dental Associations  
Bristol, Tennessee

We have audited the accompanying financial statements of Christian Medical & Dental Society d/b/a Christian Medical & Dental Associations, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

### ***Auditors' 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.

Board of Trustees  
Christian Medical & Dental Society  
d/b/a Christian Medical & Dental Associations  
Bristol, Tennessee

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Christian Medical & Dental Society d/b/a Christian Medical & Dental Associations as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Christian Medical & Dental Society d/b/a Christian Medical & Dental Associations has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit-Entities*, as described in Note 3. This has had a material effect on the presentation of the June 30, 2018 and 2017 financial statements.

*Capin Crouse LLP*

Lawrenceville, Georgia  
September 7, 2018

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Statements of Financial Position**

	June 30,	
	2018	2017
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,844,153	\$ 1,775,612
Prepaid expenses and other assets	1,437,924	1,391,729
Short-term investments	6,236,450	5,242,025
Property and equipment—net	4,025,431	4,179,133
Assets held in perpetuity and for long-term purposes	3,176,326	2,836,427
Assets held in perpetual trust	4,645,467	4,676,747
<b>Total Assets</b>	<b>\$ 21,365,751</b>	<b>\$ 20,101,673</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued expenses	\$ 590,613	\$ 547,625
Deferred revenue	607,498	767,261
Annuities payable	554,449	596,778
	1,752,560	1,911,664
Net assets:		
Without donor restrictions	6,106,767	6,595,878
With donor restrictions	13,506,424	11,594,131
	19,613,191	18,190,009
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,365,751</b>	<b>\$ 20,101,673</b>

See notes to financial statements

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Statements of Activities**

	Year Ended June 30,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Support:						
Contributions	\$ 7,758,022	\$ 3,843,559	\$11,601,581	\$ 6,791,531	\$ 4,223,097	\$11,014,628
Noncash contributions	2,391,252	87,377	2,478,629	2,182,553	101,914	2,284,467
	<u>10,149,274</u>	<u>3,930,936</u>	<u>14,080,210</u>	<u>8,974,084</u>	<u>4,325,011</u>	<u>13,299,095</u>
Revenue:						
Conferences & programs	1,881,817	-	1,881,817	1,129,701	-	1,129,701
Investment income	517,744	117,865	635,609	481,593	106,753	588,346
Other income	506,710	-	506,710	471,948	-	471,948
Change in value of annuities	(13,317)	-	(13,317)	95,448	-	95,448
Change in value of perpetual trust	-	(31,280)	(31,280)	-	156,109	156,109
	<u>2,892,954</u>	<u>86,585</u>	<u>2,979,539</u>	<u>2,178,690</u>	<u>262,862</u>	<u>2,441,552</u>
Total Support and Revenue	<u>13,042,228</u>	<u>4,017,521</u>	<u>17,059,749</u>	<u>11,152,774</u>	<u>4,587,873</u>	<u>15,740,647</u>
<b>RECLASSIFICATIONS:</b>						
Net assets released from:						
Satisfaction of restrictions	1,785,385	(1,785,385)	-	3,372,403	(3,372,403)	-
Administrative assessments	319,843	(319,843)	-	289,638	(289,638)	-
Total Reclassifications	<u>2,105,228</u>	<u>(2,105,228)</u>	<u>-</u>	<u>3,662,041</u>	<u>(3,662,041)</u>	<u>-</u>
<b>EXPENSES:</b>						
Program services	12,109,303	-	12,109,303	11,180,466	-	11,180,466
Management and general	2,705,610	-	2,705,610	2,365,990	-	2,365,990
Fund-raising	821,654	-	821,654	782,250	-	782,250
Total Expenses	<u>15,636,567</u>	<u>-</u>	<u>15,636,567</u>	<u>14,328,706</u>	<u>-</u>	<u>14,328,706</u>
Change in Net Assets	(489,111)	1,912,293	1,423,182	486,109	925,832	1,411,941
Net Assets,						
Beginning of Year	<u>6,595,878</u>	<u>11,594,131</u>	<u>18,190,009</u>	<u>6,109,769</u>	<u>10,668,299</u>	<u>16,778,068</u>
Net Assets, End of Year	<u>\$ 6,106,767</u>	<u>\$13,506,424</u>	<u>\$19,613,191</u>	<u>\$ 6,595,878</u>	<u>\$11,594,131</u>	<u>\$18,190,009</u>

