

Financial Statements
With Independent Auditor's Report Thereon

CHRISTIAN RECORD SERVICES, INC.

December 31, 2014 and 2013

CHRISTIAN RECORD SERVICES, INC.

December 31, 2014 and 2013

Table of Contents

	Page
Report of Independent Auditor	1-2
Statements of Financial Position	3
Statements of Activities	4, 5
Statements of Cash Flows	6
Statements of Functional Expenses	7, 8
Notes to the Financial Statements	9-16



**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 nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 13, 2015

Christian Record Services, Inc.

Statements of Financial Position

December 31, 2014

(With comparative totals for December 31, 2013)

	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Plant Fund</u>	<u>Annuities & Trusts Fund</u>	<u>2014 Total Funds</u>	<u>2013 Total Funds</u>
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 228,885	46,757		2,122	277,764	294,279
Short Term Investments (Note 2)	16,202	190,938	42,455	974	250,569	304,973
Receivables, Net	172,427				172,427	30,885
Notes Receivable						
Supplies Inventory, at cost	281,175				281,175	171,105
Prepaid Expense	67,095				67,095	24,000
Total Current Assets	<u>765,784</u>	<u>237,695</u>	<u>42,455</u>	<u>3,096</u>	<u>1,049,030</u>	<u>825,242</u>
Investments (Note 2)	21,926	423,675		488,066	933,667	1,074,853
Beneficial Interest in Trust Assets				2,016,872	2,016,872	2,062,269
Plant Assets (Net) (Note 3)			<u>778,561</u>		<u>778,561</u>	<u>865,099</u>
Total Assets	<u><u>787,710</u></u>	<u><u>661,370</u></u>	<u><u>821,016</u></u>	<u><u>2,508,034</u></u>	<u><u>4,778,130</u></u>	<u><u>4,827,463</u></u>
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts Payable (Note 5)	216,930		625	186	217,741	188,775
Accrued Expenses	299,994				299,994	277,690
Current Loan Payable (Note 7)						42,416
Inter-Fund Payables	<u>(222,778)</u>	<u>(135,537)</u>	358,315			
Total Current Liabilities	<u>294,146</u>	<u>(135,537)</u>	<u>358,940</u>	<u>186</u>	<u>517,735</u>	<u>508,881</u>
Other Liabilities						
Notes Payable (Affiliate) (Note 7)						
Refundable Advances (Rev. Trusts)						
Present Value of Trusts Payable						
Present Value of Annuities Payable				344,886	344,886	367,556
Total Liabilities	<u>294,146</u>	<u>(135,537)</u>	<u>358,940</u>	<u>345,072</u>	<u>862,621</u>	<u>876,437</u>
Net Assets						
Unrestricted (Note 6)	329,341	266,673	460,495	8,851	1,065,360	1,088,680
Temporarily Restricted (Note 6)	164,223	437,305	1,581	154,912	758,021	828,143
Permanently Restricted (Note 6)		92,929		1,999,199	2,092,128	2,034,203
Total Net Assets	<u>493,564</u>	<u>796,907</u>	<u>462,076</u>	<u>2,162,962</u>	<u>3,915,509</u>	<u>3,951,026</u>
Total Liabilities & Net Assets	<u><u>787,710</u></u>	<u><u>661,370</u></u>	<u><u>821,016</u></u>	<u><u>2,508,034</u></u>	<u><u>4,778,130</u></u>	<u><u>4,827,463</u></u>

