



# Christian Relief Services Charities

## **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

### **Consolidated Financial Statements and Supplemental Information**

*For the Year Ended June 30, 2011*

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



**and  
Report Thereon**



**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

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**For the Year Ended June 30, 2011**

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R A F F A

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public  
Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of the Christian Relief Services Charities, Inc. (CRSC) and Affiliates (collectively referred to as the Organization) as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the Christian Relief Services Kansas Affordable Housing Corporation, CRS Triangle Housing Corporation, CRS Alexandria Housing Corporation, CRS Scottsdale Housing Corporation, CRS The Cove Housing Corporation, CRS Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, which statements reflect total assets and revenue constituting 48% and 28%, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those amounts included, is based solely on the reports of other auditors. The prior year summarized comparative information has been derived from the Organization's 2010 consolidated financial statements and, in our report dated December 1, 2010, we expressed an unqualified opinion on those consolidated 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 consolidated 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 consolidated 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 provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The other auditor's reports on the financial statements for CRS The Cove Housing Corporation, CRS Scottsdale Housing Corporation and CRS Fountain Place Housing Corporation, included explanatory paragraphs describing conditions that raised substantial doubt about their ability to continue as a going concern, as discussed in Note 23 in the consolidated financial statements.

Continued

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as of and for the year ended June 30, 2011, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Raffa, P.C.*

**RAFFA, P.C.**

Washington, DC  
November 17, 2011

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2011

(With Summarized Financial Information as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,314,179	\$ 3,519,141
Grants and contributions receivable, net	653,587	926,986
Other receivables	179,462	138,372
Prepaid expenses and other assets	430,886	342,093
Contributed relief materials	122,717	18,618
Notes receivable	10,940,893	10,940,893
Interest receivable	405,450	370,403
Financing costs	948,239	1,144,935
Restricted investments for tenant security deposits	661,444	759,504
Restricted deposits and funded reserves	738,897	1,443,867
Investments	24,319,516	20,097,451
Cash surrender value of life insurance policies	1,179,764	1,136,239
Trust accounts	7,239,253	6,560,606
Property and equipment, net	<u>45,701,371</u>	<u>52,850,638</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 98,835,658</u></u>	<u><u>\$ 100,249,746</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,490,848	\$ 1,986,553
Accrued interest	977,886	845,396
Deferred revenue	278,507	291,345
Mortgages payable	19,387,305	24,440,678
Notes payable	30,958,252	31,888,421
Capital lease obligation	2,687,072	2,786,589
Prepaid rent	81,743	107,584
Deposits	407,536	456,503
Deferred rent	<u>27,438</u>	<u>27,438</u>
<b>TOTAL LIABILITIES</b>	<u>56,296,587</u>	<u>62,830,507</u>
<b>Net Assets</b>		
Unrestricted	18,107,142	16,810,212
Temporarily restricted	7,884,452	4,061,550
Permanently restricted	<u>16,547,477</u>	<u>16,547,477</u>
<b>TOTAL NET ASSETS</b>	<u>42,539,071</u>	<u>37,419,239</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 98,835,658</u></u>	<u><u>\$ 100,249,746</u></u>

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

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2011

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
REVENUE AND SUPPORT					
Housing rental and related income	\$ 14,291,598	\$ -	\$ -	\$ 14,291,598	\$ 13,801,938
Noncash contributions	11,572,341	271	-	11,572,612	8,981,526
Cash contributions	7,414,421	757,157	-	8,171,578	8,066,291
Other income	1,291,131	6,516	-	1,297,647	1,939,256
Grants from government agencies	1,418,586	-	-	1,418,586	1,092,614
Realized gain on settlement of debt	1,320,769	-	-	1,320,769	-
Royalties	-	692,367	-	692,367	514,552
Wills and bequests	2,122,617	819,705	-	2,942,322	1,358,873
Workplace campaign contributions	440	355,113	-	355,553	393,608
Interest and dividend income	356,634	647,118	-	1,003,752	711,377
Fee income	37,512	-	-	37,512	50,982
Net realized and unrealized gains	14,134	3,633,867	-	3,648,001	1,945,023
Net assets released from restrictions:					
Satisfaction of time restrictions	390,970	(390,970)	-	-	-
Satisfaction of purpose restrictions	2,698,242	(2,698,242)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>42,929,395</b>	<b>3,822,902</b>	<b>-</b>	<b>46,752,297</b>	<b>38,856,040</b>
EXPENSES					
Program Services:					
Domestic programs	2,584,618	-	-	2,584,618	1,565,468
American Indian programs	5,882,998	-	-	5,882,998	4,368,298
International programs	9,713,822	-	-	9,713,822	7,772,111
Housing programs	17,977,809	-	-	17,977,809	18,273,152
Total Program Services	36,159,247	-	-	36,159,247	31,979,029
Supporting Services:					
Management and general	1,519,260	-	-	1,519,260	1,611,205
Fundraising	3,953,958	-	-	3,953,958	3,949,283
Total Supporting Services	5,473,218	-	-	5,473,218	5,560,488
<b>TOTAL EXPENSES</b>	<b>41,632,465</b>	<b>-</b>	<b>-</b>	<b>41,632,465</b>	<b>37,539,517</b>
CHANGE IN NET ASSETS	1,296,930	3,822,902	-	5,119,832	1,316,523
NET ASSETS, BEGINNING OF YEAR	16,810,212	4,061,550	16,547,477	37,419,239	36,102,716
NET ASSETS, END OF YEAR	\$ 18,107,142	\$ 7,884,452	\$ 16,547,477	\$ 42,539,071	\$ 37,419,239

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

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2011**  
**(With Summarized Financial Information for the Year Ended June 30, 2010)**

	Program Services					Supporting Services		2011 Total	2010 Total
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total	Management and General	Fundraising		
In-kind expenditures	\$ 1,156,099	\$ 1,852,427	\$ 8,352,608	\$ -	\$ 11,361,134	\$ -	\$ -	\$ 11,361,134	\$ 7,940,876
Wages and fringe benefits	198,441	642,762	234,311	3,199,683	4,275,197	309,233	376,288	4,960,718	5,333,908
Interest expense	-	-	-	3,651,721	3,651,721	30,119	-	3,681,840	3,916,414
Printing and production	323,784	762,853	55,520	-	1,142,157	511	2,233,432	3,376,100	2,825,154
Utilities	1,896	53,004	1,849	2,866,311	2,923,060	-	3,303	2,926,363	2,781,261
Depreciation and amortization	-	142,617	-	2,489,429	2,632,046	43,555	2,220	2,677,821	2,592,470
Cash grants	206,900	668,910	842,993	-	1,718,803	-	-	1,718,803	1,942,420
Contract services	3,078	155,727	2,151	1,261,866	1,422,822	50,580	95,438	1,568,840	1,553,533
Postage	92,791	278,934	36,582	4,954	413,261	15,664	1,059,005	1,487,930	1,317,073
Procurement fees	311,978	820,621	88,266	-	1,220,865	-	-	1,220,865	808,237
Operating expenses - housing	-	-	-	933,718	933,718	789	-	934,507	1,038,350
Provision for doubtful accounts	13,506	6	-	725,736	739,248	68,804	-	808,052	835,252
Real estate taxes	104	465	104	722,100	722,773	7,704	113	730,590	854,361
Repairs and maintenance	757	21,409	757	618,523	641,446	11,223	10,576	663,245	624,631
Professional and consulting	-	2,500	-	210,699	213,199	351,375	-	564,574	436,088
Rent	216,090	19,627	19,627	35,482	290,826	162,410	51,999	505,235	311,985
General insurance	3,227	37,491	3,163	381,171	425,052	20,369	1,652	447,073	436,201
Payroll taxes	13,479	50,181	15,578	216,734	295,972	20,712	21,263	337,947	372,706
Bank charges	-	-	-	32,989	32,989	273,320	-	306,309	289,489
Office supplies, dues and subscriptions	1,242	95,341	2,667	58,149	157,399	97,639	10,688	265,726	190,270
Advertising	-	1,121	-	227,771	228,892	85	3,740	232,717	264,102
Shipping	35,184	94,941	17,193	468	147,786	3,706	5,180	156,672	191,250
Miscellaneous	329	13,162	-	112,180	125,671	19,013	1,290	145,974	130,398
Meetings and travel	3,232	36,060	34,351	20,622	94,265	6,570	1,025	101,860	71,058
Telephone	2,050	7,609	1,367	59,785	70,811	13,810	8,553	93,174	97,252
Bond administrative fees	-	-	-	43,724	43,724	-	-	43,724	65,646
List rental	-	2,116	3,664	-	5,780	-	37,365	43,145	60,523
Labor, materials and supplies	-	-	-	38,935	38,935	-	-	38,935	9,585
Data processing services and supplies	296	1,045	851	666	2,858	7,450	18,340	28,648	32,969
Operating expenses - Terry Lynn	-	-	-	28,632	28,632	-	-	28,632	30,690
Homeowner association fees	-	-	-	18,438	18,438	-	-	18,438	6,838
Equipment rental	97	97	220	287	701	4,619	12,488	17,808	22,989
Volunteer expense	-	12,349	-	-	12,349	-	-	12,349	13,302
Other fees	-	56	-	8,934	8,990	-	-	8,990	-
Predevelopment expenses	-	-	-	8,102	8,102	-	-	8,102	5,431
Community Resource Centers	58	-	-	-	58	-	-	58	934
Social service provider fee	-	-	-	-	-	-	-	-	21,600
Field Operations:									
New York	-	97,004	-	-	97,004	-	-	97,004	95,022
Nebraska/South Dakota	-	12,563	-	-	12,563	-	-	12,563	15,532
Kentucky/Tennessee	-	-	-	-	-	-	-	-	3,717
<b>TOTAL EXPENSES</b>	<b>\$ 2,584,618</b>	<b>\$ 5,882,998</b>	<b>\$ 9,713,822</b>	<b>\$ 17,977,809</b>	<b>\$ 36,159,247</b>	<b>\$ 1,519,260</b>	<b>\$ 3,953,958</b>	<b>\$ 41,632,465</b>	<b>\$ 37,539,517</b>

