



CHRISTIAN RELIEF SERVICES, INC.

Financial Statements

For the Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)



and
Report Thereon



CHRISTIAN RELIEF SERVICES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Relief Services, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of Christian Relief Services, Inc. (the Organization), an affiliate of Christian Relief Services Charities, Inc., as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated November 3, 2010, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011, 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.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
October 14, 2011

CHRISTIAN RELIEF SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011
(With Summarized Financial Information as of June 30, 2010)

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 294,795	\$ 325,546
Grants and contributions receivable, net	44,318	250,790
Accounts receivable	45,590	98,635
Contributed relief materials inventory	98,542	-
Prepaid expenses	159,414	-
Investments	373,084	314,979
Property and equipment, net	36,518	57,742
Deposits	1,125	1,125
	\$ 1,053,386	\$ 1,048,817
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 140,964	\$ 279,685
Due to affiliates	2,367	163,514
Deposits payable	13,730	24,214
Security deposits	5,525	5,878
Deferred revenue	35,508	27,438
	198,094	500,729
Net Assets		
Unrestricted	284,578	287,298
Temporarily restricted	570,714	260,790
	855,292	548,088
TOTAL NET ASSETS	855,292	548,088
TOTAL LIABILITIES AND NET ASSETS	\$ 1,053,386	\$ 1,048,817

The accompanying notes are an integral part of these financial statements.

CHRISTIAN RELIEF SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

	2011		2010	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions	\$ 10,909,426	\$ -	\$ 10,909,426	\$ 8,981,526
Cash contributions	6,990,250	127,858	7,118,108	7,342,346
Cash contributions from affiliates	-	2,590,217	2,590,217	878,491
Donated housing	968,748	-	968,748	968,748
Wills and bequests	29,817	789,705	819,522	1,222,071
Housing rental and related income	235,341	-	235,341	200,350
Government grants	125,185	-	125,185	127,598
Rental income	44,931	-	44,931	45,982
Investment income	40,597	-	40,597	41,712
Workplace campaign	-	41,300	41,300	36,718
Other income	29,145	-	29,145	12,282
Net assets released from restrictions:				
Satisfaction of time restrictions	40,772	(40,772)	-	-
Satisfaction of purpose restrictions	3,198,384	(3,198,384)	-	-
	22,612,596	309,924	22,922,520	19,857,824
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program Services:				
Domestic programs	2,485,299	-	2,485,299	1,612,259
American Indian programs	4,249,683	-	4,249,683	3,467,760
International programs	9,543,071	-	9,543,071	8,116,247
Housing programs	2,299,284	-	2,299,284	2,060,068
	18,577,337	-	18,577,337	15,256,334
Supporting Services:				
Management and general	256,456	-	256,456	300,607
Fundraising	3,781,523	-	3,781,523	3,865,745
	4,037,979	-	4,037,979	4,166,352
	22,615,316	-	22,615,316	19,422,686
TOTAL EXPENSES				
CHANGE IN NET ASSETS	(2,720)	309,924	307,204	435,138
NET ASSETS, BEGINNING OF YEAR	287,298	260,790	548,088	112,950
NET ASSETS, END OF YEAR	\$ 284,578	\$ 570,714	\$ 855,292	\$ 548,088

The accompanying notes are an integral part of these financial statements.