See notes to financial statements

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Statements of Functional Expenses**

	Year Ended June 30, 2018			
	Program Services	Management and General	Fund-raising	Total Expenses
<b>EXPENSES:</b>				
Salaries and benefits	\$ 4,319,585	\$ 1,754,018	\$ 560,386	\$ 6,633,989
Donated services	2,289,862	-	-	2,289,862
Direct program expenses	1,955,199	-	-	1,955,199
Conferences	2,228,681	59,300	172,375	2,460,356
Office expenses and professional services	809,273	610,218	51,549	1,471,040
Supplies, travel, and other	506,703	282,074	37,344	826,121
<b>Total Expenses</b>	<b>\$ 12,109,303</b>	<b>\$ 2,705,610</b>	<b>\$ 821,654</b>	<b>\$ 15,636,567</b>

	Year Ended June 30, 2017			
	Program Services	Management and General	Fund-raising	Total Expenses
<b>EXPENSES:</b>				
Salaries and benefits	\$ 4,093,113	\$ 1,570,334	\$ 532,908	\$ 6,196,355
Donated services	2,045,111	-	-	2,045,111
Direct program expenses	1,950,058	-	-	1,950,058
Conferences	1,573,028	42,821	154,598	1,770,447
Office expenses and professional services	850,099	488,600	59,418	1,398,117
Supplies, travel, and other	669,057	264,235	35,326	968,618
<b>Total Expenses</b>	<b>\$ 11,180,466</b>	<b>\$ 2,365,990</b>	<b>\$ 782,250</b>	<b>\$ 14,328,706</b>

See notes to financial statements

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Statements of Cash Flows**

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,423,182	\$ 1,411,941
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash contributions of securities and property	(138,468)	(136,644)
Depreciation	392,662	369,988
Net realized and unrealized gain on investments	(164,128)	(294,871)
Actuarial change of annuities	(15,720)	(15,725)
Annuity maturities	(26,609)	(141,202)
Contributions restricted for long-term investment	(325,537)	(175,938)
Change in value of assets held in perpetual trust	31,280	(156,109)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(46,195)	36,130
Accounts payable and accrued expenses	42,988	(118,686)
Deferred revenue	(159,763)	(358,512)
Net Cash Provided by Operating Activities	1,013,692	420,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,990,004)	(1,600,611)
Proceeds from sale of investments	1,060,090	749,052
Purchases of property and equipment	(238,960)	(81,816)
Net Cash Used by Investing Activities	(1,168,874)	(933,375)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term investment	325,537	175,938
Annuity payments	(101,814)	(129,100)
Net Cash Provided by Financing Activities	223,723	46,838
Net Change in Cash and Cash Equivalents	68,541	(466,165)
Cash and Cash Equivalents, Beginning of Year	1,775,612	2,241,777
Cash and Cash Equivalents, End of Year	\$ 1,844,153	\$ 1,775,612

See notes to financial statements



**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION:

The Christian Medical & Dental Society d/b/a Christian Medical & Dental Associations (CMDA) is a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code (Code) and recognized by the IRS as a publicly supported organization that is not a private foundation as described in Section 509(a)(2) of the Code. As such, it is exempt from federal and state income tax, and contributions by the public are deductible for income tax purposes. CMDA was incorporated April 11, 1946, under the laws of the state of Illinois.

The mission of CMDA is to motivate, educate, and equip Christian healthcare professionals to glorify God. Founded in 1931, CMDA serves as a voice and ministry to and for Christian doctors promoting positions and addressing policies on ethical healthcare issues. Among its many programs, CMDA conducts overseas and domestic mission projects, coordinates a network of Christian doctors for fellowship and professional growth, sponsors student ministries in medical and dental schools, distributes educational and inspirational resources, holds marriage and family conferences, provides missionary doctors in developing countries with continuing education, and conducts academic exchange programs overseas. The following is an overview of some of the CMDA programs:

*Campus and Community Ministries*—CMDA members engage and serve in a variety of activities, including Bible studies, prayer breakfasts, sharing groups, seminars, conferences, and service projects. CMDA has ministry activities on the campuses of nearly all of the medical, osteopathic, and dental schools in the United States. CMDA helps students grow in faith and adopt biblical and ethical standards. Also, graduate doctors across the nation band together for personal spiritual growth and to influence their communities for Christ. At both the campus and community levels, CMDA regional, area, and local staff assist doctors in realizing their goals by helping them launch community-based CMDA ministries.

