



# **CHRISTIAN RELIEF SERVICES, INC.**

## **Financial Statements**

*For the Year Ended June 30, 2014*

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



**and  
Report Thereon**



**CHRISTIAN RELIEF SERVICES, INC.**

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**For the Year Ended June 30, 2014**

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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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 28, 2014

**CHRISTIAN RELIEF SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**  
**(With Summarized Financial Information as of June 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 395,346	\$ 222,096
Grants and contributions receivable, net	48,948	53,197
Accounts receivable	52,750	34,073
Due from affiliates	427,243	28,723
Contributed relief materials inventory	416,064	591,778
Prepaid expenses	20,988	49,787
Investments	-	392,388
Property and equipment, net	60,981	63,843
<b>TOTAL ASSETS</b>	<b>\$ 1,422,320</b>	<b>\$ 1,435,885</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 189,851	\$ 215,622
Line of credit payable	400,000	500,000
Due to affiliates	-	18,116
Funds held for others	4,339	7,656
Security deposits	14,327	4,050
Deferred revenue	12,712	9,390
<b>TOTAL LIABILITIES</b>	<b>621,229</b>	<b>754,834</b>
<b>Net Assets</b>		
Unrestricted	775,666	235,420
Temporarily restricted	25,425	445,631
<b>TOTAL NET ASSETS</b>	<b>801,091</b>	<b>681,051</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,422,320</b>	<b>\$ 1,435,885</b>

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

**CHRISTIAN RELIEF SERVICES, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

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

	2014		2013	
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Noncash contributions	\$ 12,727,569	\$ -	\$ 12,727,569	\$ 11,512,803
Cash contributions	4,585,475	574	4,586,049	4,496,584
Cash contributions from affiliates	-	1,367,503	1,367,503	1,402,710
Donated housing	1,128,636	-	1,128,636	968,748
Housing rental and related income	327,489	-	327,489	346,756
Wills and bequests	100,868	772,840	873,708	283,715
Government grants	110,193	-	110,193	116,323
Workplace campaign	-	30,252	30,252	32,789
Investment income	11,386	-	11,386	25,123
Other income	289	-	289	22,063
Net assets released from restrictions:				
Satisfaction of time restrictions	32,020	(32,020)	-	-
Satisfaction of purpose restrictions	2,559,355	(2,559,355)	-	-
	<b>21,583,280</b>	<b>(420,206)</b>	<b>21,163,074</b>	<b>19,207,614</b>
<b>TOTAL SUPPORT AND REVENUE</b>				
<b>EXPENSES</b>				
Program Services:				
Domestic programs	927,259	-	927,259	826,275
American Indian programs	1,930,770	-	1,930,770	2,925,331
International programs	11,993,819	-	11,993,819	10,357,058
Housing programs	2,633,790	-	2,633,790	1,989,856
	<b>17,485,638</b>	<b>-</b>	<b>17,485,638</b>	<b>16,098,520</b>
Total Program Services				
Supporting Services:				
Management and general	106,261	-	106,261	192,475
Fundraising	3,451,135	-	3,451,135	2,896,028
	<b>3,557,396</b>	<b>-</b>	<b>3,557,396</b>	<b>3,088,503</b>
Total Supporting Services				
<b>TOTAL EXPENSES</b>	<b>21,043,034</b>	<b>-</b>	<b>21,043,034</b>	<b>19,187,023</b>
<b>CHANGE IN NET ASSETS</b>	<b>540,246</b>	<b>(420,206)</b>	<b>120,040</b>	<b>20,591</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>235,420</b>	<b>445,631</b>	<b>681,051</b>	<b>660,460</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 775,666</b>	<b>\$ 25,425</b>	<b>\$ 801,091</b>	<b>\$ 681,051</b>

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, 2014  
(With Summarized Financial Information for the Year Ended June 30, 2013)

