

Financial Statements
With Independent Auditor's Report Thereon

CHRISTIAN RECORD SERVICES, INC.

December 31, 2016 and 2015

CHRISTIAN RECORD SERVICES, INC.

December 31, 2016 and 2015

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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Christian Record Services, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Christian Record Services, Inc., as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Christian Record Services, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska
April 24, 2017

Christian Record Services, Inc.

Statements of Financial Position

December 31, 2016

(With comparative totals for December 31, 2015)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2016 Total Funds	2015 Total Funds
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and Cash Equivalents	\$ 888,302	46,757	0	0	935,059	478,949
Short Term Investments (Note 2)	3,540	114,747	37,629	980	156,896	156,627
Receivables, Net (Note 8)	251,689	0	0	0	251,689	3,049
Notes Receivable	0	0	0	0	0	0
Supplies Inventory, at cost	119,640	0	0	0	119,640	419,427
Prepaid Expense	24,000	0	0	0	24,000	24,000
Total Current Assets	1,287,171	161,504	37,629	980	1,487,284	1,082,052
Investments (Note 2)	22,709	407,552	0	435,176	865,437	865,778
Beneficial Interest in Trust Assets	0	0	0	1,919,807	1,919,807	1,877,917
Plant Assets (Net) (Note 3)	0	0	116,787	0	116,787	767,768
Total Assets	1,309,880	569,056	154,416	2,355,963	4,389,315	4,593,515
<u>LIABILITIES & NET ASSETS</u>						
<u>Current Liabilities</u>						
Accounts Payable	51,175	0	0	186	51,361	72,623
Accrued Expenses	115,300	0	0	0	115,300	279,824
Current Loan Payable (Note 5)	403,000	0	0	0	403,000	0
Inter-Fund Payables	0	0	0	0	0	0
Total Current Liabilities	569,475	0	0	186	569,661	352,447
<u>Other Liabilities</u>						
Notes Payable (Affiliate)	0	0	0	0	0	0
Refundable Advances (Rev. Trusts)	0	0	0	0	0	0
Present Value of Trusts Payable	0	0	0	0	0	0
Present Value of Annuities Payable	0	0	0	309,086	309,086	332,440
Total Liabilities	569,475	0	0	309,272	878,747	684,887
<u>Net Assets</u>						
Unrestricted (Note 6)	521,807	46,757	154,416	126,884	849,864	1,232,285
Temporarily Restricted (Note 6)	143,598	429,370	0	54,274	627,242	723,170
Permanently Restricted (Note 6)	75,000	92,929	0	1,865,533	2,033,462	1,953,173
Total Net Assets	740,405	569,056	154,416	2,046,691	3,510,568	3,908,628
Total Liabilities & Net Assets	1,309,880	569,056	154,416	2,355,963	4,389,315	4,593,515

Christian Record Services, Inc.
Statements of Activities
For The Year Ended December 31, 2016
(With comparative totals for the year ended December 31, 2015)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2016 Total Funds	2015 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
<u>Revenue and Support</u>						
Contributions Remitted by District Reps	\$ 658,647	0	0	0	658,647	1,829,683
Direct Mail	750,531	0	0	0	750,531	960,263
Other Contributions	26,003	0	0	0	26,003	27,186
Offerings from Associated Churches	407,100	0	0	0	407,100	396,498
Legacies and Bequests	381,850	0	0	23,354	405,204	348,917
Investment Income	47,171	10,205	45	34,428	91,849	105,865
Other Income	1,393,898	0	0	0	1,393,898	471,468
Net Assets Released from Restrictions	97,506	0	0	97,332	194,838	225,982
Total Revenue, Support, and Net Assets	3,762,706	10,205	45	155,114	3,928,070	4,365,862
<u>Expenses</u>						
<u>Program Services</u>						
Personal Service	264,569	0	9,375	0	273,944	574,796
Production of Periodicals	834,407	0	127,273	0	961,680	361,541
Lending Library	442,159	0	63,968	0	506,127	205,648
Public Information and Education	483,593	0	63,174	1,812	548,579	863,253
Camps and Other Direct Services	411,420	0	112,604	42,980	567,004	634,468
Total Program Services	2,436,148	0	376,394	44,792	2,857,334	2,639,706
<u>Supporting Activities</u>						
Fund Raising	536,087	0	110,586	907	647,580	1,147,008
Administrative and General	544,819	0	189,180	0	733,999	412,220
Total Supporting Activities	1,080,906	0	299,766	907	1,381,579	1,559,228
Total Expenses	3,517,054	0	676,160	45,699	4,238,913	4,198,934
Increase (Decrease) in Unrestricted Net Assets	245,652	10,205	(676,115)	109,415	(310,843)	166,928

