



BREAD AND WATER FOR AFRICA[®], INC.

Financial Statements

For the Year Ended June 30, 2012

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



and
Report Thereon



BREAD AND WATER FOR AFRICA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bread and Water for Africa, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of Bread and Water for Africa, Inc. (the Organization), an affiliate of Christian Relief Services Charities, Inc., as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated October 14, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
October 26, 2012

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 169,031	\$ 15,748
Contributions receivable, net	151,760	65,993
Interest in net assets of an affiliate	414,143	414,143
Accounts receivable	2,423	-
Prepaid expenses	-	1,364
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 737,357</u>	<u>\$ 497,248</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,251	\$ 7,898
Due to affiliate	36,224	1,865
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>40,475</u>	<u>9,763</u>
Net Assets		
Unrestricted	81,069	7,349
Temporarily restricted	615,813	480,136
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>696,882</u>	<u>487,485</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 737,357</u>	<u>\$ 497,248</u>

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

BREAD AND WATER FOR AFRICA, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

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

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions from affiliate	\$ 8,464,600	\$ -	\$ 8,464,600	\$ 7,923,366
Cash contributions from affiliates	568,469	-	568,469	462,657
Workplace campaign contributions	-	172,333	172,333	92,933
Other cash contributions	28,017	84,558	112,575	270,861
Wills and bequests	-	-	-	414,143
Other income	-	-	-	138
Net assets released from restrictions:				
Satisfaction of time restrictions	86,655	(86,655)	-	-
Satisfaction of purpose restrictions	34,559	(34,559)	-	-
TOTAL SUPPORT AND REVENUE	9,182,300	135,677	9,317,977	9,164,098
EXPENSES				
Program Services:				
International programs	9,045,743	-	9,045,743	8,592,591
Total Program Services	9,045,743	-	9,045,743	8,592,591
Supporting Services:				
Management and general	49,563	-	49,563	60,989
Development and fundraising	13,274	-	13,274	95,810
Total Supporting Services	62,837	-	62,837	156,799
TOTAL EXPENSES	9,108,580	-	9,108,580	8,749,390
CHANGE IN NET ASSETS	73,720	135,677	209,397	414,708
NET ASSETS, BEGINNING OF YEAR	7,349	480,136	487,485	72,777
NET ASSETS, END OF YEAR	\$ 81,069	\$ 615,813	\$ 696,882	\$ 487,485

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

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

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

	2012			2011	
	International Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 8,464,600	\$ -	\$ -	\$ 8,464,600	\$ 7,923,366
Cash grants	413,403	-	-	413,403	488,724
Wages and fringe benefits	97,971	-	-	97,971	87,727
Cash grants - affiliates	30,000	-	-	30,000	44,000
Professional and consulting	-	18,550	-	18,550	21,705
Printing and production	16,598	-	360	16,958	58,488
Office supplies, dues and subscriptions	4,385	5,265	6,693	16,343	23,062
Provision for doubtful accounts	-	13,264	-	13,264	18,415
Contract services	8,958	-	-	8,958	6,213
Rent	-	7,685	-	7,685	7,761
Payroll taxes	6,671	-	-	6,671	6,572
Advertising	-	-	6,046	6,046	2,490
Bank charges	-	3,022	-	3,022	3,129
Meetings and travel	2,059	89	88	2,236	33,824
General insurance	698	-	-	698	223
Repairs and maintenance	-	636	-	636	468
Telephone	-	544	-	544	543
Data processing services and supplies	24	267	-	291	404
Postage	187	-	87	274	21,480
Equipment rental	-	220	-	220	208
Shipping	189	21	-	210	587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u><u>\$ 9,045,743</u></u>	<u><u>\$ 49,563</u></u>	<u><u>\$ 13,274</u></u>	<u><u>\$ 9,108,580</u></u>	<u><u>\$ 8,749,389</u></u>

