

Financial Statements
With Independent Auditor's Report Thereon

CHRISTIAN RECORD SERVICES, INC.

December 31, 2013 and 2012

CHRISTIAN RECORD SERVICES, INC.

December 31, 2013 and 2012

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DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

INDEPENDENT AUDITORS' REPORT

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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska
May 12, 2014

Christian Record Services, Inc.
Statements of Financial Position
As of December 31, 2013
(With comparative totals for December 31, 2012)

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Plant Fund</u>	<u>Annuities & Trusts Fund</u>	<u>2013 Total Funds</u>	<u>2012 Total Funds</u>
<u>Current Assets</u>						
Cash and Cash Equivalents	\$ 137,609	\$ 40,227	\$ (65,025)	\$ 181,468	\$ 294,279	\$ 432,571
Short Term Investments (Note 2)	63,667	190,893	49,438	975	304,973	303,606
Receivables, Net (Note 8)	30,885	-	-	-	30,885	57,668
Supplies Inventory, at cost	171,105	-	-	-	171,105	194,628
Prepaid Expense	24,000	-	-	-	24,000	30,036
Total Current Assets	<u>427,266</u>	<u>231,120</u>	<u>(15,587)</u>	<u>182,443</u>	<u>825,242</u>	<u>1,018,509</u>
Investments (Note 2)	35,192	522,722	-	516,939	1,074,853	1,056,989
Beneficial Interest in Trust Assets	-	-	-	2,062,269	2,062,269	1,922,565
Plant Assets (Net) (Note 3)	-	-	865,099	-	865,099	936,153
Total Assets	<u>\$ 462,458</u>	<u>\$ 753,842</u>	<u>\$ 849,512</u>	<u>\$ 2,761,651</u>	<u>\$ 4,827,463</u>	<u>\$ 4,934,216</u>
<u>LIABILITIES & NET ASSETS</u>						
<u>Current Liabilities</u>						
Accounts Payable (Note 5)	187,965	-	623	187	188,775	245,825
Accrued Expenses	277,690	-	-	-	277,690	254,537
Current Loan Payable (Note 5)	35,392	-	7,024	-	42,416	71,197
Inter-Fund Payables	(151,324)	(135,537)	357,284	(70,423)	-	-
Total Current Liabilities	<u>349,723</u>	<u>(135,537)</u>	<u>364,931</u>	<u>(70,236)</u>	<u>508,881</u>	<u>571,559</u>
<u>Other Liabilities</u>						
Notes Payable (Affiliate) (Note 5)	-	-	-	-	-	42,932
Present Value of Annuities Payable	-	-	-	367,556	367,556	416,663
Total Liabilities	<u>349,723</u>	<u>(135,537)</u>	<u>364,931</u>	<u>297,320</u>	<u>876,437</u>	<u>1,031,154</u>
<u>Net Assets</u>						
Unrestricted (Note 6)	(121,654)	359,189	483,000	368,145	1,088,680	1,167,917
Temporarily Restricted (Note 6)	234,389	437,261	1,581	154,912	828,143	840,885
Permanently Restricted (Note 6)	-	92,929	-	1,941,274	2,034,203	1,894,260
Total Net Assets	<u>112,735</u>	<u>889,379</u>	<u>484,581</u>	<u>2,464,331</u>	<u>3,951,026</u>	<u>3,903,062</u>
Total Liabilities & Net Assets	<u>\$ 462,458</u>	<u>\$ 753,842</u>	<u>\$ 849,512</u>	<u>\$ 2,761,651</u>	<u>\$ 4,827,463</u>	<u>\$ 4,934,216</u>

