

Reader's Digest Partners for Sight Foundation

Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

PKF O'Connor Davies, LLP

Harrison, New York
September 27, 2018

Reader's Digest Partners for Sight Foundation

Statements of Financial Position

	June 30,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 95,907	\$ 297,345
Investments	12,669,374	12,246,800
Subscriptions receivable	19,973	17,563
Prepaid expenses	22,598	14,516
Security deposit	<u>1,800</u>	<u>1,800</u>
	<u>\$ 12,809,652</u>	<u>\$ 12,578,024</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 55,000	\$ 55,000
Accrued expenses	32,655	41,703
Unearned subscription revenue	<u>553,397</u>	<u>562,721</u>
Total Liabilities	641,052	659,424
Net Assets		
Unrestricted	<u>12,168,600</u>	<u>11,918,600</u>
	<u>\$ 12,809,652</u>	<u>\$ 12,578,024</u>

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Statements of Activities

	Year Ended June 30,	
	<u>2018</u>	<u>2017</u>
REVENUE, OTHER INCOME AND PUBLIC SUPPORT		
Selet Editions Large Type (SELT) subscription revenues	\$ 1,004,255	\$ 1,060,148
Investment Income, net	800,791	1,182,028
Excise and sales tax refunds	31,167	3,292
Fiscal sponsorship fee	2,000	-
Contributions	<u>144,421</u>	<u>53,464</u>
Total Revenue, Other Income and Public Support	1,982,634	2,298,932
EXPENSES		
Program Services		
SELT	787,703	807,967
Grantmaking	<u>862,446</u>	<u>711,711</u>
Total program services	1,650,149	1,519,678
Management and general	<u>82,485</u>	<u>84,891</u>
Total Expenses	<u>1,732,634</u>	<u>1,604,569</u>
Change in Unrestricted Net Assets	250,000	694,363
NET ASSETS		
Unrestricted Net Assets		
Beginning of year	<u>11,918,600</u>	<u>11,224,237</u>
Total Net Assets at End of Year	<u>\$ 12,168,600</u>	<u>\$ 11,918,600</u>

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 250,000	\$ 694,363
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized loss (gain) on investments	(838,957)	(236,970)
Unrealized (gain) loss on investments	213,405	(792,476)
Changes in operating assets and liabilities		
Subscriptions receivable	(2,410)	4,050
Grants payable	-	(7,000)
Accrued expenses	(9,048)	3,852
Prepaid expenses	(8,082)	(9,834)
Prepaid federal income tax and franchise fees	-	9,031
Unearned subscription revenue	(9,324)	(64,033)
Net Cash from Operating Activities	(404,416)	(399,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,663,685	(1,442,407)
Purchase of investments	(3,460,707)	2,050,900
Net Cash from Investing Activities	202,978	608,493
Net Change in Cash and Cash Equivalents	(201,438)	209,476
CASH AND CASH EQUIVALENTS		
Beginning of year	297,345	87,869
End of year	\$ 95,907	\$ 297,345

See notes to financial statements

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017

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.

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) of the Internal Revenue Code ("IRC") and is considered a public charity as described in section 509(a) (2) of the IRC.

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, 2015.

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 27, 2018.

Reclassifications

Certain amounts in the June 30, 2017 financial statements have been reclassified to conform with the presentation in the June 30, 2018 financial statements.

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2018 and 2017

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:

	2018	2017
Level 1 (Quoted Prices in Active Markets)		
Mutual Funds/Exchange Traded Funds		
Global Fixed Income	\$ 2,499,058	\$ 2,276,050
Short Term Fixed Income	381,505	46,533
US Equity	3,556,280	3,529,568
Non-US Equity	3,336,428	3,622,320
Commodities	-	-
Real Estate	909,051	883,649
Other Funds	1,917,304	1,767,346
Total Level 1 Investments	12,599,626	12,125,466
Cash held for investment	69,748	121,334
Total Investments	\$ 12,669,374	\$ 12,246,800

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

	2018	2017
Interest and dividends	\$ 225,239	\$ 202,582
Net realized gain (loss)	838,957	236,970
Unrealized gain (loss)	(213,405)	792,476
Investment expenses	(50,000)	(50,000)
	\$ 800,791	\$ 1,182,028

Reader's Digest Partners for Sight Foundation

Notes to Financial Statements
June 30, 2018 and 2017

5. 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, 2018 is \$21,600.

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Reader's Digest Partners for Sight Foundation

Supplemental Information
June 30, 2018 and 2017

Reader's Digest Partners for Sight Foundation

Schedule of Functional Expenses
Year ended June 30, 2018

	Program Services				
	SELT Publication	Grant Making	Total Program	Management and General	Total Expenses
Salaries	\$ 77,147	\$ 121,231	\$ 198,378	\$ 22,042	\$ 220,420
Employee benefits and payroll tax	<u>14,105</u>	<u>22,164</u>	<u>36,269</u>	<u>4,030</u>	<u>40,299</u>
Total Personnel Expense	91,252	143,395	234,647	26,072	260,719
 Nonpersonnel Expense					
Grants	-	711,440	711,440	-	711,440
Production costs	398,847	-	398,847	-	398,847
Fulfillment costs	54,933	-	54,933	-	54,933
Promotion and billing	210,733	-	210,733	-	210,733
Consultants	14,748	-	14,748	-	14,748
Professional fees	-	788	788	35,797	36,585
Rent	10,800	-	10,800	10,800	21,600
Travel	-	6,823	6,823	555	7,378
Bank fees	6,390	-	6,390	-	6,390
Insurance	-	-	-	446	446
Office expense	-	-	-	2,152	2,152
Subscriptions	-	-	-	2,110	2,110
Website	-	-	-	1,935	1,935
Miscellaneous	-	-	-	2,618	2,618
	<u>\$ 787,703</u>	<u>\$ 862,446</u>	<u>\$ 1,650,149</u>	<u>\$ 82,485</u>	<u>\$ 1,732,634</u>

Reader's Digest Partners for Sight Foundation

Schedule of Functional Expenses
Year ended June 30, 2017

	<u>Program Services</u>				
	<u>SELT</u>	<u>Grant</u>	<u>Total</u>	<u>Management</u>	<u>Total</u>
	<u>Publication</u>	<u>Making</u>	<u>Program</u>	<u>and General</u>	<u>Expenses</u>
Salaries	\$ 86,108	\$ 109,839	\$ 195,947	\$ 29,697	\$ 225,644
Employee benefits and payroll tax	<u>14,210</u>	<u>18,127</u>	<u>32,337</u>	<u>4,900</u>	<u>37,237</u>
Total Personnel Expense	100,318	127,966	228,284	34,597	262,881
 Nonpersonnel Expense					
Grants	-	573,098	573,098	-	573,098
Production costs	426,040	-	426,040	-	426,040
Fulfillment costs	69,301	-	69,301	-	69,301
Promotion and billing	183,327	-	183,327	-	183,327
Consultants	14,748	-	14,748	-	14,748
Professional fees	-	900	900	33,150	34,050
Rent	9,750	4,875	14,625	4,875	19,500
Travel	-	4,665	4,665	2,512	7,177
Bank fees	4,321	-	4,321	-	4,321
Insurance	162	207	369	56	425
Office expense	-	-	-	1,265	1,265
Subscriptions	-	-	-	2,046	2,046
Website	-	-	-	3,280	3,280
Miscellaneous	-	-	-	3,110	3,110
	<u>\$ 807,967</u>	<u>\$ 711,711</u>	<u>\$1,519,678</u>	<u>\$ 84,891</u>	<u>\$1,604,569</u>