Christian Record Services, Inc.
Statements of Activities
For The Twelve Months Ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2014 Total Funds	2013 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
<u>Revenue and Support</u>						
Contributions Remitted by District Reps	\$ 1,790,234				1,790,234	1,639,210
Direct Mail	952,777				952,777	990,978
Other Contributions	67,981				67,981	67,968
Offerings from Associated Churches	453,346				453,346	435,899
Legacies and Bequests	329,200			16,865	346,065	642,961
Investment Income	57,799	37,484	17	20,561	115,861	106,194
Other Income	189,669				189,669	163,805
Net Assets Released from Restrictions	287,550				287,550	223,767
Total Revenue, Support, and Net Assets	4,128,556	37,484	17	37,426	4,203,483	4,270,782
<u>Expenses</u>						
<u>Program Services</u>						
Personal Service	610,318		1,848		612,166	631,471
Production of Periodicals	367,297		23,968		391,265	406,266
Lending Library	201,797		22,315		224,112	380,995
Public Information and Education	872,501		11,857	1,999	886,357	928,974
Camps and Other Direct Services	637,727		23,932	46,436	708,095	669,750
Total Program Services	2,689,640		83,920	48,435	2,821,995	3,017,456
<u>Supporting Activities</u>						
Fund Raising	1,027,832		21,351	999	1,050,182	986,074
Administrative and General	350,169		4,457		354,626	346,489
Total Supporting Activities	1,378,001		25,808	999	1,404,808	1,332,563
Total Expenses	4,067,641		109,728	49,434	4,226,803	4,350,019
Increase (Decrease) in Unrestricted Net Assets	60,915	37,484	(109,711)	(12,008)	(23,320)	(79,237)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2014 Total Funds	2013 Total Funds
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>						
Increase (Decrease) in Unrestricted Net Assets	60,915	37,484	(109,711)	(12,008)	(23,320)	(79,237)
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>						
<u>Temporarily Restricted Income</u>						
Contributions Remitted by District Reps	91,453				91,453	107,346
Direct Mail	8,900				8,900	2,908
Other Contributions	48,162				48,162	89,481
Offerings from Associated Churches						
Legacies and Bequests	68,869				68,869	
Investment Income		44			44	11,290
Other Income						
Net Assets Released from Restrictions	(287,550)				(287,550)	(223,767)
Net Trust Increase (Decrease)						
Increase in Temporarily Restricted Net Assets	(70,166)	44			(70,122)	(12,741)
<u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u>						
Increase (Decr) in Beneficial Interest in Trust Assets				57,925	57,925	139,943
Increase (Decrease) in Perm. Rest. Net Assets				57,925	57,925	139,943
Change in Net Assets	(9,251)	37,528	(109,711)	45,917	(35,517)	47,964
Transfers Between Funds	390,080	(130,000)	87,206	(347,286)		
Net Assets, Beginning of Year	112,735	889,379	484,581	2,464,331	3,951,026	3,903,062
Net Assets, End of Year	<u>493,564</u>	<u>796,907</u>	<u>462,076</u>	<u>2,162,962</u>	<u>3,915,509</u>	<u>3,951,026</u>

CHRISTIAN RECORD SERVICES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (35,518)	\$ 47,964
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation Expense	107,041	103,711
Unrealized Market (Gain) Loss	(95,017)	(183,607)
(Increase) Decrease in Beneficial Interest in Trust Assets	45,397	(139,704)
Actuarial Gain (Loss) on Annuity Obligations	(22,670)	(49,107)
(Increase) Decrease in Receivables	(141,542)	26,783
(Increase) Decrease - Inventories	(110,070)	23,523
(Increase) Decrease - Prepaid Expense	(43,095)	6,036
Increase (Decrease) - Accounts Payable	28,965	(57,050)
Increase (Decrease) - Accrued Expenses	22,305	23,153
Net Cash Provided by (Used in) Operating Activities	(244,204)	(198,299)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Investments	205,353	51,692
Purchase of Investments	(21,788)	27,020
Purchase of Plant Assets	86,539	53,009
Net Cash Provided by (Used in) Investing Activities	270,104	131,722
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) - Loan Payable	(42,416)	(71,713)
Net Cash Used by Financing Activities	(42,416)	(71,713)
 Net Increase (Decrease) in Cash & Cash Equivalents	(16,516)	(138,290)
 Cash & Cash Equivalents, Beginning of Year	294,280	432,571
Cash & Cash Equivalents, End of Year	\$ 277,764	\$ 294,280
 SUPPLEMENTAL DATA:		
Interest Paid	129	483
Additions to Plant Assets	(86,539)	(50,609)
Less Donated Assets	(2,400)	(2,400)
Cash Paid for Purchases of Plant Assets	(86,539)	(53,009)