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2016 Total Funds	2015 Total Funds
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>						
Increase (Decrease) in Unrestricted Net Assets	245,652	10,205	(676,115)	109,415	(310,843)	166,928
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>						
<u>Temporarily Restricted Income</u>						
Contributions Remitted by District Reps	24,404	0	0	0	24,404	97,996
Direct Mail	3,081	0	0	0	3,081	55,313
Other Contributions	2,944	0	0	0	2,944	35,257
Offerings from Associated Churches	0	0	0	0	0	750
Legacies and Bequests	0	0	0	0	0	0
Investment Income	0	210	0	0	210	68
Other Income	0	0	0	0	0	1,746
Net Assets Released from Restrictions	(97,506)	0	0	(100,639)	(198,145)	(225,982)
Net Trust Increase (Decrease)	0	0	0	0	0	0
Increase in Temporarily Restricted Net Assets	(67,077)	210	0	(100,639)	(167,506)	(34,852)
<u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u>						
Net Assets Permanently Restricted	0	0	0	3,307	3,307	0
Increase (Decr) in Beneficial Interest in Trust Assets	75,000	0	0	1,982	76,982	(138,955)
Increase (Decrease) in Perm. Rest. Net Assets	75,000	0	0	5,289	80,289	(138,955)
Change in Net Assets	253,575	10,415	(676,115)	14,065	(398,060)	(6,881)
Transfers Between Funds	(65,711)	0	25,803	39,908	0	0
Net Assets, Beginning of Year	552,541	558,641	804,728	1,992,718	3,908,628	3,915,509
Net Assets, End of Year	740,405	569,056	154,416	2,046,691	3,510,568	3,908,628

CHRISTIAN RECORD SERVICES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (398,060)	\$ (6,881)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation Expense	59,493	72,508
Loss on Disposal of Equipment	508,438	
Unrealized Market (Gain) Loss	(42,320)	142,180
(Increase) Decrease in Beneficial Interest in Trust Assets	5,289	(138,955)
Actuarial Gain (Loss) on Annuity Obligations	(23,354)	(12,446)
(Increase) Decrease in Receivables	(248,640)	169,378
(Increase) Decrease - Inventories	299,788	(138,252)
(Increase) Decrease - Prepaid Expense	(19,725)	43,095
Increase (Decrease) - Accounts Payable	(1,537)	(145,117)
Increase (Decrease) - Accrued Expenses	(164,524)	(20,170)
Net Cash Provided by (Used in) Operating Activities	<u>(25,152)</u>	<u>(34,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Investments	43,460	164,739
Purchase of Investments	9,623	9,389
Purchase of Plant Assets	25,179	61,716
Net Cash Provided by (Used in) Investing Activities	<u>78,262</u>	<u>235,844</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Short-term Debt	403,000	-
Net Cash Used by Financing Activities	<u>403,000</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	456,110	201,185
Cash & Cash Equivalents, Beginning of Year	478,949	277,764
Cash & Cash Equivalents, End of Year	<u>\$ 935,059</u>	<u>\$ 478,949</u>
SUPPLEMENTAL DATA:		
Interest Paid	<u>-</u>	<u>-</u>

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

Christian Record Services, Inc.