*Missions*—CMDA's Global Health Outreach (GHO) ministry sends volunteers on short-term medical, dental, and surgical missions into developing countries around the world. GHO combines an evangelistic outreach with desperately needed healthcare to demonstrate the love and compassion of Christ in a material way. National doctors in needy countries are also invited to join GHO teams and learn new techniques and information as team doctors and nurses share their knowledge and faith. CMDA's Medical Education International (MEI) program sends short-term teams of medical and dental professionals in response to requests from leaders and medical personnel in other nations to enhance their clinical and academic medical/dental education. Volunteer team members use their expertise and share the love of Christ by developing relationships, encouraging overseas colleagues, and sharing professional knowledge and faith with national doctors.

*Center for Medical Missions*—CMDA's Center for Medical Missions (CMM) offers support to its missionary members. Whether through management consulting, training, or networking, CMM seeks to equip medical missionaries to succeed in their call to minister to the sick and hurting throughout the world. Additionally, CMM encourages student and resident participation in international healthcare by the provision of international rotation grants and scholarships. Its quarterly newsletter helps keep those preparing for a career in medical missions focused on that goal.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

*Publications and resource sales*—Life & Health Resources provides educational materials, books, CDs, DVDs, and logo items. CMDA members receive the quarterly CMDA magazine, *Today's Christian Doctor*, providing practical ways for members to integrate Christian faith and values with their professional practice. CMDA provides updates on legislative actions and news developments in bioethical issues, missions reports, and personal and professional resources which are also replicated on the CMDA website. *Christian Doctor's Digest* is an audio series produced six times a year offering advice and perspectives on issues such as malpractice, witnessing in the workplace, bioethics, and more. *Prescribe A Resource*® is an online service that allows members to prescribe pre-screened literature for their patients. The public can also access a list of the same pre-screened literature in a topically indexed format. Items can be obtained directly from CMDA's Life & Health Resources or other resource outlets.

*Conferences and seminars*—CMDA seeks to encourage, train, and equip Christian doctors and students in their professional lives by providing conferences on evangelism, marriage, singleness, medical ethics, bioethical issues, women in healthcare, family, and more. The National conventions and regional seminars allow members to network with colleagues, hear renowned Christian speakers, and discuss professional and spiritual issues. CMDA is approved to offer *AMA PRA Category 1 Credit*<sup>TM</sup> (Continuing Medical Education) for physicians as well as *Academy of General Dentistry PACE Credit* (Continuing Dental Education) for dentists. CMDA offers continuing education in medicine and dentistry at home and abroad.

*Dental Ministries*—The Christian Dental Association is an outreach ministry of CMDA and is dedicated to supporting dentists across the country as they seek to integrate their faith into their personal and professional lives. This is accomplished through working closely with the various departments and programs of CMDA providing opportunities for domestic and international missions, conferences for both students and dentists, and an invitation for fun, fellowship, and ministry at both the campus and community levels.

*Public policy*—CMDA serves as the collective voice of thousands of Christian doctors on bioethical and other healthcare issues. CMDA promotes a Christian perspective on ethical issues and provides medically reliable and biblically sound guidance on healthcare issues. Many turn to CMDA for help with critical bioethical issues, such as abortion, conscience rights in healthcare, euthanasia and physician-assisted suicide, human trafficking, embryo research, and many others. CMDA experts have testified in Congress and have conducted hundreds of media interviews for national outlets. The Washington office serves as a liaison with the White House, Congress, and federal agencies. The Washington office provides experts for congressional testimony, legislative counsel, and White House consultation; produces commentaries and articles for national media; networks with and assists other pro-life policy organizations; and provides members with updates and analysis on public policy issues. An extensive website offers valuable information on critical issues related to medical ethics and healthcare. The Washington Bureau of the Christian Medical Association links our members with Congress, the Administration, and policy organizations; presents life-honoring perspectives through the national media; and publishes resources on vital issues.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

PAACS–Pan African Academy of Christian Surgeons (PAACS) is a CMDA commission that facilitates a surgical residency program at hospitals in Africa. Doctors, mostly surgeons, volunteer to travel to these hospitals and train national doctors to become surgeons. The number of medical personnel traveling to these hospitals on behalf of the PAACS program was 212 and 206 for fiscal years 2018 and 2017, respectively. Based on unaudited estimates of the hours worked by these volunteers, the value of their donated services is estimated to be approximately \$4 million and \$3 million for the respective fiscal years. However, these services are not reported in the CMDA financial statements because the services are donated to the residency programs of separate entities and are under the control and supervision of those other entities.