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

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2011

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

Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,119,832	\$ 1,316,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,474,787	2,595,528
Provision for doubtful accounts	(2,704)	81,255
Donated stock	(17,636)	-
Gain on settlement of debt	(1,320,769)	-
Unrealized gains	(2,869,485)	(1,473,945)
Realized gains	(778,516)	(471,078)
Changes in assets and liabilities:		
Grants and contributions receivable	276,103	(366,834)
Other receivables	(41,090)	134,805
Prepaid expenses and other assets	(88,793)	(54,667)
Contributed relief materials	(104,099)	13,288
Interest receivable	(35,047)	(55,320)
Financing costs	196,696	266,957
Restricted investments for tenant security deposits	98,060	(31,787)
Restricted deposits and funded reserves	127,828	500,278
Cash surrender value of life insurance policies	(43,525)	(120,866)
Accounts payable and accrued expenses	175,608	914,053
Accrued interest	704,011	(321,553)
Deferred revenue	(12,838)	(19,898)
Prepaid rent	(25,841)	(18,003)
Deposits	(4,277)	(21,083)
Deferred rent	-	11,228
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,828,305</u>	<u>2,878,881</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(9,180,772)	(14,626,900)
Sale of investments	8,624,344	14,141,417
Net deposits to trust accounts	(678,647)	231,025
Payments on notes receivable	-	197,971
Purchase of fixed assets	<u>(1,442,122)</u>	<u>(1,363,951)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(2,677,197)</u>	<u>(1,420,438)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of mortgage payable	1,833,697	-
Principal payments on mortgages payable	(138,767)	(250,115)
Principal payments on capital lease obligation	(99,517)	(89,517)
Proceeds from issuance of note payable	1,000,000	-
Principal payments on notes payable	<u>(1,951,483)</u>	<u>(1,360,169)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>643,930</u>	<u>(1,699,801)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,795,038	(241,358)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,519,141</u>	<u>3,760,499</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,314,179</u>	<u>\$ 3,519,141</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Settlement of debt:		
Property and equipment	\$ (6,137,916)	\$ -
Mortgage payable	6,748,303	-
Restricted deposits and funded reserves	(577,142)	-
Accounts payable and accrued expenses	671,313	-
Restricted investments for security deposits	44,690	-
Accrued interest	<u>571,521</u>	<u>-</u>
<b>GAIN ON SETTLEMENT OF DEBT</b>	<u>\$ 1,320,769</u>	<u>\$ -</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash payments for interest	<u>\$ 2,977,829</u>	<u>\$ 3,596,316</u>
Taxes paid	<u>\$ 727,774</u>	<u>\$ 851,171</u>

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

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

Christian Relief Services Charities, Inc. (CRSC) was incorporated in April 1985, under the Virginia Nonstock Corporation Act, to assist in 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.

CRSC has received a group exemption determination from the Internal Revenue Service, which affords the affiliates on CRSC's roster the same income tax-exempt status as CRSC. The following affiliates are included on CRSC's group roster and are nonstock corporations:

- Christian Relief Services, Inc. (CRSI)
- Americans Helping Americans, Inc. (AHA)
- American Indian Youth Running Strong, Inc. (RS)
- Bread and Water for Africa, Inc. (BWA)
- Mountain Lakes Housing Foundation, Inc. (Mountain Lakes)
- Christian Relief Services Kansas Affordable Housing Corporation (CRS Kansas)
- CRSC Residential, Inc. (CRSC Residential)
- CRS Triangle Housing Corporation (CRS Triangle)
- CRS Alexandria Housing Corporation (CRS Alexandria)
- CRS Scottsdale Housing Corporation (CRS Scottsdale)
- CRS The Cove Housing Corporation (CRS Cove)
- CRS Pine Ridge Housing Corporation (CRS Pine Ridge)
- CRS Fountain Place Housing Corporation (CRS Fountain Place)
- CRS Cambridge Court Housing Corporation (CRS Cambridge)
- Christian Relief Services of Virginia, Inc. (CRS Virginia)
- The Center for Housing Counseling Training, Inc. (CHCT)
- Cheyenne River Youth Project, Inc. (CRYP)
- CRS Housing Preservation, Inc. (CRS Housing Preservation)

Christian Relief Services/21<sup>st</sup> Century Campaign, Inc. (CRS/21) is a nonstock corporation and shares a common board, but is not included on CRSC's group roster.

All entities, except for CRSI, AHA, RS, BWA, CRYP, CRS/21 and CHCT, were formed to provide low-income housing for persons of limited financial means, qualified housing for disabled persons, and other types of qualified housing for elderly persons.

Continued

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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

**Organization (continued)**

CRSI provides funding, technical support services and in-kind goods to communities striving to break the stranglehold of poverty in order to achieve sustainable solutions. Many communities within the United States, and throughout the world, suffer from a lack of basic infrastructure services – clean water, medicine, education and housing. CRSI works closely with partner charities, including affiliates, individuals and nongovernment organizations embedded in targeted communities, to determine effective ways of sharing resources and creating long-term solutions for the alleviation of human suffering, misery, pain and disability in the world by advancing and improving the welfare of all persons while preserving native heritages, customs and beliefs.

AHA was organized to assist in the alleviation of human suffering, misery, pain and disability by helping fellow Americans with basic necessities, such as shelter, home repair, food, clothing and medical assistance, throughout the United States.

RS was organized to help American Indian people meet their immediate survival needs – food, water and shelter – while implementing and supporting programs designed to create opportunities for self-sufficiency and self-esteem, particularly for native youth.

BWA was organized to promote positive change in Africa by supporting and strengthening grassroots initiatives for self-sufficiency, health and education, as well as assisting in the development of alternative energy sources, agricultural techniques, conservation programs, educational and medical programs, and water resources.

CRYP was organized to support struggling children and their families on the Cheyenne River reservation through a wide variety of culturally sensitive and enduring projects, programs, and facilities.

CRS/21 was organized and operates exclusively as a charitable organization whose sole purpose is to support the welfare of CRSC.

CHCT was organized to provide housing counseling training to persons employed by public and private human service providers in Fairfax County, Virginia, in order to enable them to assist low- and moderate-income families to qualify for, and purchase, their own home. The activity of CHCT is not material to the consolidated financial statements and has been shown as part of CRSI's activity.

CRSC and its affiliates' activities are funded primarily from housing rental income and related service fees and cash and noncash contributions.

**Continued**

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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

#### **Basis of Accounting and Presentation**

The accompanying consolidated financial statements of CRSC and its affiliates (collectively referred to as the Organization) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

#### **Principles of Consolidation**

The consolidated financial statements of the Organization include the accounts of CRSC, CRSI, AHA, RS, BWA, Mountain Lakes, CRS Kansas, CRSC Residential, CRS Triangle, CRS Alexandria, CRS Scottsdale, CRS Cove, CRS Pine Ridge, CRS Fountain Place, CRS Cambridge, CRS Virginia, CHCT, CRYP, CRS Housing Preservation and CRS/21. The entities have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

#### **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.

#### **Contributed Relief Materials, Professional Services and Housing**

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

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 consolidated financial statements because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

#### **Inventories**

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

#### **Investments**

Investments are recorded in the accompanying consolidated 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.

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 in an active market that the Organization has the ability to access.

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

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

As of June 30, 2011, the Organization's assets and liabilities that are measured at fair value on a recurring basis are described in Note 13 of these consolidated financial statements.

#### **Charitable Remainder Unitrust Receivable**

The charitable remainder unitrust (CRUT) receivable is recorded at the net present value of the estimated future cash flows (as measured by the fair value of the underlying assets net of the estimated liabilities).

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

### **Investments in Limited Partnerships**

CRSC has a 0.01% limited partner interest in certain limited partnerships. The investments are accounted for under the cost method. Under the cost method, investments are recorded at the price paid. Distributions received are recorded as income at the time of receipt. The investments in these limited partnerships are recorded at zero, since there was no consideration given at the time they were acquired. The limited partnerships are not consolidated, because the Organization holds a limited partner interest.

### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are stated at cost, except for donated property, which is recorded at fair value upon receipt. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Buildings	40 years
Buildings and leasehold improvements	7 to 40 years
Property and equipment	3 to 10 years

Buildings and leasehold improvements are amortized over the lease period or useful lives of the improvements, whichever is shorter, using the straight-line method. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expense in the accompanying consolidated 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.

### **Impairment of Long-Lived Assets**

The Organization reviews long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the year ended June 30, 2011.