CHRISTIAN RELIEF SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

	Program Services					Supporting Services		2011 Total	2010 Total
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total Programs	Management and General	Fundraising		
Donated relief materials and services	\$ 1,156,099	\$ 1,305,045	\$ 8,352,608	\$ -	\$ 10,813,752	\$ -	\$ -	\$ 10,813,752	\$ 8,981,526
Printing and production	323,784	762,853	52,452	-	1,139,089	511	2,172,872	3,312,472	2,785,645
Cash grants - affiliates	363,549	1,051,303	496,916	406,634	2,318,402	-	-	2,318,402	1,635,642
Postage	92,791	276,149	36,453	-	405,393	77	1,037,654	1,443,124	1,297,190
Rent	19,627	19,627	19,627	992,134	1,051,015	6,567	51,999	1,109,581	1,118,050
Wages and fringe benefits	74,416	93,274	106,432	427,388	701,510	51,434	344,967	1,097,911	1,184,256
Procurement fees	311,978	557,193	88,266	-	957,437	-	-	957,437	790,560
Cash grants	96,100	8,475	354,269	-	458,844	-	-	458,844	523,074
Operating expenses - housing	-	-	-	401,327	401,327	-	-	401,327	365,463
Shipping	33,818	71,983	16,843	292	122,936	764	5,163	128,863	181,020
Contract services	-	60,000	-	-	60,000	15,633	48,550	124,183	144,848
Payroll taxes	4,971	6,268	6,716	25,822	43,777	3,663	19,382	66,822	76,493
Professional and consulting	-	-	-	427	427	56,462	-	56,889	34,065
Bank charges	-	-	-	-	-	53,786	-	53,786	44,943
List rental	-	2,116	3,664	-	5,780	-	37,365	43,145	60,523
Operating expenses - Terry Lynn	-	-	-	28,632	28,632	-	-	28,632	30,690
Interest expense	-	-	-	-	-	26,919	-	26,919	2,367
Depreciation and amortization	-	22,779	-	-	22,779	274	2,220	25,273	25,414
Office supplies, dues and subscriptions	274	985	152	879	2,290	14,274	7,473	24,037	25,307
Data processing services and supplies	296	1,045	851	666	2,858	531	14,677	18,066	25,124
Miscellaneous	-	-	-	9,755	9,755	6,702	1,290	17,747	482
Repairs and maintenance	757	2,541	757	764	4,819	1,000	10,576	16,395	18,368
General insurance	2,940	4,148	2,940	3,052	13,080	189	1,652	14,921	20,192
Telephone	1,320	1,320	1,367	1,002	5,009	460	8,553	14,022	13,339
Equipment rental	97	97	220	287	701	274	12,488	13,463	14,749
Provision for doubtful accounts	-	-	-	(210)	(210)	11,993	-	11,783	8,735
Utilities	1,896	1,896	1,849	-	5,641	-	3,303	8,944	7,770
Real estate taxes	104	104	104	-	312	4,888	113	5,313	3,131
Meetings and travel	482	482	585	433	1,982	55	676	2,713	3,433
Advertising	-	-	-	-	-	-	550	550	250
Fees and commissions	-	-	-	-	-	-	-	-	6
Volunteer expense	-	-	-	-	-	-	-	-	31
TOTAL EXPENSES	\$ 2,485,299	\$ 4,249,683	\$ 9,543,071	\$ 2,299,284	\$ 18,577,337	\$ 256,456	\$ 3,781,523	\$ 22,615,316	\$ 19,422,686

The accompanying notes are an integral part of these financial statements.

CHRISTIAN RELIEF SERVICES, INC.**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 307,204	\$ 435,138
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,937	28,471
Provision for doubtful accounts	11,783	12,296
Unrealized gains on investments	(23,408)	(26,451)
Realized loss (gains) on investments	(907)	306
Changes in assets and liabilities:		
Grants and contributions receivable	194,689	(174,945)
Accounts receivable	53,045	(95,785)
Prepaid expenses	(159,414)	-
Contributed relief materials inventory	(98,542)	15,474
Accounts payable and accrued expenses	(138,721)	(55,171)
Due to affiliates	(161,147)	(215,873)
Deposits payable	(10,484)	5,655
Security deposits	(353)	(1,725)
Deferred revenue	8,070	11,228
	<u>8,752</u>	<u>(61,382)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>8,752</u>	<u>(61,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,713)	-
Purchase of investments	(33,790)	-
	<u>(39,503)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(39,503)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,000,000	-
Payment of line of credit	(1,000,000)	(600,000)
	<u>-</u>	<u>(600,000)</u>
NET CASH USED IN FINANCING ACTIVITIES		
	<u>-</u>	<u>(600,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,751)	(661,382)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>325,546</u>	<u>986,928</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 294,795</u>	<u>\$ 325,546</u>
SUPPLEMENTAL DISCLOSURES		
Actual cash paid for interest	<u>\$ 26,919</u>	<u>\$ 2,367</u>