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

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

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

Increase (Decrease) in Cash

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 209,397	\$ 414,708
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	13,264	18,415
Changes in assets and liabilities:		
Contributions receivable	(99,031)	26,340
Accounts receivable	(2,423)	-
Interest in net assets of an affiliate	-	(414,143)
Due from affiliate	-	439
Prepaid expenses	1,364	14,796
Accounts payable and accrued expenses	(3,647)	(7,667)
Grants payable	-	(43,000)
Due to affiliate	34,359	(12,075)
	<u>153,283</u>	<u>(2,187)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	153,283	(2,187)
NET INCREASE (DECREASE) IN CASH	15,748	17,935
CASH, BEGINNING OF YEAR	<u>15,748</u>	<u>17,935</u>
CASH, END OF YEAR	<u>\$ 169,031</u>	<u>\$ 15,748</u>

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

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

Bread and Water for Africa, Inc. (the Organization) was incorporated in 1997 and is a subordinate unit under the group exemption of Christian Relief Services Charities, Inc. (CRSC), a nonprofit 501(c)(3) organization. The Organization is organized to promote positive change in Africa by supporting and strengthening grassroots initiatives for self-sufficiency, health, education and assisting in the development of alternative energy sources, agricultural techniques, conservation programs, educational programs, medical programs, and water resources.

The Organization received 97% of its support in the form of cash and noncash contributions from CRS Residential, Inc. and Christian Relief Services, Inc. (CRSI), affiliates of CRSC, and the remaining 3% of its support from the public through participation in the workplace campaign or direct donations.

Basis of Accounting and Presentation

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

Net Assets

The net assets of the Organization are classified as follows:

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

Revenue Recognition

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

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose

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BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

Revenue Recognition (continued)

restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying statement of activities.

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

Noncash Contributions

Noncash contributions from an affiliate represent contributions of books, computers, clothing, hygiene products, school furniture, medicine, medical equipment and medical supplies that were made to CRSI, an affiliate of the Organization, a portion of which was then donated to the Organization for its international programs. The donated items are recorded as revenue and expenses at their estimated fair value at the date of donation. 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.

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

Functional Allocation of Expenses

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

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Contributions Receivable

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 \$9,789.

3. Temporarily Restricted Net Assets

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

International programs	\$ 464,053
Time restrictions	<u>151,760</u>
Total Temporarily Restricted Net Assets	<u>\$ 615,813</u>

4. Transactions with Affiliates

The Organization is an affiliate of CRSC, CRS Residential, Inc and CRSI. The four organizations share a common board. CRSI acts as the fundraising arm for CRSC and its affiliates. CRSI raises both cash and noncash contributions for CRSC and its affiliates, and the contributions are distributed to the entities based on program objectives and need. During the year ended June 30, 2012, CRSI made cash contributions to the Organization of \$165,000 and noncash contributions of \$8,464,600. As of June 30, 2012, CRSI owed the Organization \$414,143, which is the Organization's interest in a bequest given to CRSI for the Organization. Accounting standards state that if the recipient and the intended beneficiary are financially interrelated, the intended beneficiary will record the revenue in its financial statements upon receipt. The amount is shown as interest in net assets of an affiliate in the accompanying statement of financial position. During the year ended June 30, 2012, CRS Residential, Inc. made cash contributions to the Organization of \$403,469. As of June 30, 2012, the

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BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

4. Transactions with Affiliates (continued)

Organization owed CRSC \$36,224 for salaries, benefits, travel, meetings, and office expenses, which is shown as due to affiliate in the accompanying statement of financial position. During the year ended June 30, 2012, the Organization made cash contributions to CRSI of \$30,000. The noncash and cash contributions from these affiliates represent 97% of the Organization's support and revenue for the year ended June 30, 2012, and the contributions to the Organization from the affiliates are dependent on support from the general public.

5. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. The Organization may make matching contributions up to 3% of each participant's salary. Employees are vested in employer contributions after five years of service. Effective November 1, 2011, the Organization started making an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2012, retirement expense related to the plan was \$2,544.

6. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2012, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2012, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2012, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

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BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

7. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

8. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.