### **Financing Costs and Amortization**

Debt financing costs are being amortized using the straight-line method, which approximates the amortization that would be calculated using the effective interest method, over the terms of the respective loans. Discounts and premiums are amortized over the lives of the underlying obligations using the straight-line method, which approximates the amortization that would be calculated using the effective interest method.

Continued

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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

### **Deferred Interest Income**

Deferred interest income represents up-front interest income received in lieu of future interest earnings on the debt service fund. The amount is recognized ratably over the lives of the bonds using the straight-line method and is included in deferred revenue in the accompanying consolidated statement of financial position.

### **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.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

### **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 consolidated statement of activities as net assets released from restriction. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying consolidated statement of activities.

Revenue recognized on contributions that have been committed to the Organization but have not been received is reflected as grants and contributions receivable in the accompanying consolidated 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 current status of the grants and contributions receivable. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

**Continued**

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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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. Proceeds that have not been received as of year-end are included in grants and contributions receivable in the accompanying consolidated statement of financial position.

Royalty income is reported when received as an increase in temporarily restricted net assets due to a donor-imposed restriction.

Housing rental income is recognized as the rents become due. Rental payments received in advance are deferred until earned and shown as prepaid rent in the accompanying consolidated statement of financial position. All contracts between the Organization and the tenants of its properties are considered operating leases. Tenant receivables are charged to expense when tenant receivables are determined to be uncollectible, based upon a periodic review of the accounts by management.

Service fee income is recognized as 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 consolidated statement of activities.

**Estimates**

The preparation of consolidated 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.

**Functional Allocation of Expenses**

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

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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### 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 received within one year. The Organization has recorded an allowance for doubtful accounts of \$98,982.

### 3. Notes and Interest Receivable

CRS Housing Preservation entered into four money purchase note agreements with four partnerships totaling \$7,313,000, in connection with the sale of four rental properties. Interest-only payments are due from cash flows, as defined, from the respective operating partnerships. The notes bear interest at rates ranging from 4.3% to 4.83%. Accrued interest and principal are due in full at various dates, ranging from January 2046 through March 2048.

CRS Housing Preservation was assigned two notes receivable totaling \$3,412,219. The notes bear interest at a rate of 1%. Accrued interest and principal payments are due August 2031.

CRSC has a note receivable for \$152,000 from V.I.P. Housing Partners I, L.P. (VIP), a partnership in which an affiliate owns a 1% general partner interest. The note accrues interest at 7.31% per annum on the outstanding balance. As of June 30, 2011, accrued interest was \$301,370 and is included in interest receivable in the accompanying consolidated statement of financial position. The note required fixed payments every year, beginning in 1996 through 2010. No principal payments have been made on this note receivable, as VIP has had no cash flows from operations. The due date for the principal and accrued interest has been extended indefinitely. The note is secured by a third deed of trust on the rental property located in Quantico, Virginia, and an assignment of rents.

Under the terms of a sixth deed of trust note, CRSC earned a development fee in the original amount of \$62,854 from VIP. The receivable bears interest at 6.31% per annum, with principal and interest payable by VIP from its cash flows, as defined in VIP's partnership agreement. As of June 30, 2011, no payments have been received. The note has been pledged as security for CRSC's performance under a grant received from the Virginia Housing Partnership Revolving Fund. Accrued interest due under this note is \$104,080 as of June 30, 2011, and is included in interest receivable in the accompanying consolidated statement of financial position.

Of the total notes and interest receivable of \$11,345,523 described above, which excludes an immaterial note receivable of \$820, \$166,934 is due within one year.

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

### 4. Investments

As of June 30, 2011, the Organization has valued all of its investments using quoted prices in active markets for identical assets. The fair value of the Organization's investments is summarized as follows:

Equity securities	\$ 13,779,641
Mutual funds	5,217,120
Exchange-traded funds	556,274
Fixed-income securities	<u>4,766,481</u>
Total Investments	<u>\$ 24,319,516</u>

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

Interest and dividends	\$ 749,209
Realized gains	778,516
Unrealized gains	<u>2,869,485</u>
Total	<u>\$ 4,397,210</u>

Also included in interest and dividend income in the accompanying consolidated statement of activities is \$254,543 of interest and dividends earned on the Organization's trust accounts described in Note 6 and the Organization's operating accounts.

### 5. Property and Equipment

The Organization held the following property and equipment as of June 30, 2011:

Buildings and improvements	\$ 49,303,473
Land and improvements	9,535,223
Equipment	3,391,857
Land and building under capital lease	3,310,003
Leasehold improvements	691,867
Vehicles	150,685
Other	<u>49,483</u>
Total Property and Equipment	66,432,591
Less: Accumulated Depreciation and Amortization	<u>(20,731,220)</u>
Property and Equipment, Net	<u>\$ 45,701,371</u>

Depreciation and amortization expense was \$2,453,473 for the year ended June 30, 2011.

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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5. Property and Equipment (continued)

During 2011, CRS Scottsdale began replacing the roofs on its apartment buildings. As of June 30, 2011, only a portion of the project has been completed. CRS Scottsdale is performing the work using maintenance personnel. During 2011, the Organization capitalized total costs of approximately \$30,000 and expects to incur an additional \$200,000 to complete the project in 2012.

6. Trust Accounts

Trust accounts are invested primarily in money market accounts backed by U.S. Treasury obligations and guaranteed investment contracts. All guaranteed investment contracts will terminate on various dates through 2029. The trust accounts are under the control of the trustee and withdrawals are restricted based on the terms of the trust indenture agreement between the bond issuer and the trustee. All trust investments are carried at cost, which approximates fair value at June 30, 2011. Total interest earned on all trust funds was \$240,120 for the year ended June 30, 2011, of which \$238,957 was earned on the guaranteed investment contracts. The trust investments are not insured by the Federal Deposit Insurance Corporation or by any other federal government agency.

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

6. Trust Accounts (continued)

As of June 30, 2011, the trust accounts consisted of the following:

	<u>CRS Kansas</u>	<u>CRS Triangle</u>	<u>CRS Alexandria</u>	<u>CRS Scottsdale</u>	<u>Total</u>
Debt service reserve fund – senior lien bonds	\$ -	\$ 748,717	\$ 542,766	\$ 902,370	\$ 2,193,853
Surplus fund	-	1,066,509	158,227	1,594	1,226,330
Debt service reserve fund	268,000	-	-	-	268,000
Debt service reserve fund – junior lien bonds	-	343,993	215,594	369,356	928,943
Tax and insurance escrow	49,176	246,114	-	140,463	435,753
Debt service fund	108,700	-	-	308,287	416,987
Revenue fund	59,690	28,293	201,096	3	289,082
Bond fund – senior lien bonds interest account	-	269,157	-	-	269,157
Maintenance reserve fund	-	193,131	-	-	193,131
Fee account	24,756	136,743	-	21,323	182,822
Replacement reserve fund	49,861	-	77,779	52,869	180,509
Maturity fund	159,330	-	-	-	159,330
Bond fund – senior lien bonds principal account	-	150,798	19	-	150,817
Bond fund – junior lien bonds principal account	-	142,604	7,556	-	150,160
Bond fund – junior lien bonds interest account	-	63,554	-	-	63,554
Expense fund – taxes and insurance	-	-	58,538	-	58,538
Expense fund – fee escrow	-	-	29,804	-	29,804
Trust retained earnings fund	21,617	-	-	-	21,617
Project fund – tax exempt	-	20,553	-	-	20,553
General expense account fund	-	242	-	-	242
Working capital account	-	47	-	-	47
Project fund – taxable proceeds account	-	-	24	-	24
<b>Total</b>	<u>\$ 741,130</u>	<u>\$ 3,410,455</u>	<u>\$ 1,291,403</u>	<u>\$ 1,796,265</u>	<u>\$ 7,239,253</u>

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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7. Mortgages Payable

Mortgages payable consist of the following as of June 30, 2011:

CRSC

Virginia Housing Development Authority (VHDA), due in monthly installments of \$866, including interest at 8.3% per annum, payable through February 1, 2022. The note is secured by three houses in Virginia, which have been funded in part by a grant from the U.S. Department of Housing and Urban Development (HUD) and the Virginia Department of Housing and Community Development (VDHCD).

\$ 73,419

CRS Virginia

VHDA, due in monthly installments of \$6,179, including interest at 3.75% per annum, payable through April 1, 2046. The note is secured by deeds of trust on three homes located in Fairfax, Vienna, and Falls Church, Virginia. The homes provide housing and support services for mentally handicapped homeless persons.

1,306,972

VHDA, due in monthly installments of \$1,492, including interest at 7.86% per annum, payable through October 1, 2022. The note is secured by a house in Annandale, Virginia. The note has been financed through the issuance of 1992 Series G Multifamily tax-exempt housing bonds issued by VHDA. In accordance with the note, tenants of the property are restricted to low- to moderate-income, mentally disabled persons. The note is guaranteed by CRSC.

126,684

VHDA, due in monthly installments of \$1,297, including interest at 4% per annum, payable through July 1, 2011. The note is secured by deeds of trust on four homes located in Reston and Alexandria, Virginia. The homes provide housing and support services for mentally handicapped homeless persons.

1,022

VHDA, due in monthly installments of \$1,406, including interest at 4% per annum, payable through March 1, 2012. The note is secured by deeds of trust on 10 homes located in Fairfax, Chantilly, Alexandria, Centreville and Reston, Virginia. The homes provide traditional housing and support services for homeless individuals and families.

