



CHRISTIAN RELIEF SERVICES, INC.

Financial Statements

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)



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, 2012, 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 2011 financial statements and, in our report dated October 14, 2011, 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, 2012, 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 26, 2012

CHRISTIAN RELIEF SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With Summarized Financial Information as of June 30, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 718,449	\$ 294,795
Grants and contributions receivable, net	31,880	44,318
Accounts receivable	29,715	45,590
Due from affiliates	80,646	-
Contributed relief materials inventory	580,896	98,542
Prepaid expenses	71,944	159,414
Investments	369,247	373,084
Property and equipment, net	37,169	36,518
Deposits	1,125	1,125
	\$ 1,921,071	\$ 1,053,386
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 94,604	\$ 140,964
Line of credit payable	1,110,000	-
Due to affiliates	27,061	2,367
Deposits payable	3,898	13,730
Security deposits	1,000	5,525
Deferred rent	16,115	27,438
Deferred revenue	7,933	8,070
	1,260,611	198,094
TOTAL LIABILITIES		
Net Assets		
Unrestricted	188,070	284,578
Temporarily restricted	472,390	570,714
	660,460	855,292
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 1,921,071	\$ 1,053,386

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

CHRISTIAN RELIEF SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	2012		2011	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions	\$ 11,892,305	\$ -	\$ 11,892,305	\$ 10,909,426
Cash contributions	5,363,456	100,387	5,463,843	7,118,108
Cash contributions from affiliates	368,737	1,715,403	2,084,140	2,590,217
Donated housing	968,748		968,748	968,748
Wills and bequests	200	127,903	128,103	819,522
Housing rental and related income	283,947	-	283,947	235,341
Government grants	143,589	-	143,589	125,185
Rental income	44,856	-	44,856	44,931
Investment income	7,483	-	7,483	40,597
Workplace campaign	-	37,737	37,737	41,300
Other income	5,314	-	5,314	29,145
Net assets released from restrictions:				
Satisfaction of time restrictions	36,615	(36,615)	-	-
Satisfaction of purpose restrictions	2,043,139	(2,043,139)	-	-
TOTAL SUPPORT AND REVENUE	21,158,389	(98,324)	21,060,065	22,922,520
EXPENSES				
Program Services:				
Domestic programs	1,857,284	-	1,857,284	2,485,299
American Indian programs	4,232,883	-	4,232,883	4,249,683
International programs	9,750,063	-	9,750,063	9,543,071
Housing programs	2,009,920	-	2,009,920	2,299,284
Total Program Services	17,850,150	-	17,850,150	18,577,337
Supporting Services:				
Management and general	208,473	-	208,473	256,456
Fundraising	3,196,274	-	3,196,274	3,781,523
Total Supporting Services	3,404,747	-	3,404,747	4,037,979
TOTAL EXPENSES	21,254,897	-	21,254,897	22,615,316
CHANGE IN NET ASSETS	(96,508)	(98,324)	(194,832)	307,204
NET ASSETS, BEGINNING OF YEAR	284,578	570,714	855,292	548,088
NET ASSETS, END OF YEAR	\$ 188,070	\$ 472,390	\$ 660,460	\$ 855,292

