

# **Reader's Digest Partners for Sight Foundation**

Financial Statements

June 30, 2016 and 2015

## Independent Auditors' Report

### The Board of Directors Reader's Digest Partners for Sight Foundation

We have audited the accompanying financial statements of Reader's Digest Partners for Sight Foundation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Reader's Digest Partners for Sight Foundation as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 8, 2016

**Reader's Digest Partners for Sight Foundation**

Statements of Financial Position

	June 30,	
	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 87,869	\$ 164,786
Investments	11,825,847	12,256,271
Subscriptions receivable	21,613	24,564
Prepaid expenses	4,682	11,411
Prepaid excise tax expense	9,031	4,047
Security deposit	<u>1,800</u>	<u>1,800</u>
	<u>\$ 11,950,842</u>	<u>\$ 12,462,879</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 62,000	\$ 175,000
Accrued expenses	37,851	30,035
Unearned subscription revenue	<u>626,754</u>	<u>685,707</u>
Total Liabilities	726,605	890,742
 <b>Net Assets</b>		
Unrestricted	<u>11,224,237</u>	<u>11,572,137</u>
	<u>\$ 11,950,842</u>	<u>\$ 12,462,879</u>

See notes to financial statements

## Reader's Digest Partners for Sight Foundation

### Statements of Activities

	Year Ended June 30,	
<b>REVENUE</b>	2016	2015
Change in Unrestricted Net Assets		
Select Editions Large Type (SELT)		
Subscription revenues	\$ 1,112,379	\$ 1,159,410
Costs and Expenses		
Production	440,177	452,919
Fulfillment	71,221	77,154
Promotion and billing	184,170	172,763
Editorial	14,748	14,748
General and administrative	130,228	134,339
Total Costs and Expenses	840,544	851,923
Net Operating Income from		
Select Editions Large Type (SELT)	271,835	307,487
 <b>OTHER INCOME (EXPENSE)</b>		
Contributions	74,685	78,586
Investment income, net	(130,189)	8,663
Grants awarded	(355,283)	(355,592)
General and administrative expenses	(208,948)	(214,988)
Total Other Income, net	(619,735)	(483,331)
Change in Unrestricted Net Assets	(347,900)	(175,844)
 <b>NET ASSETS</b>		
Unrestricted Net Assets		
Beginning of year	11,572,137	11,747,981
Total Net Assets at End of Year	\$ 11,224,237	\$ 11,572,137

See notes to financial statements

## Reader's Digest Partners for Sight Foundation

### Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (347,900)	\$ (175,844)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized loss (gain) on investments	165,891	(279,089)
Unrealized loss on investments	95,228	495,624
Changes in operating assets and liabilities		
Subscriptions receivable	2,951	(747)
Grants payable	(113,000)	(493,352)
Accrued expenses	7,816	(12,205)
Prepaid expenses	6,729	(4,546)
Prepaid federal income tax and franchise fees	(4,984)	(4,047)
Unearned subscription revenue	<u>(58,953)</u>	<u>6,544</u>
Net Cash from Operating Activities	<u>(246,222)</u>	<u>(467,662)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,762,943	2,067,463
Purchase of investments	<u>(2,593,638)</u>	<u>(1,467,677)</u>
Net Cash from Investing Activities	<u>169,305</u>	<u>599,786</u>
Net Change in Cash and Cash Equivalents	(76,917)	132,124
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>164,786</u>	<u>32,662</u>
End of year	<u>\$ 87,869</u>	<u>\$ 164,786</u>

See notes to financial statements

## **Reader's Digest Partners for Sight Foundation**

Notes to Financial Statements  
June 30, 2016 and 2015

### **1. Organization**

Reader's Digest Partners for Sight Foundation (the Foundation) is a not-for-profit organization that publishes large print reading material for the visually impaired, and provides financial assistance, in the form of grants, to not-for-profit organizations whose purpose is to aid and/or educate the blind or persons handicapped with limited vision.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The unrestricted net assets may be used for the daily operations of maintaining the Foundation and its publications. Permanently restricted net assets are subject to donor-imposed restrictions requiring that they be maintained in perpetuity.

#### ***Use of Estimates***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Statements of Cash Flows***

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments with a maturity of three months or less, at the time of purchase, to be cash equivalents.

#### ***Investments and Investment Income***

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The fair value by input level of the Foundation's investments is included in Note 4 to the financial statements.

Mutual, index and exchange traded funds are valued based upon quoted prices provided by the Fund. Income from investments, including both realized and unrealized gains and losses, are treated as an increase in unrestricted net assets unless otherwise specified by donors.

## Reader's Digest Partners for Sight Foundation

Notes to Financial Statements  
June 30, 2016 and 2015

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Unearned Subscription Revenues***

Subscriptions are recorded as unearned revenues at the gross subscription price at the time of sale and are recognized as revenues ratably as the subscriptions are fulfilled.

#### ***Grants***

Grants are recorded as expense when authorized by the Board of Directors. Grants awarded subject to conditions are recorded as expense in the year the conditions are met and payment of the grant is approved.

#### ***Allocation of Expenses***

The costs of providing programs and other activities have been summarized on a functional basis in Note 5 to the financial statements. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management based on an equitable basis.

#### ***Tax Status***

The Foundation is exempt from federal income tax under Section 501(c) (3) and has elected to terminate its private foundation status under section 507(b) (1) (B) of the Internal Revenue Code ("IRC"). The Foundation has received notification that it will be treated as a public charity described in section 509(a) (2) of the IRC for an advance ruling period of 60 months beginning July 1, 2012. The Foundation has also elected to continue paying Federal excise tax on its net investment income.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2013.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 8, 2016.

## Reader's Digest Partners for Sight Foundation

Notes to Financial Statements  
June 30, 2016 and 2015

### 3. Concentration of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

### 4. Investments

Investments, categorized by the fair value hierarchy for those investments measured at fair value consist of the following at June 30:

	2016	2015
Level 1 (Quoted Prices in Active Markets)		
Mutual Funds/Exchange Traded Funds		
Global Fixed Income	\$ 2,759,478	\$ 2,941,653
Short Term Fixed Income	78,996	207,325
US Equity	2,920,222	2,767,927
Non-US Equity	2,717,816	2,693,690
Commodities	-	185,619
Real Estate	929,821	821,366
Other Funds	2,327,425	2,465,742
Total Level 1 Investments	11,733,758	12,083,322
Cash held for investment	92,089	172,949
Total Investments	\$ 11,825,847	\$ 12,256,271

Investment income for the years ended June 30, consists of the following:

	2016	2015
Interest and dividends	\$ 180,930	\$ 275,218
Net realized (loss) gain	(165,891)	279,089
Unrealized (loss)	(95,228)	(495,624)
Investment expenses	(50,000)	(50,020)
	\$ (130,189)	\$ 8,663

## Reader's Digest Partners for Sight Foundation

Notes to Financial Statements  
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### 5. Functional Expenses

The following table presents expenses on a functional basis for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Program Services		
Publication cost and expenses	\$ 840,544	\$ 851,923
Grants awarded	<u>355,283</u>	<u>355,592</u>
Total Program Services	1,195,827	1,207,515
Supporting services - general and administrative	<u>208,948</u>	<u>214,988</u>
Total Expenses	<u>\$ 1,404,775</u>	<u>\$ 1,422,503</u>

### 6. Lease Commitments

Reader's Digest Partners for Sight Foundation has a one-year lease agreement for office space in 118 N. Bedford Road, Mount Kisco, New York, which expires in July 2017. As of June 30, 2016, future minimum annual lease payments under this agreement are \$19,500 through July 31, 2017.

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