95,215

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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7. Mortgages Payable (continued)

CRS Virginia (continued)

Under agreements with the lenders, the Organization is required to make monthly deposits for insurance and taxes on all VHDA mortgages. VDHCD and Fairfax County Redevelopment and Housing Authority (FCRHA) loan made under the Home Investment Partnerships program. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The note is secured by deeds of trust on 19 homes located in Alexandria, Springfield, Reston, Herndon, Falls Church, Annandale, Centreville, Fairfax and Burke, Virginia. The loan terms are in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" ranging from 32.37% to 45.09% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.

\$ 748,820

FCRHA loans made under the Community Development Block Grant program (CDBG). No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on 19 homes located in Alexandria, Springfield, Reston, Herndon, Falls Church, Annandale, Centreville, Fairfax and Burke, Virginia. The loan terms are in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" ranging from 6.81% to 18.62% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.

261,691

FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Chantilly, Virginia. The loan terms are in effect for the

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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7. Mortgages Payable (continued)

CRS Virginia (continued)

affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an “equity share” of 69.6% of the Organization’s equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time. \$ 89,901

FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization’s compliance with loan terms. The notes are secured by deeds of trust on a home located in Annandale, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an “equity share” of 49.5% of the Organization’s equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time. 92,493

FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization’s compliance with loan terms. The notes are secured by deeds of trust on a home located in Chantilly, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an “equity share” of 50.4% of the Organization’s equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time. 89,004

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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### 7. Mortgages Payable (continued)

#### CRS Cove

The mortgage was refinanced under Section 223(f) of the National Housing Act, is insured by the Federal Housing Administration (FHA) and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 6.35% per annum. Principal and interest are payable by the Organization in monthly installments of \$29,632, through maturity on October 1, 2036. The mortgage note was funded through the issuance of a Multifamily Housing Revenue Bond, Series 2001A-I, and a taxable Multifamily Housing Revenue Bond, Series 2001A-2, from the Industrial Development Authority of the County of Maricopa in Arizona.

Under agreements with the mortgage lender and FHA, the Organization is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and cash distributions.

The liability of the Organization under the mortgage note is limited to the underlying value of the real estate collateral, plus other amounts deposited with the lender. The mortgage is also secured by an assignment of rents.

In March 2010, due to cash flow difficulties, the Organization ceased both principal and interest payments to the lender, which resulted in default of the loan agreement. The Organization had submitted an application to HUD to restructure its debt through the Partial Payment of Claim (PPC) program, but has been rejected. The Organization continued to accrue interest as calculated under the mortgage note through June 30, 2011. As of June 30, 2011, total accrued interest on this note was \$290,437. As a result of the default, the remaining outstanding balance of the note is considered a current liability.

\$ 4,559,825

#### CRS Cambridge

The Organization was approved for the HUD's PPC program in January 2011. The purpose of this program was to restructure the terms of the Organization's existing mortgage note and related accrued interest. Until it was approved for the PPC program, the Organization remained subject to the terms of its original debt agreement. Prior to the restructure, the Organization was in technical default of the

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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7. Mortgages Payable (continued)

CRS Cambridge (continued)

original loan terms. Under the original note, the Organization was required to make monthly principal and interest payments totaling \$38,617, which it ceased in March 2010. At the date of the restructure, the outstanding principal balance on the original loan was \$5,942,532 and interest was accruing at 6.35% annum. Total accrued interest at the date of restructure was \$342,200.

In January 2011, the Organization restructured the entire outstanding principal and accrued interest of the original loan. The restructure resulted in two separate loans funded by HUD. The balance of the first mortgage is \$3,004,880 and bears interest at 4.50% per annum. The Organization is required to make monthly payments of principal and interest equal to \$16,467. The balance of the second mortgage is \$3,279,853 and bears interest at 3.88% per annum. Payments on the second mortgage are made from restricted surplus cash, defined in the second deed of trust note as 75% of surplus cash, as calculated in accordance with the HUD regulatory agreement. Both mortgages mature on October 1, 2036.

Through the modified debt agreement, at any time on or after February 1, 2031, the holder of the debt shall have the option to accelerate payment of the unpaid principal, together with all other indebtedness under the second mortgage, within two months' prior written notice being given by the holder. The holder may also provide the Organization the opportunity to propose a restructuring of the mortgage at this time, if they so choose.

Under agreements with the mortgage lender and FHA, the Organization is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and cash distributions.

The liability of the Organization under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender and by an assignment of rents.

\$ 6,263,817

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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7. Mortgages Payable (continued)

CRS Fountain Place

The mortgage was refinanced under Section 233(f) of the National Housing Act, is insured by the FHA and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 6.35% per annum. Principal and interest are payable by the Organization in monthly installments of \$37,608, through maturity on October 1, 2036.

The mortgage note was funded through the issuance of a Multifamily Housing Revenue Bond, Series 2001A-1, and a taxable Multifamily Housing Revenue Bond, Series 2001A-2, from the Industrial Development Authority of the County of Maricopa in Arizona.

Under agreements with the mortgage lender and FHA, the Organization is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and cash distributions.

The liability of the Organization under the mortgage note is limited to the underlying value of the real estate collateral, plus other amounts deposited with the lender. The mortgage is also secured by an assignment of rents.

\$ 5,678,442

Total

\$ 19,387,305

Total interest expense related to these mortgages was \$1,290,319 for the year ended June 30, 2011.

Aggregate annual maturities of mortgages payable over the next five years, and thereafter, are as follows:

<u>For the Year Ending June 30,</u>	
2012	\$ 4,844,381
2013	199,081
2014	210,485
2015	222,571
2016	235,385
Thereafter	<u>13,675,402</u>
Total	<u>\$ 19,387,305</u>

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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7. Mortgages Payable (continued)

In May 2011, CRS Pine Ridge's note was auctioned by HUD and was purchased by an unrelated third party. CRS Pine Ridge and the new note holder signed a deed in lieu of foreclosure on the real estate collateral. CRS Pine Ridge's involvement and management of the rental property ended on June 22, 2010, and the property, which has a book value of \$6,137,916 was transferred to the unrelated third party, who purchased the note. CRS Pine Ridge recognized a gain on settlement of debt of \$1,320,769 for the year ended June 30, 2011.

8. Notes Payable

Notes payable consist of the following as of June 30, 2011:

CRS Triangle

The purchase of the rental property was financed by the proceeds, net of discount, from three Multifamily Housing Revenue serial bonds issued by the Industrial Development Authority of Prince William County, Virginia (Issuer). The deed of trust notes mature at various dates through July 1, 2029. Monthly payments are due on the first day of each month beginning on July 1, 1999, through maturity. As of June 30, 2003, the B bonds were retired. The payments are equal to one-sixth of the semiannual interest and one-twelfth of the annual principal sufficient to retire the series A and C bonds. The interest rates range from 5.0% to 7.0%. Total interest incurred on the notes, including discount amortization of \$2,553, was \$542,421 during the year ended June 30, 2011. In addition, the trust indenture between the Issuer and U.S. Bank (Trustee) requires monthly deposits into various trust accounts.

The liability under the notes payable is limited to the underlying value of the real estate collateral plus other amounts deposited with the Trustee. The notes are also secured by an assignment of rents.

\$ 9,686,101

CRS Alexandria

The purchase of the rental property was financed by the proceeds, net of discount, from three Multifamily Housing Revenue serial bonds issued by the Alexandria Redevelopment and Housing Authority of Virginia (Issuer). The deed of trust notes mature at various dates through April 1, 2030. As of June 30, 2003, the B bonds were retired. CRS Alexandria's monthly payments are equal to one-sixth of the

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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8. Notes Payable (continued)

CRS Alexandria (continued)

semiannual interest and one-twelfth of the annual principal sufficient to retire the series A and C bonds. The interest rates on the outstanding bonds range from 6.125% to 8.125%. Total interest incurred on the notes, including discount amortization of \$7,689, was \$485,303 during the year ended June 30, 2011. In addition, the trust indenture between the Issuer and U.S. Bank (Trustee) requires monthly deposits into various trust accounts.

The liability of CRS Alexandria under the notes payable is limited to the underlying value of the real estate collateral, plus other amounts deposited with the Trustee. The notes are also secured by an assignment of rents.

\$ 7,109,349

CRS Scottsdale

The purchase of the rental property was financed by the proceeds, net of discount, from three Multifamily Housing revenue serial bonds issued by the Industrial Development Authority of the County of Maricopa in Arizona (Issuer). The deed of trust notes mature at various dates through November 1, 2031. As of June 30, 2011, the B bonds were retired. CRS Scottsdale's monthly payments are now equal to one-sixth of the semiannual interest and one-twelfth of the annual principal sufficient to retire the series A and C bonds. The interest rate ranges from 6.75% to 9.5%. Total interest incurred on the notes, including discount amortization of \$9,590, was \$1,053,940 during the year ended June 30, 2011. In addition, the trust indenture between the Issuer and the U.S. Bank (Trustee) requires monthly deposits into various trust accounts.

The liability under the notes payable is limited to the underlying value of the real estate collateral, plus other amounts deposited with the Trustee. The notes are also secured by an assignment of rents.