Statement of Functional Expenses

For the year ended December 31, 2016

	Program Services					Supporting Activities			Total Expenses	
	Personal Services	Production of Periodicals	Lending Library	Public Information and Education	National Camps and Other Direct Srvs	Total Program	Fund Raising	Admin and General	Total Support	2016
Salaries	163,157	264,739	50,676	246,047	127,193	851,812	237,287	177,045	414,332	1,266,144
Employee Benefits	56,321	120,523	31,934	92,021	59,660	360,459	112,041	182,759	294,800	655,259
Payroll Taxes, Etc.	14,790	14,440	4,053	21,721	11,005	66,009	21,062	14,493	35,555	101,564
Total Salaries and Related Expense	234,268	399,702	86,663	359,789	197,858	1,278,280	370,390	374,297	744,687	2,022,967
Contracted Services	1,272	12,435	3,765	12,434	24,316	54,221	9,073	73,998	83,071	137,292
Supplies	9,938	150,171	61,253	76,603	101,468	399,433	121,765	187,494	309,259	708,692
Telephone	694	4,127	1,529	2,263	2,419	11,033	1,166	2,748	3,914	14,947
Postage and Shipping	8,904	1,404	1,266	17,682	8,035	37,291	34,934	3,076	38,010	75,301
Occupancy and Depreciation	8,810	194,537	67,072	29,179	76,952	376,549	20,281	33,644	53,925	430,474
Equipment Rental and Maintenance	821	35,324	11,166	3,974	12,196	63,481	2,393	2,880	5,273	68,754
Outside Printing Lists and Computer	247	115,590	1,475	21,593	1,766	140,672	72,795	3,058	75,853	216,525
Transportation and Auto Insurance	7,455	16,525	2,123	14,984	7,457	48,543	8,375	22,727	31,102	79,645
Conferences, Conventions, and Rallies	41	133	72	346	882	1,472	265	10,409	10,674	12,146
Subscriptions and Reference Publications	0	0	0	0	0	0	0	0	0	0
Specific Assistance to Individuals	465	0	0	0	129,434	129,899	0	0	0	129,899
Permits/Fees/Registration/Membership	698	3	2	3,124	1,780	5,607	2,506	66	2,572	8,179
Miscellaneous	233	16,094	173	6,203	2,197	24,900	794	19,557	20,351	45,251
Job Printing Supplies	13	29,330	258,898	318	199	288,758	38	45	83	288,841
Sub-total	39,591	575,671	408,792	188,703	369,102	1,581,859	274,385	359,702	634,087	2,215,946
Job Ticket Labor and Overhead Allocation	85	(13,693)	10,672	87	44	(2,805)	2,805	0	2,805	0
Total Expense	273,944	961,680	506,127	548,579	567,004	2,857,334	647,580	733,999	1,381,579	4,238,913

Christian Record Services, Inc.
Statement of Functional Expenses
For the year ended December 31, 2015

	Program Services					Supporting Activities			Total Expenses	
	Personal Services	Production of Periodicals	Lending Library	Public Information and Education	National Camps and Other Direct Svcs	Total Program	Fund Raising	Admin and General	Total Support	2015
Salaries	330,773	322,951	79,448	421,518	234,772	1,389,462	445,731	196,829	642,560	2,032,022
Employee Benefits	142,521	166,834	35,348	177,423	98,155	620,281	214,300	89,813	304,113	924,394
Payroll Taxes, Etc.	27,528	21,891	7,167	36,809	19,994	113,390	38,877	15,264	54,141	167,531
Total Salaries and Related Expense	500,822	511,676	121,964	635,751	352,920	2,123,133	698,908	301,906	1,000,814	3,123,947
Contracted Services	364	9,254	1,978	22,514	8,977	43,087	2,885	20,579	23,464	66,551
Supplies	506	19,409	6,120	24,459	9,317	59,811	2,049	894	2,943	62,753
Telephone	981	4,505	1,564	2,537	2,536	12,123	1,199	1,815	3,014	15,137
Postage and Shipping	8,777	2,462	2,156	39,812	8,151	61,358	122,838	3,862	126,700	188,058
Occupancy and Depreciation	10,223	52,463	29,282	24,751	32,126	148,844	32,868	11,246	44,114	192,959
Equipment Rental and Maintenance	64	27,844	873	308	952	30,041	181	627	808	30,849
Outside Printing Lists and Computer	59	11,739	294	5,626	494	18,212	19,275	2,447	21,722	39,934
Transportation and Auto Insurance	24,215	11,906	3,233	41,710	17,304	98,368	30,124	24,753	54,876	153,244
Conferences, Conventions, and Rallies	1,066	179	37	1,481	1,061	3,825	1,242	8,162	9,404	13,228
Subscriptions and Reference Publications	0	0	0	0	0	0	0	0	0	0
Specific Assistance to Individuals	5,954	6,055	0	0	174,179	186,188	0	0	0	186,188
Permits/Fees/Registration/Membership	2,248	310	0	4,262	2,457	9,277	4,497	868	5,365	14,642
Miscellaneous	1,357	866	402	6,260	4,566	13,452	2,437	32,850	35,287	48,739
Job Printing Supplies	0	62,705	0	0	0	62,705	0	0	0	62,705
Sub-total	55,814	209,697	45,940	173,721	262,119	747,290	219,595	108,101	327,697	1,074,987
Job Ticket Labor and Overhead Allocation	18,160	(359,832)	37,744	53,782	19,429	(230,717)	228,505	2,212	230,717	0
Total Expense	574,796	361,541	205,648	863,253	634,468	2,639,706	1,147,008	412,220	1,559,228	4,198,934