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, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	Program Services					Supporting Services		2012 Total	2011 Total
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total Programs	Management and General	Fundraising		
Donated relief materials and services	\$ 934,151	\$ 2,010,321	\$ 8,464,600	\$ -	\$ 11,409,072	\$ -	\$ -	\$ 11,409,072	\$ 10,813,752
Printing and production	179,424	491,747	43,057	1,082	715,310	20	1,937,515	2,652,845	3,312,472
Procurement fees	345,283	644,382	127,591	-	1,117,256	-	-	1,117,256	957,437
Rent	19,591	19,591	19,591	991,993	1,050,766	6,503	50,702	1,107,971	1,109,581
Postage	58,742	170,686	23,934	-	253,362	154	768,826	1,022,342	1,443,124
Cash grants - affiliates	217,884	519,051	180,020	88,153	1,005,108	-	-	1,005,108	2,318,402
Wages and fringe benefits	55,879	104,391	78,958	422,313	661,541	64,796	233,471	959,808	1,097,911
Cash grants	600	82,700	724,755	1,500	809,555	-	-	809,555	458,844
Operating expenses - housing	-	-	-	429,906	429,906	-	-	429,906	401,327
Shipping	27,512	82,505	58,633	151	168,801	840	6,620	176,261	128,863
Contract services	-	60,000	-	-	60,000	8,051	93,082	161,133	124,183
Payroll taxes	3,562	8,089	4,982	29,062	45,695	5,193	15,319	66,207	66,822
Office supplies, dues and subscriptions	731	1,194	6,995	1,882	10,802	20,735	17,036	48,573	24,037
List rental	1,614	9,891	2,150	-	13,655	-	26,879	40,534	43,145
Bank charges	-	-	-	-	-	32,183	-	32,183	53,786
Operating expenses - Terry Lynn	-	-	-	30,887	30,887	-	-	30,887	28,632
Professional and consulting	-	-	-	462	462	26,720	-	27,182	56,889
Telephone	1,324	1,392	6,137	1,003	9,856	460	12,810	23,126	14,022
Depreciation and amortization	-	16,424	-	-	16,424	383	2,293	19,100	25,273
General insurance	3,673	3,783	3,673	-	11,129	5,134	2,784	19,047	14,921
Data processing services and supplies	2,455	2,097	341	409	5,302	1,984	10,312	17,598	18,066
Uncollectible contributions	-	-	-	-	-	17,220	-	17,220	11,783
Interest expense	-	-	-	-	-	14,980	-	14,980	26,919
Miscellaneous	298	-	36	9,000	9,334	1,130	-	10,464	17,747
Repairs and maintenance	856	856	856	876	3,444	1,007	5,538	9,989	16,395
Equipment rental	103	103	103	491	800	289	7,777	8,866	13,463
Utilities	1,822	1,822	1,822	-	5,466	-	2,851	8,317	8,944
Meetings and travel	636	714	685	750	2,785	581	1,959	5,325	2,713
Real estate taxes	1,144	1,144	1,144	-	3,432	-	-	3,432	5,313
Advertising	-	-	-	-	-	110	500	610	550
TOTAL EXPENSES	<u>\$ 1,857,284</u>	<u>\$ 4,232,883</u>	<u>\$ 9,750,063</u>	<u>\$ 2,009,920</u>	<u>\$ 17,850,150</u>	<u>\$ 208,473</u>	<u>\$ 3,196,274</u>	<u>\$ 21,254,897</u>	<u>\$ 22,615,316</u>

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, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (194,832)	\$ 307,204
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,473	26,937
Provision for doubtful accounts	17,220	11,783
Unrealized (gains) losses on investments	1,676	(23,408)
Realized (gains) losses on investments	332	(907)
Changes in assets and liabilities:		
Grants and contributions receivable	(4,782)	194,689
Accounts receivable	15,875	53,045
Due from affiliates	(80,646)	-
Contributed relief materials inventory	(482,354)	(98,542)
Prepaid expenses	87,470	(159,414)
Accounts payable and accrued expenses	(46,360)	(138,721)
Due to affiliates	24,694	(161,147)
Deposits payable	(9,832)	(10,484)
Security deposits	(4,525)	(353)
Deferred rent	(11,323)	-
Deferred revenue	(137)	8,070
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(667,051)</u>	<u>8,752</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,124)	(5,713)
Proceeds from sales of investments	231,857	528,569
Purchase of investments	(230,028)	(562,359)
NET CASH USED IN INVESTING ACTIVITIES	<u>(19,295)</u>	<u>(39,503)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,660,000	1,000,000
Payment of line of credit	(550,000)	(1,000,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,110,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	423,654	(30,751)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>294,795</u>	<u>325,546</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 718,449</u>	<u>\$ 294,795</u>
SUPPLEMENTAL DISCLOSURES		
Actual cash paid for interest	<u>\$ 14,980</u>	<u>\$ 26,919</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, 2012

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 to 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 contributed 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 (GAAP). 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

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

Fair Value Measurements (continued)

its applicable financial instruments into a required fair value hierarchy. The fair value 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, 2012, 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, 2012

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 for 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, 2012

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 and Inventory

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 the estimated fair value at the time of receipt. Upon donation to CRSC or one of its affiliates, the materials are expensed at their estimated fair value at the time of donation to the Organization and they are released from inventory. As of June 30, 2012, the donated inventory was predominately related to medical equipment. Inventory is reported on the first-in, first-out method of accounting (FIFO).

