

*Paul H. Koehler*

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Certified Public Accountant

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Report of Independent Auditor

The Board of Trustees  
Christian Record Services, Inc.

I have audited the accompanying statements of financial position of Christian Record Services, Inc. as of December 31, 2005 and 2004, and the related statements of activities and cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Record Services, Inc. at December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 30, 2006

*Paul H. Koehler, CPA*

**CHRISTIAN RECORD SERVICES, INC.**  
**Statements of Financial Position**  
**December 31, 2005 and 2004**

	Current Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2005 Total Funds	2004 Total Funds
<b>ASSETS</b>						
<u>Current Assets</u>						
Cash and Cash Equivalents	\$ 189,060	5,755	36,542	30,602	261,959	176,262
Short Term Investments (Note 2)	7,332	103,101	4,360	62,724	177,517	362,944
Accounts Receivable	203,380	0	0	42	203,422	381,408
Notes Receivable	10,459	0	0	0	10,459	1,998
Supplies Inventory, at cost	327,610	0	0	0	327,610	291,925
Prepaid Expense	24,000	0	0	0	24,000	24,000
<b>Total Current Assets</b>	<b>761,841</b>	<b>108,856</b>	<b>40,902</b>	<b>93,368</b>	<b>1,004,967</b>	<b>1,238,537</b>
Investments (Note 2)	164,757	404,971	0	1,194,485	1,764,213	2,080,413
Beneficial Interest in Trust Assets	0	0	0	1,858,755	1,858,755	1,896,013
Plant Assets, Net (Note 3)	0	0	1,052,409	0	1,052,409	1,128,518
<b>TOTAL ASSETS</b>	<b>\$ 926,598</b>	<b>513,827</b>	<b>1,093,311</b>	<b>3,146,608</b>	<b>5,680,344</b>	<b>6,343,481</b>
<b>LIABILITIES AND NET ASSETS</b>						
<u>Current Liabilities</u>						
Accounts Payable (Note 5)	523,634	0	0	2,189	525,823	463,954
Accrued Expenses	335,195	0	0	0	335,195	293,710
Interfund Payables (Receivables)	107,617	(60,784)	24,725	(71,558)	0	0
<b>Total Current Liabilities</b>	<b>966,446</b>	<b>(60,784)</b>	<b>24,725</b>	<b>(69,370)</b>	<b>861,018</b>	<b>757,664</b>
Notes Payable (Affiliate) (note 5)	0	0	10,308	0	10,308	15,347
Refundable Advances (Rev. Trusts)	0	0	0	14,250	14,250	18,250
Present Value of Trusts Payable	0	0	0	47,335	47,335	47,890
Present Value of Annuities Payable	0	0	0	639,182	639,182	663,006
<b>Total Liabilities</b>	<b>966,446</b>	<b>(60,784)</b>	<b>35,033</b>	<b>631,398</b>	<b>1,572,093</b>	<b>1,502,157</b>
<b>Net Assets</b>	<b>(39,848)</b>	<b>162,530</b>	<b>1,021,930</b>	<b>515,760</b>	<b>1,660,372</b>	<b>2,403,478</b>
Unrestricted (Note 6)	0	319,152	36,348	140,695	496,195	448,904
Temporarily Restricted (Note 6)	0	92,929	0	1,858,755	1,951,684	1,988,942
Permanently Restricted (Note 6)	(39,848)	574,611	1,058,278	2,515,210	4,108,251	4,841,324
<b>Total Net Assets</b>	<b>\$ 926,598</b>	<b>513,827</b>	<b>1,093,311</b>	<b>3,146,608</b>	<b>5,680,344</b>	<b>6,343,481</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 926,598</b>	<b>513,827</b>	<b>1,093,311</b>	<b>3,146,608</b>	<b>5,680,344</b>	<b>6,343,481</b>