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and Significant Accounting Policies

Christian Record Services, Inc. (Organization) is a not-for-profit corporation that is organized to provide aid and assistance to persons who are legally blind. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation, but is an organization described in Section 509 (a)(2) of the Code.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-205, "Financial Statements of Not-for-Profit-Organizations". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Accounts Receivable

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

Use of Estimates

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

Contributions

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

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

Donated Equipment and Services

The Organization receives the use of certain equipment and significant amounts of donated services related to its recording of books and periodicals, as well as the operation of National Camps for Blind Children. These services were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and Significant Accounting Policies (Continued)

Joint Cost Allocation

In 2016 and 2015, the Organization conducted joint activities that included requests for contributions, as well as program and management and general components. These activities included direct mail campaigns, newsletters, and District Representatives' visitations to the public. The costs of conducting these activities included a total of \$1,196,160 and \$2,010,261, respectively, of joint costs which are not specifically attributable to a particular component of the activities. In conformity with Statement of Position 98-2 these joint costs were allocated as follows:

		2016	2015
Program Services:	Public Information & Education	\$ 548,579	\$ 863,253
Supporting Activities:	Fund Raising	647,580	1,147,008
	Total	\$ 1,196,159	\$ 2,010,261

Inventories

Inventories, which consist mainly of paper and other production materials and publications for giveaway, are valued at the lower of cost (first-in, first-out method) or market.

Cash Equivalents

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

Investments

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

Split-Interest Agreements

The Organization acts as trustee of and/or has a beneficial interest in various kinds of trusts and annuities for which they act as trustee or administrator. For those agreements that are unconditional and irrevocable, the respective donated assets are recorded by the Organization at fair value at the date of gift or acceptance of agreement.

For those agreements, liabilities are recorded for the present value of the amount due to income beneficiaries and other remainder beneficiaries. Standard actuarial tables and conservative interest rates ranging from 3.8% to 8.5% are used to compute liabilities due to annuitants. For those irrevocable agreements that are unconditional, the Organization's remainder interest is classified as unrestricted or temporarily restricted depending on the terms of each agreement.

The Organization has beneficial interest in five donor-established irrevocable perpetual trusts whose assets are held by third party financial institutions. The Organization receives periodic distributions representing their percentage interests in the income from the trusts' assets. While these beneficial interests are assets of the Organization, they do not represent expendable cash available for discretionary use of the Organization.

Plant Assets

Property and equipment are recorded at cost when purchased or at fair value at date of gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The Organization capitalizes long-lived plant asset acquisitions over \$1,000.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2016 and 2015

Note 2 - Investments

The Organization utilizes FASB ASC 820-10, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended December 31, 2016, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2016 at fair value on a recurring basis.