13,662,802

CRS Kansas

CRS Kansas entered into a note payable with the prior owner of its rental property on December 14, 1995. The principal balance of \$500,000 is due and payable in annual interest and principal payments based on 75% of annual surplus cash, as allowed under the trust indenture and lease agreement. In the event there is no surplus cash to

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

8. Notes Payable (continued)

CRS Kansas (continued)

cover the annual accrued interest, the interest is forgiven. Such interest is calculated based on 8.5% of the outstanding principal balance. As of June 30, 2011, there was no surplus cash to make payments and no interest was accrued. The note matures on November 30, 2025, when any outstanding principal and unpaid accrued interest are due. Interest forgiven under this note for 2011 was \$42,500.

\$ 500,000

Total

\$ 30,958,252

Total interest expense related to these notes payable was \$2,061,832 for the year ended June 30, 2011.

Aggregate annual maturities of notes payable over the next five years, and thereafter, are as follows:

For the Year Ending  
June 30,

2012	\$ 875,000
2013	925,000
2014	990,000
2015	1,055,000
2016	1,125,000
Thereafter	<u>26,325,000</u>
Subtotal	31,295,000
Less: Discounts	<u>(336,748)</u>
Total	<u>\$ 30,958,252</u>

9. Line of Credit

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

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

### 10. Obligation under Capital Lease

#### CRS Kansas

On December 1, 1995, the City of Wichita, Kansas, issued two multifamily housing revenue serial bonds. The proceeds, net of discount, were used by the City to acquire the project, Brentwood Apartments. On December 31, 1995, CRS Kansas entered into a lease agreement with the City of Wichita, Kansas, to lease the rental property and land. Under the lease agreement, payments are due on the fifteenth day of each month, beginning on January 15, 1996, through maturity on December 1, 2025. Payments are equal to one-sixth of the semiannual interest and one-twelfth of the annual principal sufficient to retire the Series A and B bonds. The interest rates on the outstanding bonds range from 5.90% to 6.625%. Total interest incurred on the lease, including discount amortization of \$1,483, was \$162,619 during the year ended June 30, 2011.

The lease provides an option for CRS Kansas to purchase the project for an amount sufficient to pay at maturity or to redeem and pay in full the principal of all outstanding bonds and all interest due thereon to the date of maturity or redemption, plus \$1,000. The option can be exercised at any time during the term of the lease and up to 120 days thereafter. In addition, in accordance with the lease agreement, the project is required to make monthly deposits to the trustee into a replacement reserve fund, tax and insurance escrow fund, and the revenue fund.

The liability of CRS Kansas for the obligation under the capital lease is limited to the underlying value of the real estate collateral, plus other amounts deposited with the lender. The obligation is also secured by an assignment of rents.

Future minimum lease payments under this capital lease are as follows:

For the Year Ending June 30,	
2012	\$ 261,519
2013	260,111
2014	258,407
2015	262,228
2016	259,573
Thereafter	<u>2,975,946</u>
Subtotal	4,277,784
Less: Discount	(13,928)
Amount Representing Interest	<u>(1,576,784)</u>
Total	<u>\$ 2,687,072</u>

Continued

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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### 11. Deferred Revenue

#### **Debt Service Fund Forward Delivery Agreement**

CRS Alexandria and CRS Scottsdale each entered into a Debt Service Fund Forward Delivery Agreement with the trustee whereby CRS Alexandria received \$105,000 and CRS Scottsdale received \$170,000 to forego the right to receive future investment earnings on the deposit amounts in the Debt Service Fund. The term of the agreement is the life of the underlying bonds. For the year ended June 30, 2011, for CRS Alexandria, interest income of \$3,500 has been earned and \$64,021 remains deferred and included in deferred revenue in the accompanying consolidated statement of financial position. For the year ended June 30, 2011, for CRS Scottsdale, interest income of \$5,667 has been earned and \$107,663 remains deferred and included in deferred revenue in the accompanying consolidated statement of financial position.

#### **Cable Service Agreement**

CRS Alexandria and CRS Triangle entered into a twelve-year service agreement with Comcast of Virginia, whereby CRS Alexandria received \$39,200 and CRS Triangle received \$75,000 for granting Comcast the right to provide services to the project. For the year ended June 30, 2011, CRS Alexandria earned cable TV satellite income of \$3,267, and \$28,311 remains in deferred revenue in the accompanying consolidated statement of financial position. CRS Triangle earned cable TV satellite income of \$6,167, and \$53,444 remains in deferred revenue in the accompanying consolidated statement of financial position.

#### **Deposits**

RS has special events, such as a marathon tour fundraiser and an annual tour for supporters to view its programs and conditions on the Pine Ridge and Cheyenne River Sioux Indian Reservations in South Dakota, Nebraska and surrounding areas. Tour deposits can be refunded if the tour is cancelled and, therefore, are recognized as revenue when the event occurs. As of June 30, 2011, deposits of \$16,998 were received in advance of the tour and marathon and are reflected as deferred revenue in the accompanying consolidated statement of financial position.

### 12. Transactions with Related Parties

The Organization is related to the Wasser und Brot für Afrika (WBA) and Running Strong für die Indianerjugend (RSI), which are nonprofit organizations incorporated under German law, and Pain et Eau pour L'Afrique (PEA), which is a nonprofit organization incorporated under French law. The Organization has an agreement to provide advisory capacity services to WBA, RSI, and PEA, as the entities have the same mission as the Organization. The Organization's Chief Executive Officer (CEO) also sits on PEA's all-volunteer Board. During

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

12. Transactions with Related Parties (continued)

the year ended June 30, 2011, the Organization awarded WBA a charitable contribution of \$315,000, which is to be used in support of WBA's mission to promote positive change in Africa by supporting and strengthening grassroots initiatives for community self-sufficiency, health and education. During the year ended June 30, 2011, the Organization awarded PEA a charitable contribution of \$39,269, which is to be used to pay consultant fees and miscellaneous operating expenses.

13. Fair Value Measurements

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	<u>Total</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
	<u>Fair Value</u>	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>Assets/</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
		<u>Liabilities</u>		
		<u>(Level 1)</u>		
Assets:				
Investments:				
Equity securities:				
Technology	\$ 2,750,532	\$ 2,750,532	\$ -	\$ -
Basic materials	2,639,023	2,639,023	-	-
Financial	1,742,596	1,742,596	-	-
Services	1,751,702	1,751,702	-	-
Consumer goods	1,724,788	1,724,788	-	-
Health care	1,630,395	1,630,395	-	-
Industrial goods	936,608	936,608	-	-
Other	372,672	372,672	-	-
Utilities	231,325	231,325	-	-
Fixed-income securities:				
Government bonds	3,556,493	3,556,493	-	-
Corporate bonds	1,018,477	-	1,018,477	-
Municipal bonds	191,511	-	191,511	-
Exchange-traded funds:				
Short-term government				
bond funds	150,560	150,560	-	-
Large blend funds	120,105	120,105	-	-

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

13. Fair Value Measurements (continued)

	<u>Total</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>
	<u>Fair Value</u>			
Assets (continued):				
Investments (continued):				
Exchange-traded funds				
(continued):				
Intermediate-term				
bond funds	\$ 105,103	\$ 105,103	\$ -	\$ -
Inflation-protected bonds	90,614	90,614	-	-
Small cap funds	30,127	30,127	-	-
Mid cap funds	29,996	29,996	-	-
Foreign large blend	29,769	29,769	-	-
Mutual funds:				
Equity funds:				
Real estate	153,552	153,552	-	-
Large value	105,032	105,032	-	-
Mid cap	59,843	59,843	-	-
Emerging markets	30,524	30,524	-	-
Large cap	30,103	30,103	-	-
Small cap	29,915	29,915	-	-
Moderate allocation	21,473	21,473	-	-
Foreign equity funds:				
Large blend	514,799	514,799	-	-
Global real estate	39,573	39,573	-	-
Large cap	29,976	29,976	-	-
World allocation	1,391	1,391	-	-
Fixed income:				
Long-term bonds	1,034,726	1,034,726	-	-
High-yield bonds	759,668	759,668	-	-
Emerging market bonds	550,395	550,395	-	-
Inflation-protected bonds	506,828	506,828	-	-
Multi-sector bonds	446,688	446,668	-	-
Intermediate-term bonds	195,330	195,330	-	-
Short-term bonds	180,940	180,940	-	-
Foreign fixed income	482,906	482,906	-	-

Continued

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

13. Fair Value Measurements (continued)

	Total <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Assets (continued):				
Investments (continued):				
Mutual funds (continued):				
Commodities	\$ 42,696	\$ 42,696	\$ -	\$ -
Other	762	762	-	-
Contribution receivable in a CRUT	68,698	-	-	68,698
Restricted investments for tenant security deposits:				
Cash and cash equivalents	420,608	420,608	-	-
Fixed-income securities:				
Intermediate-term bonds	46,222	46,222	-	-
Ultra-short government bonds	147,610	147,610	-	-
Intermediate government bonds	47,004	47,004	-	-
Trust accounts:				
Money market funds	4,217,813	4,217,813	-	-
Guaranteed investment contracts	3,021,440	-	3,021,440	-
Cash surrender value of life insurance policies	<u>1,179,764</u>	<u>-</u>	<u>1,179,764</u>	<u>-</u>
Total Assets	<u>\$ 33,469,675</u>	<u>\$ 27,988,785</u>	<u>\$ 5,411,192</u>	<u>\$ 68,698</u>

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

*Fixed-income securities* – For investments in actively traded government bonds, fair value is determined by a computerized pricing service for which daily prices are available. Investments in actively traded government bonds are categorized as Level 1 investments. For corporate and municipal bonds that are not as actively traded, estimated fair value is determined by utilizing a yield-based matrix system. These corporate and municipal bonds are categorized as Level 2 investments.