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

**CHRISTIAN RECORD SERVICES, INC.**  
**Statements of Activities**  
**For Years Ended December 31, 2005 and 2004**

	Current Fund	Special Purpose Fund	Plant Fund	Annuities & Trusts Fund	2005 Total Funds	2004 Total Fund
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>						
<u>Revenue and Support</u>						
Contributions Remitted by District Reps	\$ 2,605,850	0	0	0	2,605,850	2,594,922
Direct Mail	1,702,436	0	0	0	1,702,436	1,575,249
<i>Other Contributions</i>	61,446	0	535	0	61,981	28,550
Offerings from Associated Churches	393,614	0	0	0	393,614	365,965
Legacies and Bequests	524,139	0	0	23,824	547,963	935,836
Annuity net change	0	0	0	(14,844)	(14,844)	(12,757)
Investment Income	12,861	16,683	495	52,736	82,775	104,858
Miscellaneous	95,930	(3,930)	3,195	0	95,195	106,932
Net Assets Released from Restrictions	93,679	1,775	853	8,239	104,546	53,711
Total Revenue, Support, and Net Assets Released from Restrictions	5,489,955	14,528	5,078	69,955	5,579,516	5,753,266
<u>Expenses</u>						
<u>Program Services</u>						
Personal Services	819,943	0	1,276	0	821,219	735,145
Production of Periodicals	378,746	0	61,809	0	440,555	594,444
Lending Library	403,541	0	16,318	0	419,859	252,855
Public Information & Education	1,545,028	0	10,232	16,000	1,571,260	1,423,513
Other Direct Services	798,446	1,077	3,690	23,771	826,984	646,366
Total Program Services	3,945,704	1,077	93,325	39,771	4,079,877	3,652,323
<u>Supporting Activities</u>						
Fund Raising	1,561,373	0	3,555	0	1,564,928	1,603,219
Administration and General	612,626	184	12,360	52,647	677,817	581,323
Total Supporting Activities	2,173,999	184	15,915	52,647	2,242,745	2,184,542
Total Expenses	6,119,703	1,261	109,240	92,418	6,322,622	5,836,865
Increase (Decrease) in Unrestricted Net Assets	(629,748)	13,267	(104,162)	(22,463)	(743,106)	(83,599)

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

**CHRISTIAN RECORD SERVICES, INC.**  
**Statements of Activities - Continued**  
**For Years Ended December 31, 2005 and 2004**

	Current Fund	Special Literature Fund	Plant Fund	Annuities & Trusts Fund	2005 Total Funds	2004 Total Funds
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>						
Increase (Decrease) in Unrestricted Net Assets	\$ (629,748)	13,267	(104,162)	(22,463)	(743,106)	(83,599)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>						
Contributions Remitted by District Reps	0	0	13,500	0	13,500	15,300
Direct Mail	0	0	360	0	360	2,322
Other Contributions	652	3,595	853	0	5,100	744
Legacies and Bequests	93,027	28,620	0	0	121,647	0
Investment Income	0	3,075	0	8,155	11,230	12,229
Net Trust Increase (Decrease)	0	0	0	0	0	(5,472)
Net Asset Released from Restrictions	(93,679)	(1,775)	(853)	(8,239)	(104,546)	(53,711)
Increase (Decrease) in Temp. Rest. Net Assets	0	33,515	13,860	(84)	47,291	(28,588)
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>						
Increase in Beneficial Interest in Trust Assets	0	0	0	(37,258)	(37,258)	91,820
Increase in Perm. Restricted Net Assets	0	0	0	(37,258)	(37,258)	91,820
Change in Net Assets	(629,748)	46,782	(90,302)	(59,805)	(733,073)	(20,367)
Net Assets, Beginning of Year	589,900	527,829	1,148,580	2,575,015	4,841,324	4,861,691
Net Assets, End of Year	<u>\$ (39,848)</u>	<u>574,611</u>	<u>1,058,278</u>	<u>2,515,210</u>	<u>4,108,251</u>	<u>4,841,324</u>