*Examples of other programs*–Through the Medical Malpractice Ministry, CMDA offers prayer, counsel, and emotional support to those in this crisis. A malpractice resource kit includes written materials and audio/visual aids. The CMDA Placement Service specializes in linking practice opportunities and doctors with shared values. Experienced staff use personal encounters and databases to help doctors find practices with a common commitment to professional excellence, corporate vision, and personal character. The CMDA website offers communication opportunities and information on bioethics, domestic and overseas missions opportunities, missionary support programs, classifieds, publications, conferences, news, etc.

2. LIQUIDITY:

Because donor restrictions require resources to be used in a particular manner or in a future period, CMDA must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CMDA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Amounts not available include amounts designated by the governing board but could be drawn upon if the governing board approves that action.

In addition to financial assets available to meet cash needs for general expenditures within one year, CMDA maintained a bank line of credit of \$500,000 at June 30, 2018 and 2017. See Note 11 for more information.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

2. LIQUIDITY, continued:

The following reflects CMDA financial assets available to meet cash needs for general expenditures within one year.

	June 30,	
	2018	2017
Financial Assets:		
Cash and cash equivalents	\$ 1,844,153	\$ 1,775,612
Estate receivable	127,376	102,464
Short-term investments	6,236,450	5,242,025
Assets held in perpetuity and for long-term purposes	3,176,326	2,836,427
Assets held in perpetual trust	4,645,467	4,676,747
Financial assets, at year-end	16,029,772	14,633,275
Less those unavailable for general expenditures within one year:		
Assets held in perpetual trust	(4,645,467)	(4,676,747)
Endowment funds	(2,355,584)	(1,980,672)
Less amounts expected to be appropriated within 12 months	143,397	180,897
Designated by the board	(1,044,534)	(1,026,019)
	(7,902,188)	(7,502,541)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,127,584	\$ 7,130,734

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of CMDA have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**ESTIMATES**

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

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, checking, savings, and money market accounts as well as highly liquid investments with maturity dates of less than three months. These accounts may at times exceed federally insured limits. CMDA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The uninsured amount as of June 30, 2018 and 2017, was \$1,594,153 and \$1,525,612, respectively.

**INVESTMENTS**

Investments in cash, money market funds, mutual funds, all equity securities with readily determinable fair values, and all debt and governmental securities are reported at fair value with gains and losses included in the statements of activities. Other investments are reported at the lower of cost or fair value.

**PROPERTY AND EQUIPMENT**

Property and equipment are carried at historical cost less accumulated depreciation. CMDA capitalizes all expenditures greater than \$3,000 for assets with expected lives greater than one year. Depreciation is provided over the estimated service lives of the assets, ranging from 3 to 30 years, using the straight-line method.

**ASSETS HELD IN PERPETUAL TRUST**

Assets held in trust consist of two perpetual trusts held by third party trustees which are time restricted, established as part of estate gifts. Under the first trust, a percentage of the trust income is paid to CMDA annually as without donor restricted income. Under the terms of the second trust, part of income earned is allocated for another charity with most of the income directed to CMDA. The trustees have the power to terminate and liquidate the trust, upon which the assets would be distributed entirely to CMDA. In the event of termination, a determination would be made whether any part of the transferred assets should be held and reported as with donor restrictions based upon the trust document and trustee's direction.

Based on the communicated donor intent and advice of counsel, income received from the second trust will be allocated to the corporate purposes of CMDA and specifically to benefit ministries to dental students.

The trusts consist of investment in equity securities with readily determinable fair values reported at fair value. Other investments and assets, such as property, are reported at the lower of cost or fair value. Trust investments are held under trust agreements administered by the trustees and reported at fair value (See Note 6).

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by classification of net assets:

- *Net assets without donor restrictions* are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment.
- *Net assets with donor restrictions* are contributed with donor stipulations for specific operating purposes or programs, time restrictions, or not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

SUPPORT AND REVENUE

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to CMDA.

CMDA reports gifts of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statements of activities as net assets released from restrictions.