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

### 13. Fair Value Measurements (continued)

*Equity securities, exchange-traded funds and mutual funds* – Valued at quoted market price for identical assets in active markets.

*Contribution receivable in a CRUT* – The CRUT is revalued annually by calculating the present value of the donor's life expectancy and a discount rate of 6.5%.

*Guaranteed investment contracts* – Guaranteed investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering their creditworthiness.

*Cash surrender value of life insurance policies* – Cash surrender value of the life insurance policies is based upon the reserve value, which is the face amount of the contracts discounted at a specific rate of interest according to the insured's life expectancy.

*Money market funds* – Money market funds are valued at the net asset value (NAV) of shares held, as reported in the active market in which the individual security or fund is traded.

A roll forward of the fair value measurements using unobservable inputs (Level 3) was as follows as of June 30, 2011:

Balance, July 1, 2010	\$ 62,453
Change in value	<u>6,245</u>
Balance, June 30, 2011	<u>\$ 68,698</u>

### 14. Net Assets

#### **Temporarily Restricted Net Assets**

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

Endowment earnings restricted for use in American Indian programs	\$ 6,886,818
International programs	425,411
Time restrictions	271,864
American Indian programs	210,414
Charitable remainder unitrust	68,698
Cheyenne River Youth programs	20,000
Domestic programs	<u>1,247</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,884,452</u>

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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### 15. Endowment Funds

#### **Permanently Restricted Net Assets**

Permanently restricted net assets of \$16,547,477 consist of a donor-restricted endowment fund, the income from which is to be used only for the Organization's American Indian programs of that operate these programs. As required by generally accepted accounting principles (GAAP), net assets associated with donor-restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law and Spending Policy**

The Organization has interpreted the Uniform Prudent Management of Institution Funds Act (UPMIFA) not to limit spending from the endowment fund to interest and dividends earned, but to allow the Organization to elect to spend a portion of the overall value of the fund after considering the factors listed below and keeping in mind the permanent duration of the fund. To date, the Organization has not made such an election. Instead, the Organization has taken a very prudent and conservative approach and pursued a spending policy to not annually release more than the interest and dividend and royalty income above the original value of the gifts donated to start the permanent endowment and the original value of subsequent gifts to the permanent endowment. The resulting realized and unrealized gains and losses are included in the temporarily restricted net assets of the endowment portfolio.

Section 55-268.14(A) of Virginia's UPMIFA eliminates the concept of historic dollar value and instead provides that an institution may adopt a spending policy that will preserve the purchasing power of "principal" while distributing as "income" a reasonable amount in light of investment performance and general economic conditions.

The statute lists a number of factors to be considered in adopting a spending policy:

- General economic conditions.
- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

15. Endowment Funds (continued)

**Endowment Composition and Activity**

As of June 30, 2011, the Organization's endowment had the following net asset composition:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ 6,886,818	\$ 16,547,477	\$ 23,434,295
Total Endowment Funds	\$ 6,886,818	\$ 16,547,477	\$ 23,434,295

Changes in endowment net assets were as follows for the year ended June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,313,195	\$ 16,547,477	\$ 19,860,672
Investment return:			
Investment income	647,118	-	647,118
Net appreciation (realized and unrealized)	<u>3,633,867</u>	<u>-</u>	<u>3,633,867</u>
Total Investment Return	4,280,985	-	4,280,985
Royalties	692,367	-	692,367
Donated stock	271	-	271
Amounts appropriated for expenditure	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>
Endowment net assets, end of year	\$ 6,886,818	\$ 16,547,477	\$ 23,434,295

Temporarily restricted net assets are as follows as of June 30, 2011:

The portion of perpetual endowment funds that is subject to a purpose restriction under UPMIFA	\$ 6,886,818
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 6,886,818</u>

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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15. Endowment Funds (continued)

**Endowment Composition and Activity (continued)**

Permanently restricted net assets are as follows as of June 30, 2011:

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA	<u>\$ 16,547,477</u>
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Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 16,547,477</u>
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**Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for its investments that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary objective of the endowment fund is to preserve and protect the assets by providing a balance between capital appreciation, preservation of capital and current income. This is a long-term goal designed to maximize returns without undue risk.

**Strategies Employed for Achieving Objectives**

The endowment fund has a target range of 60% equity and 40% fixed income. A positive return is expected over the time of investment, although there may be periods with negative return.

16. Interest in Limited Partnerships

CRSC owns 0.01% limited partnership interests in 11 partnerships. The purpose of the partnerships is to provide low-income housing, subject to regulation by HUD. In connection with the acquisition of the limited partnership interests, CRSC acquired an interest in related deferred purchase money notes. The notes are payable from the future cash flows of the operating partnerships. Management is unable to determine the amount of any future cash flows of the partnerships with any degree of certainty and, therefore, the notes have been fully reserved. Any future collections under the notes will be recorded as income. There was no cash received on the notes during the fiscal year.

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

### 17. Investment in Operating Entities

CRS Virginia maintains a 1% general partner interest in VIP. VIP was formed under the laws of the Commonwealth of Virginia in April 1991 for the purpose of acquiring and operating a rental housing project that consisted of 16 units located in Quantico, Virginia, and is currently operating under the name of the Harbor View Apartments. No summarized financial data is provided, as the amounts are immaterial.

CRS Virginia has a 10% member interest in Heather Glen, LLC, which has a 0.01% general partner interest in Heather Glen, L.P. (the L.P.), which was formed for the purpose of developing a forty-unit townhouse development in Radford, Virginia, with low-income housing tax credits. CRS Virginia has provided no guarantees to the L.P. The project completed construction and began leasing units in February 2004. No summarized financial data is provided, as the amounts are immaterial.

### 18. Commitments and Contingencies

#### Operating Lease

CRSI leases office facilities in Alexandria, Virginia, under a noncancelable lease expiring in April 2013. The annual base monthly rent is \$16,938. The lease agreement contains a provision for an increase in rent of 4% per annum on the anniversary of the lease. 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 consolidated statement of financial position. For the year ended June 30, 2011, rent expense was \$226,047. As of June 30, 2011, total future minimum lease payments under this lease are as follows:

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

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

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# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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18. Commitments and Contingencies (continued)

### **Key Man Life Insurance Policies**

CRSC carries key man life insurance policies on certain executives, with a total face amount of \$2,500,000. As of June 30, 2011, the cash surrender values of the policies are \$649,824, and this amount is included in cash surrender value of life insurance policies in the accompanying consolidated statement of financial position.

### **Celebrity Spokesperson Contract**

On July 1, 2006, CRSI entered into a contract with an individual to act as a representative and spokesperson. The contract 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. CRSI can terminate the contract by giving the individual one year's written notice, during which time CRSI 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. As of June 30, 2011, the cash surrender values of the policies are \$529,940, and this amount is included in cash surrender value of life insurance policies in the accompanying consolidated statement of financial position.

### **Loan Guarantees**

CRSC has guaranteed certain obligations of CRS Virginia to VHDA for the purpose of securing mortgage financing for a property leased to Fairfax County, Virginia, under operating lease. The mortgage was used to acquire a facility used to provide housing and supportive services for mentally handicapped homeless individuals and single mothers recovering from substance abuse. Such obligation totaled \$126,684 as of June 30, 2011.

### **Other Guarantees**

In connection with the acquisition of a 1% general partner interest in VIP by CRS Virginia, an affiliate, CRSC has guaranteed repayment to the limited partner of VIP for a time period estimated to be 18 years after 1995, the beginning of the tax credit compliance period, up to a maximum of \$125,000 if there is any reduction in the tax credits projected to be made to the limited partner.

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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18. Commitments and Contingencies (continued)

**Land Use Restriction Agreement**

CRSC owns one apartment community, Terry Lynn, in Phoenix, Arizona, which consists of 10 units. The use of the property is partially governed by a land use restriction under an agreement with the Resolution Trust Corporation (RTC) to provide housing units to low- and very-low-income residents. The number of units restricted for Terry Lynn is two units for persons earning less than 50% of the area median income (AMI) and two units for persons making less than 65% of the AMI. The term of the agreement is 30 years and expires on January 19, 2025.

19. Rental Income from Operating Leases

CRS Virginia leases three homes to a tenant, which is a public service agency mental health provider. One of the leases expired in June 2009, but the lease's five-year renewal option was exercised. The remaining leases expire in August 2016. In addition, the leases have cancellation options that allow the tenant to terminate the leases upon giving 60 days' notice.

The following is a schedule, by year, of future rental income, provided the cancellation options are not exercised:

For the Year Ending June 30,	
2012	\$ 60,014
2013	60,014
2014	39,307
2015	18,600
2016	<u>9,300</u>
Total	<u>\$ 187,235</u>

20. Pension Plan

The Organization's employees are eligible to participate in a 401(k) plan after 60 days of service. The Organization may make matching contributions, dollar-for-dollar, up to 3% of each participant's salary. Employees are vested in employer contributions after five years of service. During the year ended June 30, 2011, pension expense related to the plan was \$76,676.