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

**CHRISTIAN RECORD SERVICES, INC.**  
**Statements of Cash Flows**  
**For Years Ended December 31, 2005 and 2004**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (733,073)	(20,367)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation Expense	108,568	80,724
Bad Debt Expense	35,000	0
Loss on Disposal of Plant Assets	279	13,622
Unrealized Market (Gain) Loss	22,315	(30,984)
(Increase) Decrease in Beneficial Interest in Trust Assets	37,258	(91,819)
Actuarial (Gain) Loss on Annuity Obligations	(24,379)	(74,263)
Decrease - Accounts Receivable	142,986	275,038
(Increase) Decrease - Inventories	(35,685)	1,242
Increase - Accounts Payable	61,869	120,464
Increase - Accrued Expenses	41,485	16,423
Decrease - Refundable Advances	(4,000)	0
Net Cash Provided (Used) by Operating Activities	(347,377)	290,080
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Maturity of Investments	600,509	416,111
Purchases of Investments	(121,196)	(441,207)
Purchases of Plant Assets	(32,738)	(243,152)
Loans made to Employees	(11,500)	0
Payments Received on Loans	3,039	1,476
Net Cash Provided (Used) in Investing Activities	438,114	(266,772)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payment on Note Payable	(5,040)	(4,813)
Net Cash used by Financing Activities	(5,040)	(4,813)
Net Increase in Cash and Cash Equivalents	85,697	18,495
Cash and Cash Equivalents, Beginning of Year	176,262	157,767
Cash and Cash Equivalents, End of Year	\$ 261,959	176,262
<b>SUPPLEMENTAL DATA</b>		
Interest Paid	671	989
Non-cash Financing Transaction - Change in Beneficial Interest in Trust Assets	(37,258)	91,819

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



**CHRISTIAN RECORD SERVICES, INC.**  
**Statement of Functional Expenses**  
**For Year Ended December 31, 2004**

	Program Services						Supporting Activities			
	Personal Services	Production of Periodicals	Lending Library	Public Information & Education	National Camps and Other Direct Svcs	Total Program	Fund Raising	Admin. and General	Total Supporting	Total Expenses
Salaries	\$ 352,923	391,022	123,316	597,185	153,611	1,618,057	453,000	269,900	722,900	2,340,957
Employee Benefits	157,933	178,150	54,957	264,757	63,266	719,063	209,397	103,491	312,888	1,031,951
Payroll Taxes, etc.	38,939	41,273	13,513	65,634	16,663	176,022	50,540	24,808	75,348	251,370
Total Salaries and Related Expense	549,795	610,445	191,786	927,576	233,540	2,513,142	712,937	398,199	1,111,136	3,624,278
Professional Fees	0	0	0	0	0	0	0	53,721	53,721	53,721
Supplies	804	125,713	(2,986)	51,757	1,955	177,243	13,752	4,971	18,723	195,966
Telephone	1,702	2,626	1,833	4,024	1,835	12,020	2,858	6,219	9,077	21,097
Postage and Shipping	4,629	3,493	3,416	59,321	5,380	76,239	283,964	2,140	286,104	362,341
Occupancy and Depreciation	6,080	113,175	24,230	19,446	13,433	176,364	13,932	34,075	48,007	224,371
Contracted Services	0	10,250	0	1,745	0	11,995	3,786	37	3,823	15,818
Equipment Rental and Maintenance	487	25,079	1,966	3,943	1,255	32,730	3,833	4,354	8,187	40,917
Outside Printing Lists & Computer	0	1,310	0	13,320	0	14,630	95,075	6,600	101,675	116,305
Transportation and Auto Insurance	129,808	8,152	2,108	192,355	39,066	371,489	129,050	35,094	164,144	535,633
Conferences, Conventions, & Rallies	8,606	787	214	15,056	2,703	27,366	9,184	8,593	17,777	45,143
Subscriptions and Ref. Publications	17	137	17	106	16	293	177	3,837	4,014	4,307
Specific Assistance to Individuals	0	0	0	0	0	312,912	0	0	0	312,912
Permits/Fees/Registr./Membership	36	849	4	265	746	1,900	5,365	1,070	6,435	8,335
Miscellaneous	6,494	1,254	578	34,723	2,284	45,333	11,877	15,124	27,001	72,334
Job Printing Supplies	7,659	72,879	9,781	23,460	10,007	123,786	78,742	857	79,599	203,385
Job Ticket Labor & Overhead Alloc.	716,117	976,149	232,947	1,347,097	625,132	3,897,442	1,364,532	574,891	1,939,423	5,836,865
	19,028	(381,705)	19,908	76,416	21,234	(245,119)	238,687	6,432	245,119	0
Total Expense	\$ 735,145	594,444	252,855	1,423,513	646,366	3,652,323	1,603,219	581,323	2,184,542	5,836,865