Gifts of property and equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CMDA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. Donated airtime is received as a result of public service announcements (PSAs), ranging from 30 to 60 seconds, that are distributed to radio stations concerning current ethical and medical issues. PSAs are now being distributed via a FTP site to radio stations. It is not known how many stations aired the PSAs. Because of the uncertainty of airings and lack of reportable information, it is not practicable to measure the value of this contribution. Accordingly, no value has been recognized for donated airtime.

Contributed services are recognized for those services that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those services that require specialized skills (as contributions and expenses). In connection with medical and dental projects overseas, CMDA receives donated skilled services that are recognized as support and expense. The services are valued based on current salary rates as determined by various medical profession compensation surveys.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**PLACEMENT SERVICE FEES**

CMDA defers revenue associated with its placement activity (i.e., recruiting service) to the point when the sales contingency has been met. In order to appropriately match the expenses associated with this service, CMDA developed an estimate of its related costs and recorded a prepaid expense to be amortized against the placement revenue.

**EXPENSES**

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of CMDA have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Any CMDA activities that include joint costs are allocated 100% to fund-raising. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of CMDA. These expenses include depreciation, communications, information technology, and facilities operations and maintenance. Depreciation is allocated base on square footage. Costs of other categories were allocated on estimates of time and effort.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. CMDA adopted the provisions of this new standard during the year ended June 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new statements of functional expenses were added, and new disclosures were added regarding liquidity and the availability of resources (Note 2).

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

	June 30,	
	2018	2017
Prepaid medical group mission trips	\$ 411,357	\$ 437,067
Prepaid conference expenses	133,326	155,865
Miscellaneous supplies	178,236	187,092
Estate receivable	127,376	102,464
Other prepaid expenses	587,629	509,241
	<u>\$ 1,437,924</u>	<u>\$ 1,391,729</u>

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

5. INVESTMENTS:

Investments consist of:

	June 30,	
	2018	2017
At fair value:		
Mutual funds:		
Growth funds	\$ 2,200,898	\$ 1,259,734
Value funds	2,860,843	1,282,617
Blend funds	2,762,087	1,484,688
International equity	203,992	668,962
Fixed income funds	826,420	2,732,359
	8,854,240	7,428,360
At lower of cost or market value:		
Cash and cash equivalents	558,536	650,092
	\$ 9,412,776	\$ 8,078,452
Short-term investments	\$ 6,236,450	\$ 5,242,025
Assets held in perpetuity and for long-term purposes	3,176,326	2,836,427
	\$ 9,412,776	\$ 8,078,452

Assets held in perpetuity and for long-term purposes consist of endowed balances, amounts held for future annuity payments, and assets designated by the board for long-term purposes.

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. CMDA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, CMDA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. At June 30, 2018, all CMDA investments are considered Level 1 investments.



**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

5. INVESTMENTS, continued:

Investment income consists of:

	Year Ended June 30,	
	2018	2017
Interest and dividends	\$ 344,105	\$ 191,011
Distributions from perpetual trust	127,376	102,464
Realized and unrealized gains on investments—net	164,128	294,871
	\$ 635,609	\$ 588,346

Investment income included in the statements of activities is reported net of investment fees totaling \$47,487 and \$48,160 for the years ended June 30, 2018 and 2017, respectively.

6. ASSETS HELD IN PERPETUAL TRUST:

Assets held in perpetual trust consist of:

	June 30,	
	2018	2017
Beneficial interest in perpetual trusts	\$ 4,645,467	\$ 4,676,747

CMDA is a beneficiary of various trusts that are administered by trustees outside CMDA. Although the assets of these trusts are not in its possession, CMDA is entitled to receive the income there from. At June 30, 2018 and 2017, all assets held in perpetual trust investments are considered Level 3 investments.

	(Level 3)	
	Year Ended June 30,	
	2018	2017
Beginning balance	\$ 4,676,747	\$ 4,520,638
Sales	-	-
Purchases	-	-
Realized and unrealized gain (loss)	(31,280)	156,109
Ending balance	\$ 4,645,467	\$ 4,676,747

Realized and unrealized gains (losses) related to assets held in perpetual trust are included in change in value of perpetual trust on the statements of activities.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

7. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	June 30,	
	2018	2017
Land	\$ 324,359	\$ 324,359
Buildings	6,922,426	6,922,426
Computer systems	1,943,396	1,858,884
Vehicles	450,034	396,601
Furniture and equipment	1,250,736	1,250,736
Construction in process	106,090	5,078
	10,997,041	10,758,084
Less accumulated depreciation	(6,971,610)	(6,578,951)
	\$ 4,025,431	\$ 4,179,133

8. ANNUITIES PAYABLE:

CMDA has a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive an annual return during their lifetimes. This transaction provides for a portion of the gift annuity to be considered a charitable contribution for income tax purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values using the discount rate at the inception of the agreement. Any resulting actuarial gain or loss is recorded as change in value of annuities.

