



CHRISTIAN RELIEF SERVICES, INC.

Financial Statements

For the Year Ended June 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)



**and
Report Thereon**



CHRISTIAN RELIEF SERVICES, INC.

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For the Year Ended June 30, 2013

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Christian Relief Services, Inc. (the Organization), an affiliate of Christian Relief Services Charities, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
October 15, 2013

CHRISTIAN RELIEF SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

(With Summarized Financial Information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 222,096	\$ 718,449
Grants and contributions receivable, net	53,197	31,880
Accounts receivable	34,073	29,715
Due from affiliates	28,723	80,646
Contributed relief materials inventory	591,778	580,896
Prepaid expenses	49,787	71,944
Investments	392,388	369,247
Property and equipment, net	63,843	37,169
Deposits	-	1,125
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,435,885</u>	<u>\$ 1,921,071</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 215,622	\$ 94,604
Line of credit payable	500,000	1,110,000
Due to affiliates	18,116	27,061
Funds held for others	7,656	3,898
Security deposits	4,050	1,000
Deferred rent	-	16,115
Deferred revenue	9,390	7,933
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>754,834</u>	<u>1,260,611</u>
Net Assets		
Unrestricted	235,420	188,070
Temporarily restricted	445,631	472,390
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>681,051</u>	<u>660,460</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,435,885</u>	<u>\$ 1,921,071</u>

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

CHRISTIAN RELIEF SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	2013		2012	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions	\$ 11,512,803	\$ -	\$ 11,512,803	\$ 11,892,305
Cash contributions	4,479,228	17,356	4,496,584	5,463,843
Cash contributions from affiliates	-	1,402,710	1,402,710	2,084,140
Donated housing	968,748	-	968,748	968,748
Housing rental and related income	293,877	-	293,877	283,947
Wills and bequests	101,946	181,769	283,715	128,103
Government grants	116,323	-	116,323	143,589
Rental income	52,879	-	52,879	44,856
Workplace campaign	-	32,789	32,789	37,737
Investment income	25,123	-	25,123	7,483
Other income	22,063	-	22,063	5,314
Net assets released from restrictions:				
Satisfaction of time restrictions	37,549	(37,549)	-	-
Satisfaction of purpose restrictions	1,623,834	(1,623,834)	-	-
	19,234,373	(26,759)	19,207,614	21,060,065
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program Services:				
Domestic programs	826,275	-	826,275	1,857,284
American Indian programs	2,925,331	-	2,925,331	4,232,883
International programs	10,357,058	-	10,357,058	9,750,063
Housing programs	1,989,856	-	1,989,856	2,009,920
	16,098,520	-	16,098,520	17,850,150
Supporting Services:				
Management and general	192,475	-	192,475	208,473
Fundraising	2,896,028	-	2,896,028	3,196,274
	3,088,503	-	3,088,503	3,404,747
	19,187,023	-	19,187,023	21,254,897
TOTAL EXPENSES				
CHANGE IN NET ASSETS	47,350	(26,759)	20,591	(194,832)
NET ASSETS, BEGINNING OF YEAR	188,070	472,390	660,460	855,292
NET ASSETS, END OF YEAR	\$ 235,420	\$ 445,631	\$ 681,051	\$ 660,460

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, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	Program Services				Supporting Services		2013 Total	2012 Total	
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total Programs	Management and General			Fundraising
Donated relief materials and services	\$ 490,441	\$ 1,198,185	\$ 9,807,645	\$ -	\$ 11,496,271	\$ -	\$ -	\$ 11,496,271	\$ 11,409,072
Printing and production	14,212	79,908	11,777	-	105,897	111	1,572,324	1,678,332	2,652,845
Procurement fees	177,398	565,634	106,817	-	849,849	-	-	849,849	1,117,256
Rent	18,433	18,433	18,433	987,421	1,042,720	4,820	37,832	1,085,372	1,107,971
Postage	5,814	48,685	6,216	-	60,715	141	596,740	657,596	1,022,342
Cash grants - affiliates	75,749	686,385	90,221	163,525	1,015,880	-	-	1,015,880	1,005,108
Wages and fringe benefits	11,984	21,710	34,940	389,172	457,806	42,421	471,595	971,822	959,808
Cash grants	1,000	163,255	202,854	-	367,109	-	-	367,109	809,555
Operating expenses - housing	-	-	-	388,364	388,364	-	-	388,364	429,906
Shipping	13,815	58,808	51,548	57	124,228	248	2,100	126,576	176,261
Contract services	-	60,000	330	-	60,330	16,464	75,071	151,865	161,133
Payroll taxes	1,215	2,503	2,717	23,621	30,056	2,746	31,522	64,324	66,207
Office supplies, dues and subscriptions	6,143	2,570	780	905	10,398	27,378	44,899	82,675	48,573
List rental	-	-	-	-	-	-	15,333	15,333	40,534
Bank charges	-	-	32	-	32	24,303	-	24,335	32,183
Operating expenses - Terry Lynn	-	-	-	30,626	30,626	-	-	30,626	30,887
Professional and consulting	-	-	-	904	904	26,405	-	27,309	27,182
Telephone	1,359	1,244	1,245	844	4,692	388	8,054	13,134	23,126
Depreciation and amortization	-	9,118	-	-	9,118	300	1,293	10,711	19,100
General insurance	3,964	3,964	3,964	-	11,892	1,714	298	13,904	19,047
Data processing services and supplies	100	397	155	296	948	307	14,787	16,042	17,598
Uncollectible contributions	-	-	-	-	-	-	-	-	17,220
Interest expense	-	-	-	-	-	29,651	-	29,651	14,980
Miscellaneous	-	-	-	-	-	12,082	663	12,745	10,464
Repairs and maintenance	1,435	1,624	1,813	583	5,455	557	2,585	8,597	9,989
Equipment rental	121	121	121	357	720	340	8,086	9,146	8,866
Utilities	2,013	2,013	2,013	-	6,039	-	2,490	8,529	8,317
Meetings and travel	535	230	10,519	239	11,523	1,604	3,192	16,319	5,325
Real estate taxes	544	544	544	-	1,632	-	195	1,827	3,432
Advertising	-	-	-	-	-	495	6,969	7,464	610
Monitoring fees	-	-	2,374	-	2,374	-	-	2,374	-
Uncollectible tenant rental income	-	-	-	2,942	2,942	-	-	2,942	-
TOTAL EXPENSES	\$ 826,275	\$ 2,925,331	\$ 10,357,058	\$ 1,989,856	\$ 16,098,520	\$ 192,475	\$ 2,896,028	\$ 19,187,023	\$ 21,254,897