	Program Services					Supporting Services		2014 Total	2013 Total
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total Programs	Management and General	Fundraising		
Donated relief materials and services	\$ 465,439	\$ 838,016	\$ 11,593,162	\$ -	\$ 12,896,617	\$ -	\$ -	\$ 12,896,617	\$ 11,496,271
Printing and production	7,790	98,358	18,146	-	124,294	2,611	2,005,108	2,132,013	1,678,332
Cash grants - affiliates	100,000	400,000	171,788	734,009	1,405,797	-	-	1,405,797	1,015,880
Rent	16,676	16,676	16,676	1,134,124	1,184,152	917	16,430	1,201,499	1,085,372
Wages and fringe benefits	94,748	19,123	17,916	306,322	438,109	13,967	368,764	820,840	971,822
Postage	4,557	52,481	7,045	-	64,083	-	720,712	784,795	657,596
Procurement fees	191,566	380,239	68,743	-	640,548	-	18,773	659,321	849,849
Operating expenses - housing	-	-	-	364,760	364,760	-	-	364,760	388,364
Contract services	447	60,447	1,034	-	61,928	17,741	93,486	173,155	151,865
Shipping	25,559	50,918	47,390	55	123,922	608	933	125,463	126,576
Office supplies, dues and subscriptions	2,811	5,783	782	1,308	10,684	24,074	67,497	102,255	82,675
Cash grants	1,550	-	39,318	-	40,868	1,293	31,052	73,213	367,109
List rental	-	-	-	-	-	-	53,757	53,757	15,333
Operating expenses - Terry Lynn	-	-	-	53,446	53,446	-	-	53,446	30,626
Professional and consulting	-	-	-	-	-	36,462	-	36,462	27,309
Payroll taxes	7,669	1,729	1,477	20,211	31,086	-	-	31,086	64,324
Bank charges	-	-	-	-	-	-	25,918	25,918	24,335
Interest expense	-	-	-	-	-	-	18,651	18,651	29,651
Depreciation and amortization	-	-	-	10,828	10,828	218	293	11,339	10,711
Meetings and travel	1,248	492	2,964	289	4,993	4,217	2,026	11,236	16,319
General insurance	2,309	2,309	2,309	-	6,927	2,495	1,759	11,181	13,904
Telephone	1,058	1,050	1,030	65	3,203	423	6,998	10,624	13,134
Utilities	2,267	2,267	2,288	-	6,822	209	3,090	10,121	8,529
Advertising	-	-	-	-	-	-	9,702	9,702	7,464
Uncollectible tenant rental income	-	-	-	8,301	8,301	-	-	8,301	2,942
Repairs and maintenance	498	377	377	-	1,252	343	2,806	4,401	8,597
Equipment rental	-	-	-	-	-	44	2,925	2,969	9,146
Miscellaneous	562	-	869	72	1,503	639	394	2,536	12,745
Real estate taxes	505	505	505	-	1,515	-	61	1,576	1,827
Data processing services and supplies	-	-	-	-	-	-	-	-	16,042
Monitoring fees	-	-	-	-	-	-	-	-	2,374
<b>TOTAL EXPENSES</b>	<b>\$ 927,259</b>	<b>\$ 1,930,770</b>	<b>\$ 11,993,819</b>	<b>\$ 2,633,790</b>	<b>\$ 17,485,638</b>	<b>\$ 106,261</b>	<b>\$ 3,451,135</b>	<b>\$ 21,043,034</b>	<b>\$ 19,187,023</b>

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, 2014**  
**(With Summarized Financial Information for the Year Ended June 30, 2013)**  
**Increase (Decrease) in Cash and Cash Equivalents**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 120,040	\$ 20,591
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,339	19,234
Provision for doubtful accounts	(2,631)	(12,750)
Unrealized gains on investments	-	(16,655)
Realized (gains) losses on investments	(9,530)	45
Changes in assets and liabilities:		
Grants and contributions receivable	6,880	(8,567)
Accounts receivable	(18,677)	(4,358)
Due from affiliates	(398,520)	51,923
Contributed relief materials inventory	175,714	(10,882)
Prepaid expenses	28,799	22,157
Deposits	-	1,125
Accounts payable and accrued expenses	(25,771)	121,018
Due to affiliates	(18,116)	(8,945)
Funds held for others	(3,317)	3,758
Security deposits	10,277	3,050
Deferred rent	-	(16,115)
Deferred revenue	3,322	1,457
	<u>(120,191)</u>	<u>166,086</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(8,477)	(45,908)
Proceeds from sales of investments	401,918	44,087
Purchase of investments	-	(50,618)
	<u>393,441</u>	<u>(52,439)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	400,000	500,000
Payment of line of credit	(500,000)	(1,110,000)
	<u>(100,000)</u>	<u>(610,000)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	173,250	(496,353)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>222,096</u>	<u>718,449</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 395,346</u>	<u>\$ 222,096</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Actual cash paid for interest	<u>\$ 18,651</u>	<u>\$ 29,651</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, 2014

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### 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 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.

#### **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.

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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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.

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.

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

**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, medicine, 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, 2014, the donated inventory was predominately related to medical supplies and books. 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.

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 \$9,573 as of June 30, 2014.

