

Reader's Digest Partners for Sight Foundation

Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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
August 31, 2017

Reader's Digest Partners for Sight Foundation

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 297,345	\$ 87,869
Investments	12,246,800	11,825,847
Subscriptions receivable	17,563	21,613
Prepaid expenses	14,516	4,682
Prepaid excise tax expense	-	9,031
Security deposit	1,800	1,800
	<u>\$ 12,578,024</u>	<u>\$ 11,950,842</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 55,000	\$ 62,000
Accrued expenses	41,703	37,851
Unearned subscription revenue	562,721	626,754
Total Liabilities	<u>659,424</u>	<u>726,605</u>
Net Assets		
Unrestricted	<u>11,918,600</u>	<u>11,224,237</u>
	<u>\$ 12,578,024</u>	<u>\$ 11,950,842</u>

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Statements of Activities

	Year Ended June 30,	
REVENUE	2017	2016
Change in Unrestricted Net Assets		
Select Editions Large Type (SELT)		
Subscription revenues	\$ 1,060,148	\$ 1,112,379
Costs and Expenses		
Production	426,040	440,177
Fulfillment	69,300	71,221
Promotion and billing	183,327	184,170
Editorial	14,748	14,748
General and administrative	129,431	130,228
Total Costs and Expenses	822,846	840,544
Net Operating Income from		
Select Editions Large Type (SELT)	237,302	271,835
 OTHER INCOME (EXPENSE)		
Contributions	53,464	74,685
Investment income (loss), net	1,182,028	(130,189)
Grants awarded	(573,098)	(355,283)
General and administrative expenses	(205,333)	(208,948)
Total Other Income (Expense)	457,061	(619,735)
Change in Unrestricted Net Assets	694,363	(347,900)
 NET ASSETS		
Unrestricted Net Assets		
Beginning of year	11,224,237	11,572,137
Total Net Assets at End of Year	\$ 11,918,600	\$ 11,224,237

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 694,363	\$ (347,900)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized loss (gain) on investments	(236,970)	165,891
Unrealized (gain) loss on investments	(792,476)	95,228
Changes in operating assets and liabilities		
Subscriptions receivable	4,050	2,951
Grants payable	(7,000)	(113,000)
Accrued expenses	3,852	7,816
Prepaid expenses	(9,834)	6,729
Prepaid federal income tax and franchise fees	9,031	(4,984)
Unearned subscription revenue	<u>(64,033)</u>	<u>(58,953)</u>
Net Cash from Operating Activities	<u>(399,017)</u>	<u>(246,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,050,900	2,762,943
Purchase of investments	<u>(1,442,407)</u>	<u>(2,593,638)</u>
Net Cash from Investing Activities	<u>608,493</u>	<u>169,305</u>
Net Change in Cash and Cash Equivalents	209,476	(76,917)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>87,869</u>	<u>164,786</u>
End of year	<u>\$ 297,345</u>	<u>\$ 87,869</u>

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2017 and 2016

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 blind people or persons 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. All net assets of the Foundation are considered unrestricted.

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, 2017 and 2016

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 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, 2014.

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 August 31, 2017.

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2017 and 2016

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:

	2017	2016
Level 1 (Quoted Prices in Active Markets)		
Mutual Funds/Exchange Traded Funds		
Global Fixed Income	\$ 2,276,050	\$ 2,759,478
Short Term Fixed Income	46,533	78,996
US Equity	3,529,568	2,920,222
Non-US Equity	3,622,320	2,717,816
Commodities	-	-
Real Estate	883,649	929,821
Other Funds	1,767,346	2,327,425
Total Level 1 Investments	12,125,466	11,733,758
Cash held for investment	121,334	92,089
Total Investments	\$ 12,246,800	\$ 11,825,847

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

	2017	2016
Interest and dividends	\$ 202,582	\$ 180,930
Net realized gain (loss)	236,970	(165,891)
Unrealized gain (loss)	792,476	(95,228)
Investment expenses	(50,000)	(50,000)
	\$ 1,182,028	\$ (130,189)

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2017 and 2016

5. Functional Expenses

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

	<u>2017</u>	<u>2016</u>
Program Services		
Large print publishing program	\$ 807,966	\$ 825,679
Grantmaking	<u>711,712</u>	<u>493,748</u>
Total Program Services	1,519,678	1,319,427
Management and general	<u>81,599</u>	<u>85,348</u>
Total Expenses	<u>\$ 1,601,277</u>	<u>\$ 1,404,775</u>

6. Lease Commitments

Reader's Digest Partners for Sight Foundation is renting on a month to month basis for office space in 118 N. Bedford Road, Mount Kisco, New York. Rent expense for the year ending June 30, 2017 is \$19,500.

* * * * *