

Financial Statements
With Independent Auditor's Report Thereon

CHRISTIAN RECORD SERVICES, INC.

December 31, 2015 and 2014

CHRISTIAN RECORD SERVICES, INC.

December 31, 2015 and 2014

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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 nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana J Cole + Company, LLP

Lincoln, Nebraska
March 10, 2016

Christian Record Services, Inc.

Statements of Financial Position

December 31, 2015

(With comparative totals for December 31, 2014)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2015 Total Funds	2014 Total Funds
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 432,192	46,757	0	0	478,949	277,764
Short Term Investments (Note 2)	3,535	114,532	37,585	975	156,627	250,569
Receivables, Net (Note 8)	3,049	0	0	0	3,050	172,427
Notes Receivable	0	0	0	0	0	0
Supplies Inventory, at cost	419,427	0	0	0	419,427	281,175
Prepaid Expense	24,000	0	0	0	24,000	67,095
Total Current Assets	882,204	161,289	37,585	975	1,082,052	1,049,031
Investments (Note 2)	21,974	397,352	0	446,452	865,778	933,667
Beneficial Interest in Trust Assets	0	0	0	1,877,917	1,877,917	2,016,871
Plant Assets (Net) (Note 3)	0	0	767,768	0	767,768	778,560
Total Assets	904,178	558,641	805,353	2,325,344	4,593,515	4,778,129
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts Payable (Note 5)	71,812	0	625	186	72,623	217,740
Accrued Expenses	279,825	0	0	0	279,825	299,994
Current Loan Payable (Note 5)	0	0	0	0	0	0
Inter-Fund Payables	0	0	0	0	0	0
Total Current Liabilities	351,637	0	625	186	352,447	517,735
Other Liabilities						
Notes Payable (Affiliate) (Note 5)	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	332,440	332,440	344,886
Total Liabilities	351,637	0	625	332,626	684,887	862,621
Net Assets						
Unrestricted (Note 6)	341,867	104,814	808,044	(22,439)	1,232,285	1,065,360
Temporarily Restricted (Note 6)	210,674	360,898	(3,315)	154,912	723,170	758,021
Permanently Restricted (Note 6)	0	92,929	0	1,860,244	1,953,173	2,092,128
Total Net Assets	552,541	558,641	804,728	1,992,718	3,908,628	3,915,509
Total Liabilities & Net Assets	904,178	558,641	805,353	2,325,344	4,593,515	4,778,129

Christian Record Services, Inc.

Statements of Activities

For The Twelve Months Ended December 31, 2015

(With comparative totals for the year ended December 31, 2014)

	Operating Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2015 Total Funds	2014 Total Funds
CHANGES IN UNRESTRICTED NET ASSETS						
Revenue and Support						
Contributions Remitted by District Reps	\$ 1,829,683	0	0	0	1,829,683	1,790,234
Direct Mail	960,263	0	0	0	960,263	952,777
Other Contributions	27,186	0	0	0	27,186	67,981
Offerings from Associated Churches	396,498	0	0	0	396,498	453,346
Legacies and Bequests	336,471	0	0	12,446	348,917	346,064
Investment Income	99,754	201	26	5,885	105,865	115,862
Other Income	471,468	0	0	0	471,468	189,669
Net Assets Released from Restrictions	144,611	76,475	4,896	0	225,982	287,550
Total Revenue, Support, and Net Assets	4,265,933	76,676	4,922	18,331	4,365,861	4,203,482
Expenses						
<u>Program Services</u>						
Personal Service	573,087	0	1,709	0	574,796	612,167
Production of Periodicals	353,066	0	8,476	0	361,541	391,265
Lending Library	190,781	0	14,867	0	205,648	224,112
Public Information and Education	850,403	0	10,982	1,869	863,253	886,357
Camps and Other Direct Services	577,338	0	12,435	44,695	634,468	708,094
Total Program Services	2,544,675	0	48,468	46,564	2,639,707	2,821,995
<u>Supporting Activities</u>						
Fund Raising	1,126,734	0	19,340	934	1,147,008	1,050,183
Administrative and General	407,520	0	4,700	0	412,220	354,625
Total Supporting Activities	1,534,254	0	24,040	934	1,559,228	1,404,808
Total Expenses	4,078,929	0	72,508	47,498	4,198,935	4,226,803
Increase (Decrease) in Unrestricted Net Assets	187,003	76,676	(67,586)	(29,167)	166,925	(23,320)