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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3. Property and Equipment

Property and equipment consisted of the following as of June 30, 2014:

Vehicles	\$	73,530
Leasehold improvements		48,723
Furniture, office equipment and software		<u>53,609</u>
Total Property and Equipment		175,862
Less: Accumulated Depreciation and Amortization		<u>(114,881)</u>
Property and Equipment, net	\$	<u>60,981</u>

Depreciation and amortization expense was \$11,339 for the year ended June 30, 2014.

4. 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 August 1, 2013 to extend the maturity date to July 27, 2014. Subsequent to year end, the line of credit was modified to extend the maturity date to July 27, 2015. Interest accrues on the unpaid principal at the variable rate of the bank's prime rate plus 0.5% per annum or 3.50%, whichever is higher. The Organization is also required to comply with certain financial covenants. As of June 30, 2014, the outstanding balance was \$400,000 on this line of credit and the Organization was in compliance with the financial covenants. Interest expense paid on this line of credit was \$18,651 for the year ended June 30, 2014, and the interest rate was 3.5% as of June 30, 2014.

5. Temporarily Restricted Net Assets

As of June 30, 2014, net assets are restricted for use in the following programs or for future periods:

Domestic programs	\$	64
International programs		10
Time restrictions		<u>25,351</u>
Total Temporarily Restricted Net Assets	\$	<u>25,425</u>

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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6. 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, 2014, donated relief materials and services were used for the following programs and are included in donated relief materials in the accompanying statement of functional expenses:

International programs	\$ 11,593,162
American Indian programs	838,016
Domestic programs	<u>465,439</u>
Total Contributed Relief Materials and Services	<u>\$ 12,896,617</u>

7. 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 \$1,134,124 for the year ended June 30, 2014, which are 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, 2014, the Organization made noncash contributions of contributed relief materials to the following affiliates:

Bread and Water for Africa, Inc.	\$ 11,593,162
American Indian Youth Running Strong, Inc.	838,016
Americans Helping Americans, Inc.	<u>465,439</u>
Total Contributed Relief Materials Expense to Affiliates	<u>\$ 12,896,617</u>

During the year ended June 30, 2014, the Organization made cash contributions to the following affiliates, which are included in the accompanying statement of functional expenses:

Christian Relief Services Charities, Inc.	\$ 734,009
Bread and Water for Africa, Inc.	171,788
American Indian Youth Running Strong, Inc.	400,000
Americans Helping Americans, Inc.	<u>100,000</u>
Total Cash Contributions to Affiliates	<u>\$ 1,405,797</u>

Continued

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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7. Transactions with Affiliates and Related Parties (continued)

**Contributions (continued)**

During the year ended June 30, 2014, the Organization received cash contributions from the following affiliates, which are included in the accompanying statement of activities:

Christian Relief Services/21 <sup>st</sup> Century Campaign, Inc.	\$ 1,200,000
Christian Relief Services Charities, Inc.	<u>167,503</u>
Total Cash Contributions from Affiliates	<u>\$ 1,367,503</u>

As of June 30, 2014, the Organization has receivables due from the following affiliates, which are included in due from affiliates in the accompanying statement of financial position:

American Indian Youth Running Strong, Inc.	\$ 406,878
Americans Helping Americans, Inc.	4,234
Bread and Water for Africa, Inc.	<u>16,131</u>
Total Due from Affiliates	<u>\$ 427,243</u>

8. 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, after which the contract was 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.

9. 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, 2014, the Organization incurred \$375,588 of operating expenses for the houses and recognized \$978,000 as a contribution of donated housing from CRS Virginia.

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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9. Homes for the Homeless (continued)

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, 2014, the Organization recognized \$79,236 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, 2014, the Organization recognized \$71,400 as contributions of donated housing from CRSC related to the apartment complex. During the year ended June 30, 2014, the Organization incurred \$42,618 of operating expenses for the houses.

10. 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, 2014, retirement expense related to the plan was \$23,101 and is included in wages and fringe benefits in the accompanying statement of functional expenses.

11. 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, 2014, 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.

The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2014, 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, 2014, the statute of limitations for tax years ended June 30, 2010 through June 30, 2013 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.

**CHRISTIAN RELIEF SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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12. 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, 2013, from which the summarized information was derived.

13. Reclassifications

Certain 2013 amounts have been reclassified to conform with the 2014 financial statement presentation.

14. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2014, the date the financial statements were available to be issued. Other than the subsequent event disclosed in Note 4, there were no subsequent events that require recognition of, or disclosure in, the financial statements.