Continued

# CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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### 21. Joint Cost Allocation

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

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

### 22. Taxes

#### **Income Taxes**

CRSC and its affiliates, with the exception of CRS/21, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CRS/21 is exempt under Section 509(a)(3) of the Internal Revenue Code. The Organization is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of June 30, 2011, as the Organization had no taxable net unrelated business income.

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

#### **Real Estate Tax Exemptions**

Houses owned by CRS Virginia for charitable purposes were exempt from real estate taxation in Fairfax County, Virginia.

Continued

# **CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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### 23. Going Concern

During the year ended June 30, 2011, CRS Cove, CRS Scottsdale, and CRS Fountain Place had working capital deficiencies, incurred net losses before depreciation and amortization, and had negative cash flows. The application of the going concern concept is dependent upon ongoing support from the entities' affiliates until the entities are able to generate sufficient cash flows from operations. The entities' affiliates have made operating advances in the past, but there is no assurance the entities' will continue to do such in the future. The circumstances described above create doubt regarding the entities' ability to continue as a going concern for a period of time not to exceed one year from the consolidated statement of financial position date. The consolidated financial statements do not include any adjustments that might be necessary if the entities are unable to continue as a going concern.

### 24. Prior Year Summarized Financial Information

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

### 25. Reclassification

Certain 2010 information has been reclassified to conform to the 2011 presentation.

### 26. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2011, the date the consolidated financial statements were available to be issued.

In August 2011, CRS Cove's note was auctioned by HUD and purchased by an unrelated third party. The new note holder has notified CRS Cove of its intent to foreclose or accept a deed in lieu of foreclosure on the real estate collateral, after which time CRS Cove's involvement and management of the rental property will end.

**Continued**

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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26. Subsequent Events (continued)

On September 16, 2011, CRS Alexandria contracted to sell the Parkwood Court Apartments. Management expects the sale to close in November 2011, after which point substantially all of the operations of CRS Alexandria will be discontinued.

Other than the events disclosed above and the extension of the line of credit disclosed in Note 9, there were no subsequent events that require recognition of, or disclosure in, the consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
June 30, 2011

	CRSC	CRSI	AHA	RS	CRYP	BWA	CRS Virginia	CRS/21	CRSC Residential	CRS Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Alexandria	CRS Scottsdale	CRS Cove	CRS Cambridge	CRS Fountain Place	CRS Pine Ridge	Total	Eliminations	Consolidated Total
<b>ASSETS</b>																						
Cash and cash equivalents	\$ 1,370,401	\$ 294,795	\$ 23,280	\$ 262,424	\$ 131,680	\$ 15,748	\$ 553,703	\$ 609,127	\$ 1,355,553	\$ 138,455	\$ 121,731	\$ 19,517	\$ 90,253	\$ 26,657	\$ 69,017	\$ 45,015	\$ 113,764	\$ 5,896	\$ 67,163	\$ 5,314,179	\$ -	\$ 5,314,179
Grants and contributions receivable, net	180,652	44,318	36,777	138,337	3,027	65,993	115,785	68,698	-	-	-	-	-	-	-	-	-	-	-	653,587	-	653,587
Other receivables	22,849	45,590	-	753	-	-	5,099	-	16,443	-	6,803	8,291	22,252	5,179	10,407	4,225	9,952	3,343	18,276	179,462	-	179,462
Prepaid expenses and other assets	115,176	160,539	-	5,056	-	1,364	4,449	-	-	-	10,020	14,733	22,395	16,080	17,162	18,905	16,918	28,089	17,162	430,886	-	430,886
Contributed relief materials	-	98,542	-	19,781	-	-	4,394	-	-	-	-	-	-	-	-	-	-	-	-	122,717	-	122,717
Interest in net assets of an affiliate	-	-	-	-	-	414,143	-	-	-	-	-	-	-	-	-	-	-	-	-	414,143	(414,143)	-
Due from affiliates	385,666	-	-	-	2,759	-	-	-	1,706,660	95,955	-	-	-	-	-	-	-	-	-	2,191,040	(2,191,040)	-
Notes receivable	215,674	-	-	-	-	-	-	-	-	10,725,219	-	-	-	-	-	-	-	-	-	10,940,893	-	10,940,893
Advances from affiliate	-	-	-	-	-	-	-	-	4,703,012	-	-	-	-	-	-	-	-	-	-	4,703,012	(4,703,012)	-
Interest receivable	405,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	405,450	-	405,450
Financing costs	-	-	-	-	-	-	25	-	-	-	-	46,309	185,975	181,324	262,260	110,241	25,167	136,938	-	948,239	-	948,239
Restricted investments for tenant security deposits	-	-	-	-	-	-	-	-	-	-	201,020	37,400	148,859	84,752	51,674	56,720	37,127	42,573	1,319	661,444	-	661,444
Restricted deposits and funded reserves	56,221	-	-	-	-	-	98,562	-	-	-	-	-	-	-	-	13,046	360,582	210,486	-	738,897	-	738,897
Investments	91,532	373,084	3,971	1,095,365	-	-	-	22,564,053	191,511	-	-	-	-	-	-	-	-	-	-	24,319,516	-	24,319,516
Cash surrender value of life insurance policies	1,179,764	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,179,764	-	1,179,764
Trust accounts	-	-	-	-	-	-	-	-	-	-	-	741,130	3,410,455	1,291,403	1,796,265	-	-	-	-	7,239,253	-	7,239,253
Property and equipment, net	773,091	36,518	-	11,652	3,536,444	-	5,790,832	-	31,981	-	489,987	2,569,775	9,203,700	6,929,444	10,368,857	2,861,947	3,293,332	2,622,122	-	48,519,682	(2,818,311)	45,701,371
<b>TOTAL ASSETS</b>	<b>\$ 4,796,476</b>	<b>\$ 1,053,386</b>	<b>\$ 64,028</b>	<b>\$ 1,533,368</b>	<b>\$ 3,673,910</b>	<b>\$ 497,248</b>	<b>\$ 6,572,849</b>	<b>\$ 23,241,878</b>	<b>\$ 8,005,160</b>	<b>\$ 10,959,629</b>	<b>\$ 829,561</b>	<b>\$ 3,437,155</b>	<b>\$ 13,083,889</b>	<b>\$ 8,534,839</b>	<b>\$ 12,575,642</b>	<b>\$ 3,110,099</b>	<b>\$ 3,856,842</b>	<b>\$ 3,049,447</b>	<b>\$ 86,758</b>	<b>\$ 108,962,164</b>	<b>\$ (10,126,506)</b>	<b>\$ 98,835,658</b>
<b>LIABILITIES AND NET ASSETS</b>																						
<b>Liabilities</b>																						
Accounts payable and accrued expenses	\$ 98,072	\$ 140,964	\$ 22,394	\$ 60,574	\$ 45,891	\$ 7,898	\$ 86,639	\$ 24	\$ 188,447	\$ -	\$ 37,471	\$ 64,154	\$ 144,068	\$ 67,536	\$ 148,485	\$ 79,190	\$ 90,963	\$ 63,573	\$ 144,505	\$ 1,490,848	\$ -	\$ 1,490,848
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	13,221	268,184	116,841	172,440	290,437	86,712	30,051	-	977,886	-	977,886
Deferred revenue	-	8,070	-	16,998	-	-	-	-	-	-	-	-	53,444	92,332	107,663	-	-	-	-	278,507	-	278,507
Mortgages payable	73,419	-	-	-	-	-	2,811,802	-	-	-	-	-	-	-	-	4,559,825	6,263,817	5,678,442	-	19,387,305	-	19,387,305
Notes payable	-	-	-	-	-	-	-	-	-	-	-	500,000	9,686,101	7,109,349	13,662,802	-	-	-	-	30,958,252	-	30,958,252
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	-	2,687,072	-	-	-	-	-	-	-	2,687,072	-	2,687,072
Prepaid rent	-	-	-	-	-	-	-	-	-	-	1,015	2,116	16,220	4,431	42,559	2,767	11,706	929	-	81,743	-	81,743
Deposits	-	19,255	-	-	-	-	3,451	-	-	-	9,685	33,897	135,797	80,477	46,294	13,267	28,731	36,682	-	407,536	-	407,536
Deferred rent	-	27,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,438	-	27,438
Advances from affiliates	-	-	-	-	-	-	-	-	-	-	-	1,106,950	-	602,614	1,382,394	422,000	1,026,054	163,000	-	4,703,012	(4,703,012)	-
Due to affiliates	95,955	2,367	-	3,414	-	1,865	-	50	27,911	-	6,980	261,199	438,427	201,440	783,541	319,463	20,058	17,821	10,549	2,191,040	(2,191,040)	-
<b>TOTAL LIABILITIES</b>	<b>267,446</b>	<b>198,094</b>	<b>22,394</b>	<b>80,986</b>	<b>45,891</b>	<b>9,763</b>	<b>2,901,892</b>	<b>74</b>	<b>216,358</b>	<b>-</b>	<b>55,151</b>	<b>4,668,609</b>	<b>10,742,241</b>	<b>8,275,020</b>	<b>16,346,178</b>	<b>5,686,949</b>	<b>7,528,041</b>	<b>5,990,498</b>	<b>155,054</b>	<b>63,190,639</b>	<b>(6,894,052)</b>	<b>56,296,587</b>
<b>Net Assets</b>																						
Unrestricted	4,529,030	284,578	3,610	1,223,450	3,602,746	7,349	3,670,957	(261,189)	7,788,802	10,959,629	774,410	(1,231,454)	2,341,648	259,819	(3,770,536)	(2,576,850)	(3,671,199)	(2,941,051)	(68,296)	20,925,453	(2,818,311)	18,107,142
Temporarily restricted	-	570,714	38,024	228,932	25,273	480,136	-	6,955,516	-	-	-	-	-	-	-	-	-	-	-	8,298,595	(414,143)	7,884,452
Permanently restricted	-	-	-	-	-	-	-	16,547,477	-	-	-	-	-	-	-	-	-	-	-	16,547,477	-	16,547,477
<b>TOTAL NET ASSETS</b>	<b>4,529,030</b>	<b>855,292</b>	<b>41,634</b>	<b>1,452,382</b>	<b>3,628,019</b>	<b>487,485</b>	<b>3,670,957</b>	<b>23,241,804</b>	<b>7,788,802</b>	<b>10,959,629</b>	<b>774,410</b>	<b>(1,231,454)</b>	<b>2,341,648</b>	<b>259,819</b>	<b>(3,770,536)</b>	<b>(2,576,850)</b>	<b>(3,671,199)</b>	<b>(2,941,051)</b>	<b>(68,296)</b>	<b>45,771,525</b>	<b>(3,232,454)</b>	<b>42,539,071</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,796,476</b>	<b>\$ 1,053,386</b>	<b>\$ 64,028</b>	<b>\$ 1,533,368</b>	<b>\$ 3,673,910</b>	<b>\$ 497,248</b>	<b>\$ 6,572,849</b>	<b>\$ 23,241,878</b>	<b>\$ 8,005,160</b>	<b>\$ 10,959,629</b>	<b>\$ 829,561</b>	<b>\$ 3,437,155</b>	<b>\$ 13,083,889</b>	<b>\$ 8,534,839</b>	<b>\$ 12,575,642</b>	<b>\$ 3,110,099</b>	<b>\$ 3,856,842</b>	<b>\$ 3,049,447</b>	<b>\$ 86,758</b>	<b>\$ 108,962,164</b>	<b>\$ (10,126,506)</b>	<b>\$ 98,835,658</b>