CHANGES IN UNRESTRICTED NET ASSETS

Increase (Decrease) in Unrestricted Net Assets	187,003	76,676	(67,586)	(29,167)	166,925	(23,320)
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**Temporarily Restricted Income**

Contributions Remitted by District Reps	97,996	0	0	0	97,996	91,452
Direct Mail	55,313	0	0	0	55,313	8,900
Other Contributions	35,257	0	0	0	35,257	48,162
Offerings from Associated Churches	750	0	0	0	750	0
Legacies and Bequests	0	0	0	0	0	68,869
Investment Income	0	68	0	0	68	44
Other Income	1,746	0	0	0	1,746	0
Net Assets Released from Restrictions	(144,611)	(76,475)	(4,896)	0	(225,982)	(287,550)
Net Trust Increase (Decrease)	0	0	0	0	0	0

Increase in Temporarily Restricted Net Assets	46,451	(76,407)	(4,896)	0	(34,851)	(70,122)
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Increase (Decr) in Beneficial Interest in Trust Assets	0	0	0	(138,955)	(138,955)	57,925
Increase (Decrease) in Perm. Rest. Net Assets	0	0	0	(138,955)	(138,955)	57,925
Change in Net Assets Transfers Between Funds	233,454	269	(72,482)	(168,122)	(6,881)	(35,518)
Net Assets, Beginning of Year	(174,477)	(238,535)	415,134	(2,122)	0	0
	493,564	796,907	462,076	2,162,962	3,915,509	3,951,026
Net Assets, End of Year	552,541	558,641	804,728	1,992,718	3,908,628	3,915,509

CHRISTIAN RECORD SERVICES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (6,881)	\$ (35,518)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation Expense	72,508	107,041
Unrealized Market (Gain) Loss	142,180	(95,017)
(Increase) Decrease in Beneficial Interest in Trust Assets	(138,955)	45,397
Actuarial Gain (Loss) on Annuity Obligations	(12,446)	(22,670)
(Increase) Decrease in Receivables	169,378	(141,542)
(Increase) Decrease - Inventories	(138,252)	(110,070)
(Increase) Decrease - Prepaid Expense	43,095	(43,095)
Increase (Decrease) - Accounts Payable	(145,117)	28,965
Increase (Decrease) - Accrued Expenses	(20,170)	22,305
Net Cash Provided by (Used in) Operating Activities	(34,659)	(244,204)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Maturity of Investments	164,739	205,353
Purchase of Investments	9,389	(21,788)
Purchase of Plant Assets	61,716	86,539
Net Cash Provided by (Used in) Investing Activities	235,844	270,104
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) - Loan Payable	-	(42,416)
Net Cash Used by Financing Activities	-	(42,416)
Net Increase (Decrease) in Cash & Cash Equivalents	201,185	(16,516)
Cash & Cash Equivalents, Beginning of Year	277,764	294,280
Cash & Cash Equivalents, End of Year	\$ 478,949	\$ 277,764
SUPPLEMENTAL DATA:		
Interest Paid	-	129
Additions to Plant Assets	(61,716)	(86,539)
Less Donated Assets	-	-
Cash Paid for Purchases of Plant Assets	(61,716)	(86,539)

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

Christian Record Services, Inc.
Statement of Functional Expenses
For Period Ending 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	196,830	642,560	2,032,022	
Employee Benefits	142,521	166,834	35,348	177,423	98,155	620,281	214,301	89,813	304,114	924,395	
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	301,907	1,000,815	3,123,948	
Contracted Services	364	9,254	1,978	22,514	8,977	43,087	2,885	20,579	23,463	66,550	
Supplies	506	19,409	6,120	24,459	9,317	59,811	2,049	894	2,943	62,754	
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	219,596	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)	228,504	2,212	230,717	0	
Total Expense	574,796	361,541	205,648	863,253	634,468	2,639,707	1,147,008	412,220	1,559,228	4,198,935	

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

CHRISTIAN RECORD SERVICES, INC.
Notes to the Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014

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 2015 and 2014, 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 \$2,010,261 and \$1,936,540, 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:

		2015	2014
Program Services:	Public Information & Education	\$ 863,253	\$ 886,357
Supporting Activities:	Fund Raising	1,147,008	1,050,183
	Total	\$ 2,010,261	\$ 1,936,540

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, 2015 and 2014

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, 2015, 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, 2015 and 2014

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, 2015 at fair value on a recurring basis.