The accompanying notes are an integral part of these financial statements.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1. Organization and Summary of Significant Accounting Policies

Organization

Christian Relief Services, Inc. (the Organization) was incorporated in February 1998 under the Virginia Nonstock Corporation Act to provide funding, technical support services and donated relief materials to communities striving to break the stranglehold of poverty in order to achieve sustainable solutions. Many communities within the U.S., and throughout the world, suffer from a lack of basic infrastructure services – clean water, medicine, education, and housing. On July 1, 1998, the Organization began operations as a 501(c)(3) organization approved by the Internal Revenue Service (IRS) under the group exemption authority of Christian Relief Services Charities, Inc. (CRSC). The Organization works closely with partner charities, including, to a great extent, with its affiliates and parent, individuals and nongovernmental organizations embedded in targeted communities, to determine effective ways of sharing resources and creating long-term solutions for the alleviation of human suffering, misery, pain and disability in the world by advancing and improving the welfare of all persons while preserving native heritages, customs and beliefs, which includes the acquisition of low-income housing and developing, renovating and managing housing for persons of limited means, the disabled and the elderly. The Organization receives most of its support from cash contributions from the public, contributed relief materials and relief materials purchased at a discount.

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Investments

Investments are recorded in the accompanying statement of financial position at fair value. 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.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of June 30, 2011, only the Organization's investments, as described in Note 5 of these financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost, or, if donated to the Organization, are recorded at fair value at the time of donation. Depreciation and amortization on furniture, office equipment, computer software and vehicles is provided using the straight-line method over their estimated useful lives, ranging from three to seven years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and amortization, and any gain or loss is reflected in revenue or expenses in the accompanying statement of activities. Major additions with a cost in excess of \$1,000 are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The net assets of the Organization are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

Revenue Recognition

Gifts and grants of cash and other assets are recognized as revenue at their net realizable value when an unconditional promise to give is received by the Organization. The Organization reports gifts and grants of cash and other assets as unrestricted support and available for general operations, unless specifically restricted by the donor.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying statement of activities.

Revenue recognized on contributions that have been committed to the Organization but have not been received is reflected as grants and contributions receivable in the accompanying statement of financial position. Grants and contributions receivable are reported net of an allowance for doubtful accounts. The allowance is based on historical collection experience and a review of the status of grants and contributions receivable. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Housing rental income is recognized as rentals become due. All contracts between the Organization and the tenants of the Organization's properties are considered operating leases. Service fee income is recognized as the contractual payments become due from clients who reside in the Organization's transitional and supportive housing programs and is included in housing rental and related income in the accompanying statement of activities. Amounts that have not been collected as of year-end are included in accounts receivable in the accompanying statement of financial position.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Wills and bequests are recognized at the time an unassailable right to the gift has been established, the proceeds are measurable and the Organization accepts the gift. Amounts that have not been collected as of year-end are included in grants and contributions receivable in the accompanying statement of activities.

Contributed Relief Materials, Donated Services and Housing

Contributed relief materials received by the Organization consist of food, clothing, hygiene products, shoes, school supplies, bedding, medical equipment, and medical supplies and are recorded as revenue and contributed relief materials inventory at fair market value at the time of receipt. Upon donation to CRSC or one of its affiliates, the materials are expensed at their fair market value at the time of donation.

Donated housing is recorded at its comparable market value during the time of use.

The Organization's programs are also furthered by a substantial number of nonprofessional volunteers who have contributed their services to the Organization. The value of these services is not reflected in the accompanying financial statements because the contributed services do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Costs directly related to program and/or supporting services are charged to that functional area. Expenses related to more than one function are allocated among the programs and supporting services benefited.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

2. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at their net realizable value. All receivables are expected to be collected within one year. The Organization has recorded an allowance for doubtful accounts of \$13,417.