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 GAAP.

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, 2012

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 \$13,907.

3. Investments

As of June 30, 2012, the Organization's investments, at fair value, amounted to \$369,247. Investments consist entirely of exchange-traded funds. (See Note 5)

A summary of investment income is as follows for the year ended June 30, 2012:

Interest and dividends	\$ 9,491
Unrealized losses	(1,676)
Realized losses	<u>(332)</u>
Total	<u>\$ 7,483</u>

Interest and dividends include \$353 of interest income earned from the Organization's bank accounts for the year ended June 30, 2012.

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2012:

Vehicles	\$ 75,030
Furniture, office equipment and software	<u>79,749</u>
Total Property and Equipment	154,779
Less: Accumulated Depreciation and Amortization	<u>(117,610)</u>
Property and Equipment, net	<u>\$ 37,169</u>

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

4. Property and Equipment (continued)

Depreciation and amortization expense was \$20,473 for the year ended June 30, 2012, and is shown in the following line items in the accompanying statement of functional expenses:

Depreciation and amortization	\$ 19,100
Operating expenses – housing	<u>1,373</u>
Total	<u>\$ 20,473</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, 2012, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total 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				
Government bond	\$ 87,998	\$ 87,998	\$ -	\$ -
Intermediate-term bond	79,064	79,064	-	-
Large blend	51,828	51,828	-	-
Inflation-protected bond	36,628	36,628	-	-
Foreign large blend	22,782	22,782	-	-
Mid-cap blend	18,837	18,837	-	-
High yield bond	18,822	18,822	-	-
Large value	11,802	11,802	-	-
Small blend	11,482	11,482	-	-
Commodities	9,282	9,282	-	-
Real estate investments				
Trust (REIT)	8,179	8,179	-	-
Diversified emerging markets	6,349	6,349	-	-
Foreign small/mid blend	<u>6,194</u>	<u>6,194</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 369,247</u>	<u>\$ 369,247</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

5. Fair Value Measurements (continued)

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

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

6. Line of Credit

The Organization has a line of credit agreement with a financial institution in the amount of \$1,500,000. The line of credit is secured by personal property and guaranteed by CRSC. The agreement was modified on September 16, 2011 to extend the maturity date to July 27, 2012. Subsequent to year end the line of credit was modified to extend the maturity date to July 27, 2013. 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. The Organization is also required to comply with certain financial covenants. As of June 30, 2012, the outstanding balance was \$1,110,000 on this line of credit and the Organization is in compliance with the financial covenants. Interest expense paid on this line of credit was \$14,980 for the year ended June 30, 2012, and the interest rate was 4.5% as of June 30, 2012.

7. Temporarily Restricted Net Assets

As of June 30, 2012, net assets are restricted for use in the following programs or for future periods:

International programs	\$ 425,511
American Indian programs	15,000
Time restrictions	<u>31,879</u>
Total Temporarily Restricted Net Assets	<u>\$ 472,390</u>

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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, 2012, 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	\$ 8,464,600
American Indian programs	2,010,321
Domestic programs	<u>934,151</u>
Total Contributed Relief Materials and Services	<u>\$ 11,409,072</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. Rental fees were \$833,748 for the year ended June 30, 2012, 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, 2012, the combined contribution of donated housing from CRSC for these properties totals \$135,000. Donated rent and rental fees related to these properties totaled \$144,072, which is included in rent expense in the accompanying statement of functional expenses.