Christian Record Services, Inc.
Statements of Activities
For the Year Ended December 31, 2013
(With comparative totals for the year ended December 31, 2012)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2013 Total Funds	2012 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
<u>Revenue and Support</u>						
Contributions Remitted by District Reps	\$ 1,639,210	\$ -	\$ -	\$ -	\$ 1,639,210	\$ 1,645,272
Direct Mail	990,978	-	-	-	990,978	1,099,540
Other Contributions	67,968	-	-	-	67,968	78,618
Offerings from Associated Churches	435,899	-	-	-	435,899	423,891
Legacies and Bequests	593,855	-	-	49,106	642,961	302,401
Investment Income	51,317	36,581	21	18,275	106,194	151,790
Other Income	155,605	-	8,200	-	163,805	375,544
Net Assets Released from Restrictions	223,767	-	-	-	223,767	126,095
Total Revenue, Support, and Net Assets	4,158,599	36,581	8,221	67,381	4,270,782	4,203,151
<u>Expenses</u>						
<u>Program Services</u>						
Personal Service	630,182	-	1,289	-	631,471	599,843
Production of Periodicals	382,775	-	23,491	-	406,266	428,395
Lending Library	359,759	-	21,236	-	380,995	392,196
Public Information and Education	915,287	-	11,066	2,621	928,974	930,835
Camps and Other Direct Services	598,176	-	23,814	47,760	669,750	633,626
Total Program Services	2,886,179	-	80,896	50,381	3,017,456	2,984,895
<u>Supporting Activities</u>						
Fund Raising	962,858	-	21,905	1,311	986,074	979,810
Administrative and General	343,110	-	3,379	-	346,489	446,963
Total Supporting Activities	1,305,968	-	25,284	1,311	1,332,563	1,426,773
Total Expenses	4,192,147	-	106,180	51,692	4,350,019	4,411,668
Increase (Decrease) in Unrestricted Net Assets	(33,548)	36,581	(97,959)	15,689	(79,237)	(208,517)

	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Plant Fund</u>	<u>Annuities & Trusts Fund</u>	<u>2013 Total Funds</u>	<u>2012 Total Funds</u>
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>						
Increase (Decrease) in Unrestricted Net Assets	<u>(33,548)</u>	<u>36,581</u>	<u>(97,959)</u>	<u>15,689</u>	<u>(79,237)</u>	<u>(208,517)</u>
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>						
<u>Temporarily Restricted Income</u>						
Contributions Remitted by District Reps	107,346	-	-	-	107,346	91,912
Direct Mail	2,908	-	-	-	2,908	17,406
Other Contributions	89,481	-	-	-	89,481	60,293
Offerings from Associated Churches	-	-	-	-	-	9,132
Legacies and Bequests	-	-	-	-	-	2,221
Investment Income	11,254	36	-	-	11,290	6,632
Net Assets Released from Restrictions	<u>(223,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(223,767)</u>	<u>(126,095)</u>
Increase in Temporarily Restricted Net Assets	<u>(12,778)</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>(12,742)</u>	<u>61,501</u>
<u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u>						
Increase (Decr) in Beneficial Interest in Trust Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,943</u>	<u>139,943</u>	<u>91,154</u>
Increase (Decrease) in Perm. Rest. Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,943</u>	<u>139,943</u>	<u>91,154</u>
Change in Net Assets	(46,326)	36,617	(97,959)	155,632	47,964	(55,862)
Transfers Between Funds	(13,373)	-	13,373	-	-	-
Net Assets, Beginning of Year	172,434	852,762	569,167	2,308,699	3,903,062	3,958,924
Net Assets, End of Year	<u>\$ 112,735</u>	<u>\$ 889,379</u>	<u>\$ 484,581</u>	<u>\$ 2,464,331</u>	<u>\$ 3,951,026</u>	<u>\$ 3,903,062</u>