	2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	156,627	156,627		
Equity Securities	865,778	16,466	849,312	_____
Total	<u>1,022,405</u>	<u>173,093</u>	<u>849,312</u>	=====

The carrying amounts and market value of Level 1 and 2 marketable securities at December 31, 2015 and 2014 are as follows:

	2015		2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Savings Accounts	\$ 156,627	156,627	\$ 250,050	250,050
Pooled Investment Funds	704,603	849,312	770,361	917,927
Mutual Funds	16,395	16,466	15,895	16,259
Aggregate Cost and Fair Value	<u>877,625</u>	<u>1,022,405</u>	<u>1,036,306</u>	<u>1,184,236</u>

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

Short-term Investments	156,627	250,569
Other Investments	<u>865,778</u>	<u>933,667</u>
	<u>1,022,405</u>	<u>1,184,236</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, 2015 and 2014 consists of the following:

	2015	2014
Investment Income – Unrestricted	\$ 99,980	\$ 95,300
Investment Income - Unrestricted - Annuities & Trusts	5,885	20,561
Net Realized Gain (Loss)- Unrestricted	0	0
Net Realized Gain (Loss) - Unrestricted - Annuities & Trusts	0	0
Net Unrealized Gains (Losses) – Unrestricted	24,638	33,172
Net Unrealized Gains - Unrestricted - Annuities & Trusts	120,142	114,758
Investment Income - Temporarily Restricted	68	44
Total Investment Return	<u>250,713</u>	<u>263,836</u>

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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, 2015 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	1,953,173	1,953,173

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Note 2 - Investments (Continued)

Changes in endowment net assets as of December 31, 2015 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	2,092,128	2,034,203
Contributions	0	0	0	0
Investment income	0	0	0	0
Net appreciation (depreciation)	0	0	(138,955)	(138,955)
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>1,953,173</u></u>	<u><u>1,953,173</u></u>

Note 3 - Plant Assets

	<u>2015</u>	<u>2014</u>
Land	\$ 35,622	\$ 35,622
Land Improvements	89,883	89,883
Buildings	1,279,508	1,279,508
Equipment	1,303,525	1,241,809
Motor Vehicles	24,295	24,295
Total Cost	<u>2,732,833</u>	<u>2,671,117</u>
Less Accumulated Depreciation	<u>(1,965,065)</u>	<u>(1,892,557)</u>
Net Plant Assets	<u><u>767,768</u></u>	<u><u>778,560</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, 2015 there were \$268,427 of uninsured assets and 2014 there were \$243,616 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:

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Note 5 - Related Party Transactions (Continued)

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$396,498 and \$453,346 in 2015 and 2014, respectively. These contributions are recorded in the Operating Fund as Sectarian and are used for denominational publications.

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 \$234,252 and \$209,764 to these plans for the years ended December 31, 2015 and 2014, 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 \$136,798 and \$133,212 to the plan for the years ended December 31, 2015 and 2014, 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.

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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:

	2015	2014
Oregon Blind Campers, Bibles for the Blind, and Special Projects	\$ 544,383	\$ 582,933
Buildings and Equipment	23,875	20,176
Trusts	154,912	154,912
	723,170	758,021
Net assets were released from restrictions as follows:		
Special Projects Expenses	199,256	280,550
Purchase of Equipment	26,726	7,000
	225,982	287,550

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	498,495	525,199
National Camps for the Blind	1,208,877	1,308,237
Blind Services-Unrestricted	164,063	176,954
	1,953,173	2,092,128

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, 2015 and \$0 at December 31, 2014.

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

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 2012 and forward are open to inspection by the taxing authorities.

Note 9 - Subsequent Events

On January 20, 2016, the Christian Record Services for the Blind (CRSB) 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 print production, except braille

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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.

In preparing the Financial Statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 10, 2016, the date the financial statements were available to be issued.