3. Investments

The Organization's investments, at fair value, are summarized as follows:

Mutual funds	\$ 231,603
Exchange-traded funds	<u>141,481</u>
Total	<u>\$ 373,084</u>

A summary of investment income is as follows for the year ended June 30, 2011:

Interest and dividends	\$ 16,282
Unrealized gains	23,408
Realized gains	<u>907</u>
Total	<u>\$ 40,597</u>

Interest and dividends include \$483 of interest income earned from the Organization's bank accounts for the year ended June 30, 2011.

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2011:

Vehicles	\$ 100,078
Furniture, office equipment and software	<u>58,626</u>
Total Property and Equipment	158,704
Less: Accumulated Depreciation and Amortization	<u>(122,186)</u>
Net Property and Equipment	<u>\$ 36,518</u>

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

4. Property and Equipment (continued)

Depreciation and amortization expense was \$26,937 for the year ended June 30, 2011, and is shown in the following line items in the accompanying statement of functional expenses:

Depreciation and amortization	\$ 25,273
Operating expenses – housing	<u>1,664</u>
Total	<u>\$ 26,937</u>

5. Fair Value Measurements

The following table summarizes the Organization’s investments measured at fair value on a recurring basis as of June 30, 2011, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Equity funds:				
Large value funds	\$ 26,122	\$ 26,122	\$ -	\$ -
Mid cap funds	15,010	15,010	-	-
Real estate funds	8,016	8,016	-	-
Emerging markets funds	7,759	7,759	-	-
Large cap funds	7,534	7,534	-	-
Small cap funds	7,384	7,384	-	-
Foreign equity funds:				
Large blend funds	11,295	11,295	-	-
Large cap funds	7,467	7,467	-	-
Fixed income funds:				
Intermediate-term bonds	50,516	50,516	-	-
Short-term bonds	45,865	45,865	-	-
Inflation-protected bonds	19,300	19,300	-	-
High-yield bonds	14,908	14,908	-	-
Commodities	10,427	10,427	-	-

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

5. Fair Value Measurements (continued)

<i>(continued):</i>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Exchange-traded funds:				
Short-term government bond funds	\$ 38,357	\$ 38,357	\$ -	\$ -
Large blend funds	30,192	30,192	-	-
Intermediate term bond funds	27,189	27,189	-	-
Inflation-protected bond funds	23,234	23,234	-	-
Mid cap funds	7,559	7,559	-	-
Small cap funds	7,493	7,493	-	-
Foreign large blend funds	<u>7,457</u>	<u>7,457</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 373,084</u>	<u>\$ 373,084</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds and exchange-traded funds – Valued at quoted market prices for identical assets in active markets.

6. Line of Credit

On April 27, 2010, the Organization entered into a line of credit agreement with a financial institution in the amount of \$1,500,000. The line of credit is guaranteed by CRSC. The agreement was modified on May 24, 2011, extending the maturity date to July 27, 2011. On September 16, 2011, the agreement was modified again to extend the maturity date to July 27, 2012. Interest accrues on the unpaid principal at the variable rate of the bank's prime rate plus 0.5% per annum or 4.50%, whichever is higher. As of June 30, 2011, the rate was 4.50% and there was no outstanding balance on this line of credit.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

7. Temporarily Restricted Net Assets

As of June 30, 2011, net assets are restricted for use in the following programs or for future periods:

International programs	\$ 425,411
American Indian programs	114,546
Time restrictions	<u>30,757</u>
Total Temporarily Restricted Net Assets	<u>\$ 570,714</u>

8. Contributed Relief Materials and Services

The Organization records all contributed relief materials and services at the estimated fair value at the date of donation. During the year ended June 30, 2011, the donated relief materials and services were contributed for the following programs and are included in donated relief materials in the accompanying statement of functional expenses:

International programs	\$ 8,352,608
American Indian programs	1,305,045
Domestic programs	<u>1,156,099</u>
Total Contributed Relief Materials and Services	<u>\$ 10,813,752</u>