CHRISTIAN RECORD SERVICES, INC.
Statements of Cash flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 47,964	\$ (55,862)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation Expense	103,711	103,040
Unrealized Market (Gain) Loss	(183,607)	(146,938)
(Increase) Decrease in Beneficial Interest in Trust Assets	(139,704)	(212,389)
Actuarial Gain (Loss) on Annuity Obligations	(49,107)	31,654
(Increase) Decrease in Receivables	26,783	15,417
(Increase) Decrease - Inventories	23,523	1,323
(Increase) Decrease - Prepaid Expense	6,036	-
Increase (Decrease) - Accounts Payable	(57,050)	(106,894)
Increase (Decrease) - Accrued Expenses	23,153	7,728
Net Cash Provided by (Used in) Operating Activities	(198,299)	(362,921)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Investments	51,692	373,484
Purchase of Investments	27,020	(7,654)
Purchase of Plant Assets	53,009	(96,328)
Net Cash Provided by (Used in) Investing Activities	131,722	269,502
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) - Loan Payable	(71,713)	(70,903)
Net Cash Used by Financing Activities	(71,713)	(70,903)
Net Increase (Decrease) in Cash & Cash Equivalents	(138,290)	(164,322)
Cash & Cash Equivalents, Beginning of Year	432,571	596,893
Cash & Cash Equivalents, End of Year	\$ 294,280	\$ 432,571
SUPPLEMENTAL DATA:		
Interest Paid	483	923
Additions to Plant Assets	(50,609)	96,328
Less Donated Assets	(2,400)	-
Cash Paid for Purchases of Plant Assets	(53,009)	96,328

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

Christian Record Services, Inc.

Statement of Functional Expenses

For the Year 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 Svcs	Total Program	Fund Raising	Admin and General	Total Support	2013
Salaries	\$ 396,369	\$ 309,917	\$ 136,286	\$ 412,896	\$ 247,462	\$ 1,502,930	\$ 380,154	\$ 160,412	\$ 540,566	\$ 2,043,496
Employee Benefits	106,947	162,289	37,498	159,573	83,195	549,502	159,484	60,061	219,545	769,047
Payroll Taxes, Etc.	32,243	21,797	11,613	34,164	21,020	120,837	35,279	11,829	47,108	167,945
Total Salaries and Related Expense	535,559	494,003	185,397	606,633	351,677	2,173,269	574,917	232,302	807,219	2,980,488
Contracted Services	1,489	18,697	2,597	43,157	11,937	77,877	4,704	32,441	37,145	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	4,399	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	1,544	40,402
Outside Printing Lists and Computer	4	3,933	76	4,705	88	8,806	17,124	496	17,620	26,426
Transportation and Auto Insurance	30,866	11,207	4,386	52,992	20,400	119,851	36,763	22,779	59,542	179,393
Conferences, Conventions, and Rallies	2,383	139	15	2,908	1,637	7,082	2,709	2,659	5,368	12,450
Subscriptions and Reference Publications	20	64	35	35	429	583	129	1,489	1,618	2,201
Specific Assistance to Individuals	5,351	-	-	411	162,111	167,873	411	400	811	168,684
Permits/Fees/Registration/Membership	1,296	145	50	4,288	2,206	7,985	5,506	12	5,518	13,503
Miscellaneous	936	950	413	9,099	11,513	22,911	2,354	29,136	31,490	54,401
Job Printing Supplies	-	121,871	-	7,266	-	129,137	49,316	-	49,316	178,453
Sub-total	65,964	332,285	61,402	248,009	274,031	981,691	278,821	109,019	387,840	1,369,531
Job Ticket Labor and Overhead Allocation	29,948	(420,022)	134,196	74,332	44,042	(137,504)	132,336	5,168	137,504	-
Total Expense	\$ 631,471	\$ 406,266	\$ 380,995	\$ 928,974	\$ 669,750	\$ 3,017,456	\$ 986,074	\$ 346,489	\$ 1,332,563	\$ 4,350,019

Christian Record Services, Inc.