Change in value of annuities consist of:

	Year Ended June 30,	
	2018	2017
Interest and dividends	\$ 22,829	\$ 18,583
Net realized and unrealized gain on investments	28,734	55,005
Annuity payments	(101,814)	(129,100)
Fees	(5,395)	(5,967)
Maturities	26,609	141,202
Actuarial change	15,720	15,725
	\$ (13,317)	\$ 95,448

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

9. DEFERRED REVENUE:

Deferred revenue consists of:

	June 30,	
	2018	2017
Deferred project and conference fees	\$ 398,116	\$ 445,857
Deferred placement income	76,900	72,680
Other deferred revenue	132,482	248,724
	\$ 607,498	\$ 767,261

10. NET ASSETS:

Net assets consist of:

	June 30,	
	2018	2017
Without donor restrictions:		
Undesignated	\$ 1,036,802	\$ 1,390,726
Designated:		
Board designated annuity reserves	83,167	89,517
Board designated society endowment	204,321	192,016
Lifetime memberships	757,046	744,486
	1,044,534	1,026,019
Equity in property and equipment	4,025,431	4,179,133
	6,106,767	6,595,878
With donor restrictions:		
Missions restricted projects	4,009,815	3,038,901
Area directors	1,256,547	733,312
Continuing medical and dental education commission	657,133	400,451
Other purpose restrictions	581,878	764,048
Perpetual trust (See Note 2)	4,645,467	4,676,747
Endowment funds	2,355,584	1,980,672
	13,506,424	11,594,131
	\$ 19,613,191	\$ 18,190,009

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

11. LINE OF CREDIT:

CMDA has an unsecured \$500,000 line of credit with First Tennessee Bank for operations. The interest rate is 90-day LIBOR plus 2.25 percentage points with a minimum floor of 4.5% (effective rate of 4.5% at June 30, 2018). The line of credit is subject to certain covenants with the bank that requires CMDA to maintain total net assets of at least \$2,000,000. CMDA was in compliance with all covenants as of June 30, 2018. The line of credit matures on October 15, 2018, and is renewable. The balance as of June 30, 2018 and 2017, was \$0.

12. EMPLOYEE BENEFITS:

PENSION PLAN—SAFE HARBOR 401(K)

CMDA operates a defined contribution 401(k) safe harbor pension plan covering substantially all salaried employees. Annual employer contributions to the plan are equal to 8% of the employee compensation. Prior to November 1, 2005, CMDA operated a money purchase pension plan with employer contributions to the plan equal to 8% of the employee compensation. Contributions for the years ended June 30, 2018 and 2017, were \$294,185 and \$280,609, respectively.

401(K) SALARY DEFERRAL

CMDA offers a 401(k) salary deferral plan for employees, which is a voluntary salary reduction plan. Employees may contribute to the plan by way of a salary reduction agreement with a maximum total contribution to a participant's account based upon the current provisions of the Code.

MEDICAL PLAN

CMDA offers medical benefits to all qualified full-time employees and their dependents. Under the Plan, employees pay the deductible with funds from the HSA. CMDA partially funded the HSA to help with the annual deductible amount. The employees may contribute the remainder of the annual allowed amount to the HSA, if they choose. The Plan pays 80% of the employee's covered charges after the deductible has been met with a maximum out-of-pocket amount. At June 30, 2018 and 2017, there were 47 and 57 employees covered by the Plan, respectively. As of June 30, 2018 and 2017, CMDA paid medical premiums of \$497,294 and \$441,942, respectively, and HSA contributions of \$152,503 and \$158,837, respectively. Employee contributions to insurance premiums totaled \$31,774 and \$28,037, respectively, with contributions to HSAs totaling \$90,151, and \$92,967, respectively, for the years ended June 30, 2018 and 2017.