	2016			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	156,896	156,896		
Equity Securities	865,437	16,932	848,505	
Total	<u>1,022,333</u>	<u>173,828</u>	<u>848,505</u>	<u>-</u>

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2016 and 2015

Note 2 - Investments (Continued)

The carrying amounts and market value of Level 1 and 2 marketable securities at December 31, 2016 and 2015 are as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Savings Accounts	156,896	156,896	156,627	156,627
Pooled Investment Funds	664,681	848,505	704,603	849,312
Mutual Funds	16,905	16,932	16,395	16,466
Aggregate Cost and Fair Value	<u>838,482</u>	<u>1,022,333</u>	<u>877,625</u>	<u>1,022,405</u>

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

	2016	2015
	<u>Fair Value</u>	<u>Fair Value</u>
Short-term Investments	156,896	156,627
Other Investments	<u>865,437</u>	<u>865,778</u>
	<u>1,022,333</u>	<u>1,022,405</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Total investment return for the years ended December 31, 2016 and 2015 consists of the following:

	2016	2015
Investment Income - Unrestricted	57,421	99,980
Investment Income - Unrestricted - Annuities & Trusts	34,428	5,885
Net Unrealized Gains (Losses) - Unrestricted	6,424	(8,610)
Net Unrealized Gains (Losses) - Unrestricted - Annuities & Trusts	35,896	(133,570)
Investment Income - Temporarily Restricted	<u>210</u>	<u>68</u>
	<u>134,379</u>	<u>(36,247)</u>

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

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the

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Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted Endowment Funds	0	0	2,033,462	2,033,462

Changes in endowment net assets as of December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	0	0	1,953,173	1,953,173
Contributions	0	0	75,000	75,000
Investment Income	0	0	0	0
Net appreciation (depreciation)	0	0	5,289	5,289
Net loss on perpetual trusts	0	0	0	0
Amounts appropriated for expenditure	0	0	0	0
Endowment net assets, end of year	0	0	2,033,462	2,033,462

Note 3 – Plant Assets

	<u>2016</u>	<u>2015</u>
Land	35,622	35,622
Land Improvements	0	89,883
Buildings	0	1,279,508
Equipment	315,951	1,303,525
Motor Vehicles	2,650	24,295
Total Cost	354,223	2,732,833
Less Accumulated Depreciation	(237,436)	(1,965,065)
Net Plant Assets	116,787	767,768

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Note 4 - Concentration of Credit Risk

The Organization maintains several bank accounts at one bank. Aggregate amounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 there were \$134,863 of uninsured assets and 2015 there were \$378,424 of uninsured assets.

Note 5 - Related Party Transactions

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

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$407,100 and \$396,498 in 2016 and 2015, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

The Organization received funding from the North American Division in the amount of \$400,000. These funds were processed as a note payable to pay for the cost of removing the building and getting the land ready to sell from the prior headquarter building. The note has accrued \$3,000 as of December 31, 2016 with an interest rate of 4.5%, and will be paid off when the land sells.

Pension and Other Post-Retirement Benefits

The Organization participates in a non-contributory, defined benefit retirement plan known as the "Seventh-day Adventist Retirement Plan of the North American Division". This plan, which covers substantially all full time employees of the Organization, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency.

The Organization also participates in a non-contributory, defined benefit health care plan known as the "Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division". This plan, which covers substantially all full time employees of the Organization, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multi-employer plan of a church-related agency.

The Organization contributed \$109,020 and \$234,252 to these plans for the years ended December 31, 2016 and 2015, respectively.

These plans are defined by the Financial Accounting Standards Board as multi-employer plans. As such, it is not required, nor is it possible, to determine the actuarial present value of accumulated benefits or plan net assets for employees of the Organization apart from other plan participants. However, based on the latest actuarial valuation of the Seventh-day Adventist Retirement Plan of the North American Division, as of December 31, 1998, the actuarially computed value of accumulated plan benefits exceeded the estimated market value of plan assets for that plan. No actuarial valuation has been obtained for the Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division.

The North American Division Committee voted to freeze accrual of service credit in these plans effective December 31, 1999, except for employees who choose the career completion option, and to start a new defined contribution plan effective January 1, 2000. The Organization is scheduled to continue making contributions (at a reduced rate) to the frozen plans after December 31, 1999. Certain employees will continue to be eligible for future benefits under these plans.