Statement of Functional Expenses

For the Year Ending December 31, 2012

	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	2012
Salaries	\$ 353,093	\$ 291,387	\$ 148,772	\$ 394,508	\$ 230,944	\$1,418,704	\$ 348,374	\$ 162,722	\$ 511,096	\$ 1,929,800
Employee Benefits	121,957	174,715	42,958	182,800	96,518	618,948	183,185	60,685	243,870	862,818
Payroll Taxes, Etc.	29,145	19,879	12,202	31,333	19,672	112,231	31,744	11,778	43,522	155,753
Total Salaries and Related Expense	504,195	485,981	203,932	608,641	347,134	2,149,883	563,303	235,185	798,488	2,948,371
Contracted Services	1,247	18,828	2,345	58,843	9,152	90,415	3,445	148,278	151,723	242,138
Supplies	3,321	93,773	4,533	51,533	6,108	159,268	12,193	1,843	14,036	173,304
Telephone	1,074	4,299	1,371	3,271	2,638	12,653	1,389	2,923	4,312	16,965
Postage and Shipping	6,717	9,077	5,277	33,921	6,640	61,632	107,367	3,268	110,635	172,267
Occupancy and Depreciation	8,596	57,312	32,025	24,571	39,061	161,565	33,665	9,505	43,170	204,735
Equipment Rental and Maintenance	199	24,712	972	478	1,216	27,577	446	295	741	28,318
Outside Printing Lists and Computer	306	3,672	274	7,637	553	12,442	26,855	1,039	27,894	40,336
Transportation and Auto Insurance	25,580	13,572	5,672	58,731	19,346	122,901	31,281	23,559	54,840	177,741
Conferences, Conventions, and Rallies	3,304	647	17	5,844	2,011	11,823	3,994	724	4,718	16,541
Subscriptions and Reference Publications	-	-	-	25	-	25	-	40	40	65
Specific Assistance to Individuals	17,114	-	-	553	164,927	182,594	76	-	76	182,670
Permits/Fees/Registration/Membership	1,452	527	3	3,113	2,257	7,352	2,499	206	2,705	10,057
Miscellaneous	716	510	271	11,512	7,988	20,997	1,116	12,802	13,918	34,915
Job Printing Supplies	-	109,989	-	6,209	-	116,198	47,047	-	47,047	163,245
Sub-total	69,626	336,918	52,760	266,241	261,897	987,442	271,373	204,482	475,855	1,463,297
Job Ticket Labor and Overhead Allocation	26,022	(394,504)	135,504	55,953	24,595	(152,430)	145,134	7,296	152,430	-
Total Expense	\$ 599,843	\$ 428,395	\$ 392,196	\$ 930,835	\$ 633,626	\$2,984,895	\$ 979,810	\$ 446,963	\$ 1,426,773	\$ 4,411,668

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2013 and 2012

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)(3) 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, 2013 and 2012

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 2013 and 2012, 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 \$1,915,048 and \$1,910,645, 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:

		2013	2012
Program Services:	Public Information & Education	\$ 928,974	\$ 930,835
Supporting Activities:	Fund Raising	986,074	979,810
	Total	\$ 1,915,048	\$ 1,910,645

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.

Investments include a unitrust which represents resources received and administered by the Organization subject to the condition that stipulated amounts are paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreement. The liability for the present value of future annuity payments is determined actuarially using discount rate of 8.5%.

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, 2013 and 2012

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 six 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 \$500.

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, 2013, 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, 2013 and 2012

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, 2013 at fair value on a recurring basis.

	2013			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	304,973	304,973		
Equity Securities	1,074,853	15,201	1,059,652	_____
Total	1,379,826	320,174	1,059,652	_____

The carrying amounts and market value of Level 1 and 2 marketable securities at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Savings Accounts	\$ 304,973	304,973	303,606	303,606
Pooled Investment Funds	958,671	1,059,652	985,334	1,041,245
Mutual Funds	15,346	15,201	14,722	15,744
Aggregate Cost and Fair Value	1,278,990	1,379,826	1,303,662	1,360,595

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

Short-term Investments	304,973	303,606
Other Investments	1,074,853	1,056,989
	1,379,826	1,360,595

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, 2013 and 2012 consists of the following:

	2013	2012
Investment Income - Unrestricted	\$ 13,484	14,812
Investment Income - Unrestricted - Annuities & Trusts	49,047	62,860
Net Realized Gain (Loss)- Unrestricted	0	0
Net Realized Gain (Loss) - Unrestricted - Annuities & Trusts	0	13,033
Net Unrealized Gains (Losses) - Unrestricted	26,013	13,589
Net Unrealized Gains - Unrestricted - Annuities & Trusts	17,651	42,194
Investment Income - Temporarily Restricted	11,289	6,633
Total Investment Return	117,484	153,121

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2013 and 2012

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, 2013 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	2,034,203	2,034,203

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2013 and 2012

Note 2 - Investments (Continued)