**CHRISTIAN RECORD SERVICES, INC.**  
**Notes to the Financial Statements**  
**December 31, 2005 and 2004**

**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 and Presentation**

The Organization reports in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

**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.

**Reclassifications**

Certain reclassifications have been made to the 2004 amounts to conform to the 2005 presentation.

**Contributions**

The Organization accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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. Support that is restricted by the donor is reported through December 31, 2004, as an increase in unrestricted net assets if the restrictions are met in the same reporting period in which the support is recognized. All other 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.

**Donated Equipment and Services**

The Organization receives the use of certain equipment or facilities and significant amounts of donated services related to its tape recording of books as well as the operation of its camps for blind individuals. Unspecialized services were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116. However, included in Other Contributions in the Statement of Activities for 2005 is approximately \$30,000 of specialized services and other "in-kind" contributions received.

**Joint Cost Allocation**

In 2005 and 2004, 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 \$3,136,188 and \$3,026,732, respectively, of joint costs which are not specifically attributable to a particular component of the activities. In conformity with AICPA Statement of Position 98-2 these joint costs were allocated as follows:

		<u>2005</u>	<u>2004</u>
Program Services:	Public Information & Education	\$ 1,571,260	1,423,513
Supporting Activities:	Fund Raising	<u>1,564,928</u>	<u>1,603,219</u>
	Total	<u>\$ 3,136,188</u>	<u>3,026,732.</u>

**CHRISTIAN RECORD SERVICES, INC.**  
**Notes to the Financial Statements**  
**December 31, 2005 and 2004**

**Note 1 - Organization and Significant Accounting Policies (Continued)**

**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 gains and losses are included in the statement of activities.

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 a 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. 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 four 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**

	2005		2004	
	Cost	Fair Value	Cost	Fair Value
Misc. Stocks, Bonds, & Savings Accounts	\$ 77,511	77,517	26,021	35,571
Mid-America Union Revolving Fund	100,000	100,000	100,000	100,000
Investment Funds	1,276,863	1,410,186	1,811,390	1,973,782
Mutual Funds	196,778	354,027	193,054	334,004
Aggregate Cost and Fair Value	<u>\$ 1,651,152</u>	<u>1,941,730</u>	<u>2,130,465</u>	<u>2,443,357</u>

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

Short-term Investments	177,517	362,944
Other Investments	<u>1,764,213</u>	<u>2,080,413</u>
	<u>\$ 1,941,730</u>	<u>2,443,357</u>

**CHRISTIAN RECORD SERVICES, INC.**  
**Notes to the Financial Statements**  
**December 31, 2005 and 2004**

**Note 2 - Investments (Continued)**

Total investment return for the years ended December 31, 2005 and 2004 consists of the following:

	2005	2004
Investment Income - Unrestricted	\$ 21,531	14,240
Investment Income - Unrestricted - Annuities	52,652	60,566
Net Realized Gains - Unrestricted	8	3,081
Net Realized Gains - Unrestricted - Annuities	24,064	14,773
Net Unrealized Gains (Losses) - Unrestricted	(4,463)	2,311
Net Unrealized Gains (Losses) - Unrestricted - Annuities	(39,462)	(12,047)
Investment Income - Temporarily Restricted	19,821	19,974
Net Unrealized Gains - Temporarily Restricted	0	7,790
Total Investment Return	\$ 74,151	110,688

**Note 3 - Plant Assets**

Land	35,622	35,622
Land Improvements	74,544	74,544
Buildings	1,134,632	1,133,603
Equipment	1,547,084	1,523,659
Motor Vehicles	35,239	33,145
Total Cost	2,827,121	2,800,573
Less Accumulated Depreciation	(1,774,712)	(1,672,055)
Net Plant Assets	\$ 1,052,409	1,128,518

**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 \$100,000. Cash at this institution exceeded the FDIC limit by \$13,051 and \$296,365 as of December 31, 2005 and 2004, respectively.