13. RELATED PARTY TRANSACTIONS:

A former board, and then audit committee, member established a Family Foundation (Foundation) that is organized as a supporting organization under Section 509(a)(3) of the Code to CMDA and other 501(c)(3) publicly supported charities. CMDA is identified as the primary supported organization. CMDA has the power to appoint one of three directors. The current appointee is the CEO of CMDA. There were no resources held by the Foundation for the benefit of CMDA; although, future gifts may result.

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

13. RELATED PARTY TRANSACTIONS, continued:

CMDA owns a rental house which it rented to a CMDA senior staff member at fair market value of \$5,540 and \$5,510 during fiscal year 2018 and 2017. CMDA's legal counsel who serves as a member of the audit committee during the years ended June 30, 2018 and 2017, was paid \$24,963 and \$17,377, respectively, for legal services.

14. COMMITMENTS:

As part of its ministry, CMDA holds conferences and events (such as national or regional meetings) for member and potential members. As of June 30, 2018, CMDA has entered into commitments approximating \$48,403 for these events scheduled through 2019.

15. ENDOWMENTS:

CMDA's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of CMDA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CMDA classifies as with donor-restricted net assets (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as with donor-restrictions net assets until those amounts are appropriated for expenditure by CMDA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CMDA 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 CMDA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the CMDA
7. The investment policies of the CMDA

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

15. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions
Board-designated funds	\$ 961,367	\$ -
Donor-restricted amounts required to be maintained in perpetuity	-	1,780,213
Accumulated investment gains on donor-restricted endowments	-	575,371
	\$ 961,367	\$ 2,355,584

Changes in endowment net assets for year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 936,502	\$ 1,980,672
Investment return:		
Interest and dividend income	66,512	64,535
Realized and unrealized gains	42,873	53,330
	109,385	117,865
Contributions	-	437,944
Amounts appropriated for expenditure	(84,520)	(180,897)
	24,865	374,912
Endowment net asset, end of year	\$ 961,367	\$ 2,355,584

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

15. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of June 30, 2017:

	Without Donor Restrictions	With Donor Restrictions
Board-designated funds	\$ 525,996	\$ -
Donor-restricted amounts required to be maintained in perpetuity	-	1,454,676
Accumulated investment gains on donor-restricted endowments	-	525,996
	<u>\$ 525,996</u>	<u>\$ 1,980,672</u>

Changes in endowment net assets for year ended June 30, 2017:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	<u>\$ 803,813</u>	<u>\$ 1,910,193</u>
Investment return:		
Interest and dividend income	61,440	50,089
Realized and unrealized gains	64,558	56,664
	<u>125,998</u>	<u>106,753</u>
Contributions	130,179	184,389
Amounts appropriated for expenditure	<u>(123,488)</u>	<u>(220,663)</u>
	<u>132,689</u>	<u>70,479</u>
Endowment net asset, end of year	<u>\$ 936,502</u>	<u>\$ 1,980,672</u>

**CHRISTIAN MEDICAL & DENTAL SOCIETY**  
**d/b/a CHRISTIAN MEDICAL & DENTAL ASSOCIATIONS**

**Notes to Financial Statements**

June 30, 2018 and 2017

15. ENDOWMENTS, continued:

*Funds with Deficiencies*—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires CMDA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$0 as of June 30, 2018 and 2017.

*Return Objectives and Risk Parameters*—CMDA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CMDA must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. CMDA expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 8% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*—To satisfy its long-term rate-of-return objectives, CMDA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CMDA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Related to Spending Policy*—CMDA's donor-restricted endowments are used to fund participation in short-term mission trips, fund the Global Health Outreach department of CMDA, and to provide Steury Fund medical school scholarships for future missionaries. Information for the various grants and scholarships is posted on the CMDA website and in various CMDA literature. Those interested in the short-term mission grants go through an application process and awards are given based on available earnings or, in the case of underwater endowments, a specified amount by the donor. Since the Steury Scholarships is a true scholarship, the applicants go through an extensive application process, and a four-year scholarship is granted to a recipient each year. The Lifetime Fund consists of lifetime dues contributions, earnings, gains, and losses. This fund is under board direction and \$100 for each current lifetime member is transferred to operations each year. In addition, the board, at its discretion, appropriates funds for transfers to operations and for other objectives. Several endowments allow spending the corpus and will eventually be depleted. Accordingly, over the long-term, CMDA expects the current spending policy to allow certain endowments to grow annually and solicits real growth through new gifts.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 7, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.