Changes in endowment net assets as of December 31, 2013 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	1,894,260	1,894,260
Contributions	0	0	0	0
Investment income	106,195	11,289	0	117,484
Net appreciation (depreciation)	0	0	139,943	139,943
Net loss on perpetual trusts	0	0	0	0
Amounts appropriated for expenditure	<u>(106,195)</u>	<u>(11,289)</u>	<u>0</u>	<u>(117,484)</u>
Endowment net assets, end of year	<u>0</u>	<u>0</u>	<u>2,034,203</u>	<u>2,034,203</u>

Note 3 - Plant Assets

	<u>2013</u>	<u>2012</u>
Land	\$ 35,622	35,622
Land Improvements	89,883	89,544
Buildings	1,279,508	1,320,883
Equipment	1,276,658	1,665,696
Motor Vehicles	<u>24,295</u>	<u>32,794</u>
Total Cost	2,705,966	3,144,539
Less Accumulated Depreciation	<u>(1,840,867)</u>	<u>(2,208,386)</u>
Net Plant Assets	<u>865,099</u>	<u>936,153</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 with unlimited coverage through December 31, 2013 for all non-interest bearing cash accounts. At December 31, 2013 there were \$362,184 of uninsured assets and 2012 all accounts were fully insured.

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, 2013 and 2012

Note 5 - Related Party Transactions (Continued)

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$435,899 and \$423,891 in 2013 and 2012, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

As of December 31, 2013 the Note Payable due the NAD was transferred to a Note Payable due the GC. The balance on the long term portion of the loan was \$0 and \$35,392 as of December 31, 2013 and 2012, respectively. The current portion of the loan was \$35,392 and \$53,089 on December 31, 2013 and 2012, 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 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 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 \$195,456 and \$186,898 to these plans for the years ended December 31, 2013 and 2012, 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 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 \$129,217 and \$130,366 to the plan for the years ended December 31, 2013 and 2012, 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.

Canadian Organization

Christian Record Services, Inc. is an organization of the General Conference of Seventh-day Adventists and is directly controlled by the Board of Directors. Christian Record Services, Inc. (Canada) is a registered Canadian corporation. Both organizations are part of the Seventh-day Adventist denomination's ministry to the blind.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2013 and 2012

Note 5 - Related party Transactions (Continued)

Christian Record Services, Inc. (Canada) is controlled by the Seventh-day Adventist Church of Canada and is thereby related to the North American Division and General Conference of Seventh-day Adventists. As of December 31, 2013 the North American Division dissolved Christian Record Services, Inc. (Canada).

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:

	2013	2012
Oregon Blind Campers, Bibles for the Blind, and Special Projects	\$ 653,055	665,066
Buildings and Equipment	20,176	20,907
Trusts	154,912	154,912
	828,143	840,885
Net assets were released from restrictions as follows:		
Special Projects Expenses	234,671	126,095
Purchase of Equipment	-	-
	234,671	126,095

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	508,458	468,512
National Camps for the Blind	1,213,698	1,114,656
Blind Services-Unrestricted	230,309	229,354
	1,034,203	1,894,260

Note 7 - Bequests Benefiting the Organization

The Organization served as trustee of one charitable remainder trust and one other unconditional irrevocable trust as of December 31, 2013 and 2012. In accordance with generally accepted accounting principles, the assets, liabilities, and net assets related to these trusts have been included in these financial statements.

The Organization served as trustee of one revocable trusts of December 31, 2012. The organization was notified in 2012 that the trusts was revoked. This trust is no longer recorded on the books of the organization. These agreements are conditional, as the trustor can revoke the agreement, and are shown as refundable advances, a liability of the Organization.

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2013 and 2012

Note 8 - Note Payable

The Organization owed a Note Payable to Union Bank and Trust of \$5,992.67 at the end of 2013. 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 is 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 \$1,031 at the end of 2013.

	Principal Due in 2014	Principal Due in 2015	Principal Due in 2016
Union Bank and Trust Note	5,993	0	0
Konica Minolta Note	1,031	0	0

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

Note 10 - Subsequent Events

In preparing the Financial Statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2014, the date the financial statements were available to be issued.