Effective January 1, 2000, the Organization participates in a defined contribution retirement plan known as "The Adventist Retirement Plan". This plan, which covers substantially all full time employees of the Organization, is administered by the

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General Conference of Seventh-day Adventists (GC) in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency. The Organization contributed \$67,305 and \$136,798 to the plan for the years ended December 31, 2016 and 2015, respectively, based on a stated percentage of each employee's earnings and a stated matching percentage of certain employee voluntary contributions. Investment management of the accumulated employee contributions is provided under an agreement between the GC and the plan trustee and custodian.

Note 6 - Net Assets

Unrestricted net assets represent resources available to support the Organization's operations at the discretion of the governing board.

Temporarily restricted net assets may only be utilized in accordance with the limitations established by the donors of such resources. Temporarily restricted net assets are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Oregon Campers, Bibles, and Special Projects	572,968	544,383
Buildings and Equipment	0	23,875
Trusts	<u>54,274</u>	<u>154,912</u>
	<u>627,242</u>	<u>723,170</u>

Net assets were released from restrictions as follows:

	<u>2016</u>	<u>2015</u>
Special Projects Expenses	198,145	199,256
Purchase of Equipment	<u>0</u>	<u>26,726</u>
	<u>198,145</u>	<u>225,982</u>

Permanently restricted net assets represent resources that are subject to restrictions of the donors requiring that the principal be held in perpetuity, be invested, and only the income from such investments be used for the purposes stipulated by the donor. Permanently restricted net assets are held for the income to be used for the following purposes:

	<u>2016</u>	<u>2015</u>
Bibles for the Blind	73,753	73,753
Scholarships for the Blind	7,985	7,985
Reading Materials for the Blind	500,177	498,495
National Camps for the Blind	1,282,773	1,208,877
Blind Services – Unrestricted	<u>168,774</u>	<u>164,063</u>
	<u>2,033,462</u>	<u>1,953,173</u>

Note 7 – Line of Credit

The Organization has a \$150,000 revolving line of credit with Union Bank & Trust which requires monthly interest payments at the bank's prime rate, currently 4.0%. The line is collateralized by assets held within the named institution. The balance of the line of credit was \$0 at December 31, 2016 and 2015.

The agreement contains covenants relating to notice of claims and litigation, insurance coverage, and business existence and operations.

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Note 8 – Accounts Receivable

Components of accounts receivable as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Bequest Receivable	199,433	0
Affiliated Organization Receivable	22,063	0
Equipment Receivable	14,000	0
Other Receivables	<u>16,193</u>	<u>3,049</u>
	<u>251,689</u>	<u>3,049</u>

Note 9 - Income Taxes

The Organization has adopted the provisions of FASB ASC 740-10 "Accounting for Uncertain Tax Positions". The Organization continually evaluates expiring statutes of limitations, audits proposed settlements, changes in tax law, and new authoritative rulings. Information returns for years 2013 and forward are open to inspection by the taxing authorities.

Note 10 - Lease

The Organization conducts its operations with offices leased under a 5 year noncancellable lease expiring on October 31, 2021. There is an option to renew the lease for 2 three year options.

At December 31, 2016 a schedule of the future minimum rental payments required under the above are as follows:

<u>Years Ending 12/31</u>	<u>Rent Payments</u>
2017	86,820
2018	86,820
2019	86,820
2020	86,820
2021	<u>72,350</u>
	<u>419,630</u>

Note 11 – Organizational Restructure

On January 20, 2016, the Christian Record Services, Inc. Board of Directors voted to implement a restructuring plan intended to help the organization overcome heavy financial losses and maintain its ability to work to fulfill its mission of improving the quality of life of people who are blind. The Board determined to restructure the organization by eliminating certain positions at Christian Record headquarters; ceasing in-house print production, except braille materials which will continue; and ceasing current field operations. The Board also voted to sell Christian Record's current facility and surrounding property and to relocate the ministry to an appropriately-sized facility by early summer. Christian Record will continue to be headquartered in Lincoln.

As of December 31, 2016, costs associated with the restructure were \$1,962,572 and are included in the total expenses on the Statement of Activities. Additional decrease in plant assets in the amount of \$650,981 for 2016 were due to the restructure and sale of assets. See note 3 of detailed Plant Assets.

Note 12 – Subsequent Event

In April 2017, the sale of the property was finalized.

In preparing the Financial Statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2017, the date the financial statements were available to be issued.