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

Christian Record Services, Inc.
Statement of Functional Expenses
For Year Ending December 31, 2014

	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	2014
Salaries	340,319	333,435	92,529	395,821	259,026	1,421,130	420,824	180,279	601,103	2,022,233
Employee Benefits	136,156	174,188	36,087	170,914	103,496	620,841	187,247	62,213	249,460	870,301
Payroll Taxes, Etc.	29,352	23,282	8,394	35,972	22,582	119,582	38,622	13,933	52,555	172,137
Total Salaries and Related Expense	505,827	530,905	137,010	602,707	385,104	2,161,553	646,693	256,425	903,118	3,064,671
Contracted Services	336	14,850	1,477	36,743	8,776	62,182	2,913	19,996	22,909	85,091
Supplies	2,711	11,273	5,226	50,993	7,772	77,975	4,451	6,634	11,085	89,060
Telephone	1,197	4,419	1,492	3,706	2,802	13,616	1,488	2,170	3,658	17,274
Postage and Shipping	28,797	3,107	2,605	48,456	25,666	108,631	78,464	8,792	87,256	195,887
Occupancy and Depreciation	8,595	69,419	37,301	25,694	45,873	186,882	33,601	10,750	44,351	231,233
Equipment Rental and Maintenance	107	24,261	786	326	866	26,346	258	212	470	26,816
Outside Printing Lists and Computer	55	9,627	299	7,107	334	17,422	26,539	539	27,078	44,500
Transportation and Auto Insurance	24,715	12,340	4,861	41,628	16,678	100,222	29,406	22,080	51,486	151,708
Conferences, Conventions, and Rallies	96	422	36	466	823	1,843	211	4,508	4,719	6,562
Subscriptions and Reference Publications										
Specific Assistance to Individuals	9,368			15	177,284	186,667	16		16	186,683
Permits/Fees/Registration/Membership	2,722	296		5,234	2,962	11,214	4,935	17	4,952	16,166
Miscellaneous	751	642	346	7,386	4,585	13,710	1,859	19,327	21,186	34,896
Job Printing Supplies		76,256				76,256				76,256
Sub-total	79,450	226,912	54,429	227,754	294,421	882,966	184,141	95,025	279,166	1,162,132
Job Ticket Labor and Overhead Allocation	26,889	(366,552)	32,673	55,896	28,570	(222,524)	219,348	3,176	222,524	0
Total Expense	612,166	391,265	224,112	886,357	708,095	2,821,995	1,050,182	354,626	1,404,808	4,226,803

Christian Record Services, Inc.
Statement of Functional Expenses
For Period Ending December 31, 2013