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, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,591	\$ (194,832)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,234	20,473
Provision for doubtful accounts	-	17,220
Unrealized (gains) losses on investments	(16,655)	1,676
Realized losses on investments	45	332
Changes in assets and liabilities:		
Grants and contributions receivable	(21,317)	(4,782)
Accounts receivable	(4,358)	15,875
Due from affiliates	51,923	(80,646)
Contributed relief materials inventory	(10,882)	(482,354)
Prepaid expenses	22,157	87,470
Deposits	1,125	-
Accounts payable and accrued expenses	121,018	(46,360)
Due to affiliates	(8,945)	24,694
Funds held for others	3,758	(9,832)
Security deposits	3,050	(4,525)
Deferred rent	(16,115)	(11,323)
Deferred revenue	1,457	(137)
	<u>166,086</u>	<u>(667,051)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(45,908)	(21,124)
Proceeds from sales of investments	44,087	231,857
Purchase of investments	(50,618)	(230,028)
	<u>(52,439)</u>	<u>(19,295)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	500,000	1,660,000
Payment of line of credit	(1,110,000)	(550,000)
	<u>(610,000)</u>	<u>1,110,000</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(496,353)	423,654
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>718,449</u>	<u>294,795</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 222,096</u>	<u>\$ 718,449</u>
SUPPLEMENTAL DISCLOSURES		
Actual cash paid for interest	<u>\$ 29,651</u>	<u>\$ 14,980</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, 2013

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 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.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

Fair Value Measurements (continued)

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, 2013, 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 the 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.

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.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

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.

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 CRSC or one of its affiliates and they are released from inventory. As of June 30, 2013, the donated inventory was predominately related to medical supplies and books. Inventory is reported on the first-in, first-out method of accounting (FIFO).

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

Contributed Relief Materials, Donated Services and Housing and Inventory (continued)

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.

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 due to be collected within one year. The Organization has recorded an allowance for doubtful accounts of \$12,205 as of June 30, 2013.

3. Investments

As of June 30, 2013, the Organization's investments, at fair value, amounted to \$392,388. Investments consisted entirely of exchange-traded funds. (See Note 5)

A summary of investment income is as follows for the year ended June 30, 2013:

Interest and dividends	\$	8,513
Unrealized gains		16,655
Realized losses		<u>(45)</u>
Total	\$	<u>25,123</u>

Interest and dividends include \$496 of interest income earned from the Organization's bank accounts for the year ended June 30, 2013.

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

4. Property and Equipment

Property and equipment consisted of the following as of June 30, 2013:

Vehicles	\$ 75,030
Leasehold improvements	42,847
Furniture, office equipment and software	<u>75,813</u>
Total Property and Equipment	193,690
Less: Accumulated Depreciation and Amortization	<u>(129,847)</u>
Property and Equipment, net	<u><u>\$ 63,843</u></u>

Depreciation and amortization expense was \$19,234 for the year ended June 30, 2013, and is shown in the following line items in the accompanying statement of functional expenses:

Depreciation and amortization	\$ 10,711
Operating expenses – housing	<u>8,523</u>
Total	<u><u>\$ 19,234</u></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, 2013, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets for</u> <u>Identical</u> <u>Assets/</u> <u>Liabilities</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
	<u>Fair Value</u>			
Exchange-traded funds:				
Government bond	\$ 78,042	\$ 78,042	\$ -	\$ -
Intermediate-term bond	59,528	59,528	-	-
Large blend	58,721	58,721	-	-
Inflation-protected bond	32,595	32,595	-	-
Foreign large blend	31,114	31,114	-	-
Diversified emerging markets	29,019	29,019	-	-
Mid-cap blend	23,214	23,214	-	-
High yield bond	23,367	23,367	-	-
Large value	14,496	14,496	-	-
Small blend	14,150	14,150	-	-
Commodities	10,756	10,756	-	-

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

5. Fair Value Measurements (continued)

	<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:				
Real estate investments Trust (REIT)	\$ 8,590	\$ 8,590	\$ -	\$ -
Foreign small/mid blend	<u>8,796</u>	<u>8,796</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 392,388</u>	<u>\$ 392,388</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2012 to extend the maturity date to July 27, 2013. Subsequent to year end, the line of credit was modified to extend the maturity date to July 27, 2014. 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, 2013, the outstanding balance was \$500,000 on this line of credit and the Organization was in compliance with the financial covenants. Interest expense paid on this line of credit was \$29,651 for the year ended June 30, 2013, and the interest rate was 4.5% as of June 30, 2013.

7. Temporarily Restricted Net Assets

As of June 30, 2013, net assets are restricted for use in the following programs or for future periods:

International programs	\$ 418,511
Time restrictions	<u>27,120</u>
Total Temporarily Restricted Net Assets	<u>\$ 445,631</u>

Continued

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, 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	\$ 9,807,645
American Indian programs	1,198,185
Domestic programs	<u>490,441</u>
Total Contributed Relief Materials and Services	<u>\$ 11,496,271</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 \$883,748 for the year ended June 30, 2013, which are 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, 2013, the combined contribution of donated housing from CRSC for these properties totaled \$135,000. Donated rent and rental fees related to these properties totaled \$144,072, 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. During the year ended June 30, 2013, the Organization made noncash contributions of contributed relief materials to the following affiliates:

Bread and Water for Africa, Inc.	\$ 9,807,645
American Indian Youth Running Strong, Inc.	1,198,185
Americans Helping Americans, Inc.	<u>490,441</u>
Total Contributed Relief Materials Expense to Affiliates	<u>\$ 11,496,271</u>

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

9. Transactions with Affiliates and Related Parties (continued)

Contributions (continued)

During the year ended June 30, 2013, the Organization made cash contributions to the following affiliates, which are included in the accompanying statement of activities:

Christian Relief Services Charities, Inc.	\$ 563,880
American Indian Youth Running Strong, Inc.	427,000
Americans Helping Americans, Inc.	<u>25,000</u>
Total Cash Contributions to Affiliates	<u>\$ 1,015,880</u>

During the year ended June 30, 2013, the Organization received cash contributions from the following affiliates, which are included in the accompanying statement of activities:

Christian Relief Services/21 st Century Campaign, Inc.	\$ 1,100,000
Christian Relief Services Charities, Inc.	<u>302,710</u>
Total Cash Contributions from Affiliates	<u>\$ 1,402,710</u>

As of June 30, 2013, the Organization has receivables due from the following affiliates, which are included in due from affiliates in the accompanying statement of financial position:

CRS Virginia, Inc.	\$ 22,487
Americans Helping Americans, Inc.	5,316
Bread and Water for Africa, Inc.	<u>920</u>
Total Due from Affiliates	<u>\$ 28,723</u>

As of June 30, 2013, the Organization has payables to the following affiliates, which are included in due to affiliates in the accompanying statement of financial position:

American Indian Youth Running Strong, Inc.	\$ 11,395
Christian Relief Services/21 st Century Campaign, Inc.	<u>6,721</u>
Total Due to Affiliates	<u>\$ 18,116</u>

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 net assets 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 UK (BWA 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, 2013, the Organization awarded WBA a charitable contribution of \$42,792 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, 2013, the Organization awarded PEA a charitable contribution of \$114,498 to be used to pay consultant fees and miscellaneous operating expenses. During the year ended June 30, 2013, the organization awarded BWA UK a charitable contribution of \$2,564 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, and subsequent to year end, the contract is extended on a month to month basis pending a new long-term agreement. 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.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, the Organization incurred \$388,364 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, 2013, 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 operated by the Organization that provides housing to low-income individuals. During the year ended June 30, 2013, the Organization recognized \$71,400 as contributions of donated housing from CRSC related to the apartment complex. During the year ended June 30, 2013, the Organization incurred \$30,626 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. The Organization also makes 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, 2013, retirement expense related to the plan was \$19,209 and is included in wages and fringe benefits in the accompanying statement of functional expenses.

13. 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, 2013, 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 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.

CHRISTIAN RELIEF SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

13. Income Taxes (continued)

The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2013, 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, 2013, the statute of limitations for tax years 2009 through 2011 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.

14. 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, 2012, from which the summarized information was derived.

15. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 15, 2013, the date the financial statements were available to be issued. Other than the subsequent events disclosed in Notes 6 and 10, there were no subsequent events that require recognition of, or disclosure in, the financial statements.