9. Transactions with Affiliates and Related Parties

Rent Expense

Effective July 1, 1999, the Organization entered into an agreement with Christian Relief Services of Virginia, Inc. (CRS Virginia), an affiliate of CRSC, for the use of housing units owned by CRS Virginia for the Organization's transitional housing program. The Organization is charged a monthly fee for use of the housing units. The term of the agreement is one year with 30 automatic one-year extensions, unless written notice is given within 30 days of the one-year expiration date. Rental fees were \$833,748 for the year ended June 30, 2011, which is included in rent expense in the accompanying statement of functional expenses. In addition, the Organization leases three homes and an apartment complex from CRSC. For the year ended June 30, 2011, the combined contribution of donated housing from CRSC for these properties totaled \$135,000. Donated rent and rental fees related to these properties totaled \$144,073, which is included in rent expense in the accompanying statement of functional expenses.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

9. Transactions with Affiliates and Related Parties (continued)

Contributions

The Organization is an affiliate of CRSC. The Organization and CRSC share a common Board. The Organization acts as the fundraising arm for CRSC and its affiliates. The Organization raises both cash and noncash contributions for CRSC and its affiliates, and the contributions are distributed to the entities based on program objectives and need.

During the year ended June 30, 2011, the Organization made noncash contributions of contributed relief materials to the following affiliates:

Bread and Water for Africa, Inc.	\$ 7,923,366
American Indian Youth Running Strong, Inc.	1,196,572
Americans Helping Americans, Inc.	1,156,099
Cheyenne River Youth Project, Inc.	<u>108,473</u>
Total Contributed Relief Materials Expense to Affiliates	<u>\$ 10,384,510</u>

During the year ended June 30, 2011, the Organization made cash contributions to the following affiliates:

Christian Relief Services Charities, Inc.	\$ 1,715,666
Americans Helping Americans, Inc.	211,721
Bread and Water for Africa, Inc.	243,227
Christian Relief Services of Virginia, Inc.	1,141
American Indian Youth Running Strong, Inc.	<u>146,647</u>
Total Cash Contributions to Affiliates	<u>\$ 2,318,402</u>

During the year ended June 30, 2011, the Organization received cash contributions from the following affiliates:

Christian Relief Services/21 st Century Campaign, Inc.	\$ 1,400,000
American Indian Youth Running Strong, Inc.	1,145,000
Bread and Water for Africa, Inc.	44,000
American Helping Americans, Inc.	<u>1,217</u>
Total Cash Contributions from Affiliates	<u>\$ 2,590,217</u>

As of June 30, 2011, the Organization owed CRSC \$2,367, which is included in due to affiliates in the accompanying statement of financial position. In addition, the Organization received a bequest that was intended for Bread and Water for Africa, Inc. Accounting standards state that if the recipient and the intended beneficiary are financially interrelated, the recipient will record the revenue in its financial statements upon receipt.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

9. Transactions with Affiliates and Related Parties (continued)

Contributions (continued)

As a result, Bread and Water for Africa, Inc.'s interest in net assets of \$414,143 is included in temporarily restricted wills and bequests in the accompanying statement of activities and will be released from restriction when the amount is transferred to Bread and Water for Africa, Inc.

The Organization is related to Wasser und Brot für Afrika (WBA) and Running Strong für die Indianerjugend (RSI), which are nonprofit organizations incorporated under German law, and Pain et Eau pour L'Afrique (PEA), which is a nonprofit organization incorporated under French law. The Organization has an agreement to provide advisory capacity services to WBA, RSI and PEA, as the entities have the same mission as the Organization. The Organization's Chief Executive Officer also sits on PEA's all-volunteer Board. During the year ended June 30, 2011, the Organization awarded WBA a charitable contribution of \$315,000, which is to be used in support of WBA's mission to promote positive change in Africa by supporting and strengthening grassroots initiatives for community self-sufficiency, health and education. During the year ended June 30, 2011, the Organization awarded PEA a charitable contribution of \$39,269 to be used to pay consultant fees and miscellaneous operating expenses.