	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	2013
Salaries	396,369	309,916	136,286	412,895	247,462	1,502,929	380,154	160,412	540,566	2,043,495
Employee Benefits	106,947	162,289	37,498	159,573	83,195	549,502	159,484	60,061	219,546	769,048
Payroll Taxes, Etc.	32,243	21,797	11,613	34,164	21,020	120,838	35,279	11,829	47,107	167,945
Total Salaries and Related Expense	<u>535,560</u>	<u>494,002</u>	<u>185,397</u>	<u>606,632</u>	<u>351,678</u>	<u>2,173,269</u>	<u>574,917</u>	<u>232,302</u>	<u>807,219</u>	<u>2,980,488</u>
Contracted Services	1,489	18,697	2,597	43,157	11,937	77,878	4,704	32,441	37,144	115,022
Supplies	1,554	75,722	14,263	52,293	5,922	149,754	5,578	2,882	8,460	158,214
Telephone	1,143	3,726	1,032	3,780	2,172	11,853	1,574	2,825	4,398	16,252
Postage and Shipping	13,469	3,148	2,911	43,567	12,030	75,125	119,272	4,272	123,544	198,669
Occupancy and Depreciation	7,089	60,287	33,269	22,432	40,919	163,996	32,512	8,953	41,465	205,461
Equipment Rental and Maintenance	364	32,396	2,355	1,076	2,667	38,858	869	675	1,545	40,402
Outside Printing Lists and Computer	4	3,933	76	4,705	88	8,805	17,124	496	17,620	26,425
Transportation and Auto Insurance	30,866	11,207	4,386	52,992	20,400	119,851	36,762	22,779	59,540	179,391
Conferences, Conventions, and Rallies	2,383	139	15	2,908	1,637	7,083	2,709	2,659	5,368	12,451
Subscriptions and Reference Publications	20	64	35	35	429	582	129	1,489	1,618	2,200
Specific Assistance to Individuals	5,351	0	0	411	162,111	167,874	411	400	811	168,685
Permits/Fees/Registration/Membership	1,296	145	50	4,288	2,206	7,985	5,506	12	5,519	13,503
Miscellaneous	936	950	413	9,099	11,513	22,911	2,354	29,136	31,491	54,401
Job Printing Supplies	0	121,871	0	7,266	0	129,137	49,316	0	49,316	178,454
Sub-total	<u>65,963</u>	<u>332,285</u>	<u>61,402</u>	<u>248,010</u>	<u>274,030</u>	<u>981,691</u>	<u>278,821</u>	<u>109,019</u>	<u>387,840</u>	<u>1,369,531</u>
Job Ticket Labor and Overhead Allocation	29,947	(420,022)	134,196	74,332	44,042	(137,504)	132,336	5,168	137,504	0
Total Expense	<u>631,471</u>	<u>406,266</u>	<u>380,996</u>	<u>928,974</u>	<u>669,750</u>	<u>3,017,456</u>	<u>986,074</u>	<u>346,489</u>	<u>1,332,563</u>	<u>4,350,019</u>

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

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 blind and visually impaired persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation, but is an organization described in Section 509 (a)(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.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Significant Accounting Policies (Continued)

Donated Equipment and Services

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

Joint Cost Allocation

In 2014 and 2013, 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 \$1,936,540 and \$1,915,048, 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:

		2014	2013
Program Services:	Public Information & Education	\$ 886,357	\$ 928,974
Supporting Activities:	Fund Raising	1,050,183	986,074
	Total	\$ 1,936,540	\$ 1,915,048

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.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

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

The Organization has beneficial interest in 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.

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, 2014, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 2 - Investments (Continued)

Marketable Equity Securities

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

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2014 at fair value on a recurring basis.

	2014			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	250,569	250,569		
Equity Securities	933,667	16,259	917,408	_____
Total	1,184,236	266,828	917,408	_____

The carrying amounts and market value of Level 1 and 2 marketable securities at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Savings Accounts	\$ 250,569	250,569	\$ 304,973	304,973
Pooled Investment Funds	769,842	917,408	958,671	1,059,652
Mutual Funds	15,895	16,259	15,346	15,201
Aggregate Cost and Fair Value	1,036,306	1,184,236	1,278,990	1,379,826

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

Short-term Investments	250,569	304,973
Other Investments	933,667	1,074,853
	1,184,236	1,379,826

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, 2014 and 2013 consists of the following:

	2014	2013
Investment Income – Unrestricted	\$ 95,300	87,920
Investment Income - Unrestricted - Annuities & Trusts	20,561	18,275
Net Realized Gain (Loss)- Unrestricted	0	0
Net Realized Gain (Loss) - Unrestricted - Annuities & Trusts	0	0
Net Unrealized Gains (Losses) – Unrestricted	33,172	6,090
Net Unrealized Gains - Unrestricted - Annuities & Trusts	114,758	94,745
Investment Income - Temporarily Restricted	44	11,289
Total Investment Return	263,836	218,320