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

	CRSC	CRSI	AHA	RS	CRYP	BWA	CRS Virginia	CRS/21	CRSC Residential	CRS Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Alexandria	CRS Scottsdale	CRS Cove	CRS Cambridge	CRS Fountain Place	CRS Pine Ridge	Total	Eliminations	Consolidated Total		
<b>REVENUE AND SUPPORT</b>																								
Housing rental and related income	\$ 135,000	\$ 280,272	\$ 88,877	\$ -	\$ 4,880	\$ -	\$ 1,004,589	\$ -	\$ -	\$ -	\$ 401,101	\$ 934,735	\$ 3,051,777	\$ 2,207,761	\$ 2,379,670	\$ 934,951	\$ 1,312,304	\$ 990,306	\$ 1,534,123	\$ 15,260,346	\$ (968,748)	\$ 14,291,598		
Noncash contributions	-	10,909,426	-	560,403	-	-	102,512	271	-	-	-	-	-	-	-	-	-	-	-	11,572,612	-	11,572,612		
Cash contributions	4,234	7,118,108	17,323	356,923	265,626	270,861	138,503	-	-	-	-	-	-	-	-	-	-	-	-	8,171,578	-	8,171,578		
Other income	105,104	29,145	10	23,507	8,071	138	-	6,778	1,800	-	13,201	58,076	286,417	124,004	151,772	130,492	83,005	106,979	1,574,567	2,703,066	(1,405,419)	1,297,647		
Realized gain on settlement of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,320,769	-	1,320,769		
Grants from government agencies	556,766	125,185	-	228,067	-	-	508,568	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,418,586		
Royalties	-	-	-	-	-	-	-	692,367	-	-	-	-	-	-	-	-	-	-	-	-	-	692,367		
Wills and bequests	85,000	819,522	3,955	2,033,845	-	414,143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,356,465	(414,143)	2,942,322
Workplace campaign contributions	440	41,300	48,611	172,269	-	92,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	355,553	-	355,553
Interest and dividend income	43,860	16,282	29	13,045	383	-	-	647,120	80,199	-	-	20,905	77,554	54,772	101,312	-	-	-	-	-	-	1,055,461	(51,709)	1,003,752
Fee income	-	-	-	-	29,191	-	8,320	-	804,155	-	-	-	-	-	-	-	-	-	-	-	-	841,666	(804,154)	37,512
Noncash contributions from affiliates	-	-	1,156,099	1,196,572	108,473	7,923,366	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,384,510	(10,384,510)	-
Cash contributions from affiliates	1,715,666	2,590,217	324,523	623,177	218,048	462,657	3,187	-	124,000	-	-	-	-	-	-	-	58,449	-	-	-	-	6,119,924	(6,119,924)	-
Donated housing	-	968,748	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	968,748	(968,748)	-
Net realized and unrealized gains (losses)	3,507	24,315	(373)	3,836	-	-	-	3,633,867	(16,684)	-	-	(49)	(256)	(162)	-	-	-	-	-	-	-	3,648,001	-	3,648,001
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,649,577</b>	<b>22,922,520</b>	<b>1,639,054</b>	<b>5,211,644</b>	<b>634,672</b>	<b>9,164,098</b>	<b>1,765,679</b>	<b>4,980,403</b>	<b>993,470</b>	<b>-</b>	<b>414,302</b>	<b>1,013,667</b>	<b>3,415,492</b>	<b>2,386,375</b>	<b>2,632,754</b>	<b>1,065,443</b>	<b>1,453,758</b>	<b>1,097,285</b>	<b>4,429,459</b>	<b>67,869,652</b>	<b>(21,117,355)</b>	<b>46,752,297</b>		
<b>EXPENSES</b>																								
Program services	1,197,248	18,577,337	1,576,626	4,543,302	656,855	8,592,591	1,807,778	1,400,000	534,418	-	464,308	1,002,855	2,769,208	2,255,624	3,087,058	1,476,640	1,776,532	1,310,255	2,717,557	55,746,192	(19,586,945)	36,159,247		
Management and general	736,057	256,456	35,616	75,538	20,742	60,989	11,222	233,524	1,494,318	217	-	-	-	-	-	-	-	-	-	2,924,679	(1,405,419)	1,519,260		
Fundraising	57,262	3,781,523	1,433	7,086	10,844	95,810	-	-	-	-	-	-	-	-	-	-	-	-	-	3,953,958	-	3,953,958		
<b>TOTAL EXPENSES</b>	<b>1,990,567</b>	<b>22,615,316</b>	<b>1,613,675</b>	<b>4,625,926</b>	<b>688,441</b>	<b>8,749,390</b>	<b>1,819,000</b>	<b>1,633,524</b>	<b>2,028,736</b>	<b>217</b>	<b>464,308</b>	<b>1,002,855</b>	<b>2,769,208</b>	<b>2,255,624</b>	<b>3,087,058</b>	<b>1,476,640</b>	<b>1,776,532</b>	<b>1,310,255</b>	<b>2,717,557</b>	<b>62,624,829</b>	<b>(20,992,364)</b>	<b>41,632,465</b>		
<b>CHANGE IN NET ASSETS</b>	<b>659,010</b>	<b>307,204</b>	<b>25,379</b>	<b>585,718</b>	<b>(53,769)</b>	<b>414,708</b>	<b>(53,321)</b>	<b>3,346,879</b>	<b>(1,035,266)</b>	<b>(217)</b>	<b>(50,006)</b>	<b>10,812</b>	<b>646,284</b>	<b>130,751</b>	<b>(454,304)</b>	<b>(411,197)</b>	<b>(322,774)</b>	<b>(212,970)</b>	<b>1,711,902</b>	<b>5,244,823</b>	<b>(124,991)</b>	<b>5,119,832</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,870,020</b>	<b>548,088</b>	<b>16,255</b>	<b>866,664</b>	<b>3,681,788</b>	<b>72,777</b>	<b>3,724,278</b>	<b>19,894,925</b>	<b>8,824,068</b>	<b>10,959,846</b>	<b>824,416</b>	<b>(1,242,266)</b>	<b>1,695,364</b>	<b>129,068</b>	<b>(3,316,232)</b>	<b>(2,165,653)</b>	<b>(3,348,425)</b>	<b>(2,728,081)</b>	<b>(1,780,198)</b>	<b>40,526,702</b>	<b>(3,107,463)</b>	<b>37,419,239</b>		
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,529,030</b>	<b>\$ 855,292</b>	<b>\$ 41,634</b>	<b>\$ 1,452,382</b>	<b>\$ 3,628,019</b>	<b>\$ 487,485</b>	<b>\$ 3,670,957</b>	<b>\$ 23,241,804</b>	<b>\$ 7,788,802</b>	<b>\$ 10,959,629</b>	<b>\$ 774,410</b>	<b>\$ (1,231,454)</b>	<b>\$ 2,341,648</b>	<b>\$ 259,819</b>	<b>\$ (3,770,536)</b>	<b>\$ (2,576,850)</b>	<b>\$ (3,671,199)</b>	<b>\$ (2,941,051)</b>	<b>\$ (68,296)</b>	<b>\$ 45,771,525</b>	<b>\$ (3,232,454)</b>	<b>\$ 42,539,071</b>		