**Note 5 - Related Party Transactions**

The General Conference of Seventh-day Adventists(GC) denomination, 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 NAD to carry out its services for the blind and visually impaired, and through shared membership on the respective governing committees of both NAD and MAUC. Significant transactions occur between the Organization and these organizations, including:

During 2002 the Organization invested \$100,000 with the MAUC Revolving Fund and also obtained a loan of \$25,000 from the Revolving Fund. The balance of the investment at December 31, 2005 is \$100,000. The balance of the loan at 5.5% was \$10,308 and \$15,347 as of December 31, 2005 and 2004, respectively.

The Organization received contributions from Seventh-day Adventist Church offerings through the North American Division of \$393,614 and \$365,965 in 2005 and 2004, respectively. These contributions are recorded in the Current Fund and are used for denominational publications.

Included in accounts payable are amounts due to the NAD of \$104,482 and \$59,351 at December 31, 2005 and 2004, respectively.

**CHRISTIAN RECORD SERVICES, INC.**  
**Notes to the Financial Statements**  
**December 31, 2005 and 2004**

**Note 5 - Related Party Transactions (Continued)**

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 multiple-employer plan of a church-related agency.

The Organization contributed \$271,957 and \$273,726 to these plans for the years ended December 31, 2005 and 2004, 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 \$130,070 and \$124,013 to the plan for the years ended December 31, 2005 and 2004, 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 General Conference executive committee. 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. (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. Christian Record Services, Inc. sold materials in the amount of \$54,534 and \$77,439 to Christian to Christian Record Services, Inc. (Canada) for the years ended December 31, 2005 and 2004, respectively. Christian Record Services, Inc. is receiving partial payments from Christian Record Service, Inc. (Canada) on current and prior year billings resulting in accounts receivable in the amount of \$103,135, net of an allowance for uncollectible amounts of \$35,000, and \$130,080 as of December 31, 2005 and 2004, respectively.

**CHRISTIAN RECORD SERVICES, INC.**  
**Notes to the Financial Statements**  
**December 31, 2005 and 2004**

**Note 6 - Net Assets**

Unrestricted net assets represent funds available to support the Organization's operations at the discretion of the governing board.

The Board of Trustees has designated net assets related to a matured estate to be held in perpetuity. Additionally, 10% of current income from the related investments is to be added to the designated amount. The remaining income from the related investments may be used for general operating purposes of the Organization. As of December 31, 2005 and 2004, approximately \$630,000 has been designated.

Temporarily restricted net assets may only be utilized in accordance with the limitations established by the donors of such funds. Temporarily restricted net assets are available for the following purposes or periods:

	2005	2004
Funding for blind children from Oregon to go to camp, purchase of Bibles for the blind, and other special projects	\$ 319,152	285,637
Buildings and Equipment	36,348	22,488
For Period after Trust Maturity	140,695	140,779
	<u>\$ 496,195</u>	<u>448,904</u>

Net assets were released from restrictions as follows:

Special Projects Expenses	95,454	24,018
Purchase of Equipment	853	20,000
Required Payments to Uni-trustor	8,239	9,693
	<u>\$ 104,546</u>	<u>53,711</u>

Permanently restricted net assets represent funds 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 purpose 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	479,583	500,418
National Camps for the Blind	1,200,155	1,215,401
Blind Services-Unrestricted	190,208	191,385
	<u>\$ 1,951,684</u>	<u>1,988,942</u>

**Note 7 - Bequests Benefitting the Organization**

The Organization served as trustee of one charitable remainder trust and one other unconditional irrevocable trust as of December 31, 2005 and 2004. 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 2 revocable trusts as of December 31, 2005 and 2004. These agreements are conditional, as the trustor can revoke the agreement, and are shown as refundable advances, a liability of the Organization.