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 2 - Investments (Continued)

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

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

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted the investment strategies of the managers from Bank of the West, Community Bank and Trust, 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, 2014 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	2,092,128	2,092,128

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 2 - Investments (Continued)

Changes in endowment net assets as of December 31, 2014 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	2,034,203	2,034,203
Contributions	0	0	0	0
Investment income	0	0	0	0
Net appreciation (depreciation)	0	0	57,925	57,925
Net loss on perpetual trusts	0	0	0	0
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, end of year	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>2,092,128</u></u>	<u><u>2,092,128</u></u>

Note 3 - Plant Assets

	<u>2014</u>	<u>2013</u>
Land	\$ 35,622	35,622
Land Improvements	89,883	89,883
Buildings	1,279,508	1,279,508
Equipment	1,241,809	1,276,658
Motor Vehicles	24,295	24,295
Total Cost	<u>2,671,117</u>	<u>2,705,966</u>
Less Accumulated Depreciation	<u>(1,892,556)</u>	<u>(1,840,867)</u>
Net Plant Assets	<u><u>778,561</u></u>	<u><u>865,099</u></u>

Note 4 - Concentration of Credit Risk

The Organization maintains several bank accounts at one bank. Aggregate amounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014 there were \$243,616 of uninsured assets and 2013 there were \$362,184 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), and the Mid-America Union Conference of Seventh-day Adventists (MAUC) are related parties with respect to the Organization in that the Organization receives appropriations from the GC and NAD to carry out its services for the blind and visually impaired, and through shared membership on the respective governing committees of the GC, NAD, and MAUC. Significant transactions occur between the Organization and these organizations, including:

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

Note 5 - Related Party Transactions (Continued)

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$453,346 and \$435,899 in 2014 and 2013, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

As of December 31, 2014 the Note Payable due the NAD was transferred to a Note Payable due the GC. The current portion of the loan was \$0 and \$35,392 on December 31, 2014 and 2013, respectively.

Pension and Other Post-Retirement Benefits

The Organization participates in a non-contributory, defined benefit retirement plan known as the "Seventh-day Adventist Retirement Plan of the North American Division". This plan, which covers substantially all 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 \$209,764 and \$195,456 to these plans for the years ended December 31, 2014 and 2013, 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 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 \$133,212 and \$129,217 to the plan for the years ended December 31, 2014 and 2013, 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.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

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:

	2014	2013
Oregon Blind Campers, Bibles for the Blind, and Special Projects	\$ 582,933	653,055
Buildings and Equipment	20,176	20,176
Trusts	154,912	154,912
	758,021	828,143
Net assets were released from restrictions as follows:		
Special Projects Expenses	280,550	223,767
Purchase of Equipment	7,000	-
	287,550	223,767

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

Bibles for the Blind	73,753	73,753
Scholarships for the Blind	7,985	7,985
Reading Materials for the Blind	530,431	508,458
National Camps for the Blind	1,257,723	1,213,698
Blind Services-Unrestricted	222,236	230,309
	2,092,128	2,034,203

Note 7 - Note Payable

The Organization owed a Note Payable to Union Bank and Trust of \$0 and \$5,992.67 at the end of 2014 and 2013, respectively. The loan was originally written for \$35,333 for 36 months. The interest rate is 2.5%, the payments are equal monthly payments of \$1,019.76, and the maturity date was June 13, 2014.

The Organization signed a new three year lease agreement with Konica Minolta that included the buyout amount of the Bizhub C6500 that was previously leased from Konica Minolta. This created a Note Payable to Konica Minolta for the buyout amount of \$18,556.66 which was \$0 and \$1,031.02 at the end of 2014 and 2013, respectively.

Note 8 - 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 2010 and forward are open to inspection by the taxing authorities.

Note 9 - Subsequent Events

In preparing the Financial Statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 13, 2015, the date the financial statements were available to be issued.