10. Commitments and Contingencies

Celebrity Spokesperson Contract

On July 1, 2006, the Organization entered into a contract with an individual to act as a representative and spokesperson, which provides monthly payments of \$5,000 through June 30, 2013. In addition, the spokesperson is also entitled to reimbursement of expenses in connection with additional appearances, which should not exceed four appearances in any given year. The Organization can terminate the contract by giving the individual one year's written notice, during which time the Organization will continue to make the payments under the contract. In accordance with the contract terms, CRSC purchased two \$500,000 key man life insurance policies on the spokesperson, whereby CRSC is the sole beneficiary for one of the policies. The Organization makes the premium payments on one policy up to an agreed-upon amount.

Operating Leases

The Organization leases office facilities in Alexandria, Virginia, under a noncancelable lease expiring in April 2013. The annual base monthly rent is \$16,938. The lease agreement contains a provision for an increase in rent of 4% per annum on the anniversary of the lease.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

10. Commitments and Contingencies (continued)

Operating Leases (continued)

Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position. For the year ended June 30, 2011, rent expense related to this lease agreement was \$226,047, of which \$153,987 was allocated to CRSC and its affiliates. The Organization's rent expense amounted to \$72,060 for the year ended June 30, 2011, and is included in rent expense in the accompanying statement of functional expenses.

As of June 30, 2011, total future minimum lease payments under this lease are as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2012	\$ 236,251
2013	<u>204,487</u>
Total	<u>\$ 440,738</u>

In addition, the Organization leases two additional properties – a warehouse in Fredericksburg, Virginia, where in-kind goods are stored and an office in Raton, New Mexico, where the caging and fulfillment operations are located. For the year ended June 30, 2011, rent expense related to these leases was \$48,000 and \$11,700, respectively, and is included in rent expense in the accompanying statement of functional expenses.

11. Homes for the Homeless

The Organization subleases houses to qualified tenants who pay no more than 30% of their income in rent. CRS Virginia, an affiliate, owns 54 group homes, which the Organization leases from CRS Virginia. The Organization manages the operations of the homes. During the year ended June 30, 2011, the Organization incurred \$401,327 of operating expenses for the houses and recognized \$833,748 as a contribution of donated housing from CRS Virginia.

In addition, the Organization leases three homes from CRSC. These homes are utilized in a program operated by the Organization that provides housing to formerly homeless mentally handicapped individuals. During the year ended June 30, 2011, the Organization recognized \$63,600 as a contribution of donated housing from CRSC for these homes. The Organization also leases an apartment complex from CRSC. The apartment complex is utilized in a program

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

11. Homes for the Homeless (continued)

operated by the Organization that provides housing to low-income individuals. During the year ended June 30, 2011, the Organization recognized \$71,400 as contributions of donated housing from CRSC related to the apartment complex. During the year ended June 30, 2011, the Organization incurred \$28,632 of operating expenses for the houses.

12. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. The Organization may make matching contributions, dollar-for-dollar, up to 3% of each participant's salary. Employees are vested in employer contributions after five years of service. During the year ended June 30, 2011, pension expense related to this plan was \$23,635.

13. Joint Cost Allocation

During the year ended June 30, 2011, the Organization conducted some direct mail campaigns that incurred joint costs of \$2,633,156. These joint costs have been included in printing and production, postage and list rental costs in the accompanying statement of functional expenses and are allocated as follows:

American Indian programs	\$ 822,161
Domestic programs	352,964
International programs	68,684
Fundraising	<u>1,389,347</u>
Total	<u>\$ 2,633,156</u>

14. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2011, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

14. Income Taxes (continued)

taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2011, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2011, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

15. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

16. Reclassification

Certain reclassifications have been made to the 2010 financial statement balances to conform to the 2011 financial statement presentation.

17. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 14, 2011, the date the financial statements were available to be issued. Other than the extension of the line of credit disclosed in Note 6, there were no subsequent events that require recognition of, or disclosure in, the financial statements.