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.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

9. Transactions with Affiliates and Related Parties (continued)

Contributions (continued)

During the year ended June 30, 2012, the Organization made noncash contributions of contributed relief materials to the following affiliates:

Bread and Water for Africa, Inc.	\$ 8,464,600
American Indian Youth Running Strong, Inc.	1,904,120
Americans Helping Americans, Inc.	934,151
Cheyenne River Youth Project, Inc.	<u>106,201</u>
Total Contributed Relief Materials Expense to Affiliates	<u>\$ 11,409,072</u>

During the year ended June 30, 2012, the Organization made cash contributions to the following affiliates:

American Indian Youth Running Strong, Inc.	\$ 330,936
Christian Relief Services Charities, Inc.	232,095
Americans Helping Americans, Inc.	202,078
Bread and Water for Africa, Inc.	165,000
Cheyenne River Youth Project, Inc.	<u>75,000</u>
Total Cash Contributions to Affiliates	<u>\$ 1,005,108</u>

During the year ended June 30, 2012, the Organization received cash contributions from the following affiliates:

Christian Relief Services/21 st Century Campaign, Inc.	\$ 1,685,403
Christian Relief Services Charities, Inc.	329,474
CRS Residential, Inc.	39,263
Bread and Water for Africa, Inc.	<u>30,000</u>
Total Cash Contributions from Affiliates	<u>\$ 2,084,140</u>

As of June 30, 2012, the Organization has receivables from the following affiliates, which is included in due from affiliates in the accompanying statement of financial position:

American Indian Youth Running Strong, Inc.	\$ 80,295
CRS Virginia, Inc.	<u>351</u>
Total Due from Affiliates	<u>\$ 80,646</u>

As of June 30, 2012, the Organization owed CRSC \$27,061, which is included in due to affiliates in the accompanying statement of financial position.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

9. Transactions with Affiliates and Related Parties (continued)

Contributions (continued)

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. 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 supports the international network of Bread and Water for Africa charities in furtherance of a shared purpose joining forces to address the needs of the same partner organizations and programs in Africa. The network includes Bread and Water for Africa US, Wasser und Brot für Afrika (WBA), which is a nonprofit organization incorporated under German law, Pain et Eau pour L'Afrique (PEA), which is a nonprofit organization incorporated under French law, and Bread and Water for Africa (BWA) United Kingdom (UK), which is a nonprofit organization incorporated under British law. The Organization has an agreement to provide advisory capacity services to WBA, PEA and BWA UK, 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, 2012, the Organization awarded WBA a charitable contribution of \$305,339 to be used in support of its 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, 2012, the Organization awarded PEA a charitable contribution of \$22,693 to be used to pay consultant fees and miscellaneous operating expenses. During the year ended June 30, 2012, the organization awarded BWA UK a charitable contribution of \$300,422 to be used in support of its mission to promote positive changes in Africa.

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.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

10. Commitments and Contingencies (continued)

Operating Leases

The Organization leases office facilities in Alexandria, Virginia, under a noncancelable operating 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. Under 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, 2012, rent expense related to this lease agreement was \$226,047, of which \$154,696 was allocated to CRSC and its affiliates. The Organization's rent expense amounted to \$71,351 for the year ended June 30, 2012, and is included in rent expense in the accompanying statement of functional expenses.

As of June 30, 2012, total future minimum lease payments under this lease for the year ending June 30, 2013 are \$204,487.

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, 2012, rent expense related to these leases was \$48,000 and \$10,800, 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, 2012, the Organization incurred \$429,906 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, 2012, the Organization recognized \$63,600 as a contribution of donated housing from CRSC for these homes.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

11. Homes for the Homeless (continued)

The Organization also leases an apartment complex from CRSC. The apartment complex is utilized in a program operated by the Organization that provides housing to low-income individuals. During the year ended June 30, 2012, the Organization recognized \$71,400 as contributions of donated housing from CRSC related to the apartment complex. During the year ended June 30, 2012, the Organization incurred \$30,887 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 makes matching contributions up to 3% of each participant's salary. Employees are vested in employer contributions after five years of service. Effective November 1, 2011, the Organization started making an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2012, retirement expense related to the plan was \$15,207.

13. Joint Cost Allocation

During the year ended June 30, 2012, the Organization conducted some direct mail campaigns that incurred joint costs of \$3,295,920. 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	\$ 576,434
Domestic programs	232,133
International programs	53,880
Fundraising	<u>2,433,473</u>
Total	<u>\$ 3,295,920</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, 2012, as the Organization had no taxable net unrelated business income.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

14. Income Taxes (continued)

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 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, 2012, 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, 2012, the statute of limitations for tax years 2008 through 2010 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. Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

16. 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

17. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2012, 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.