



BREAD AND WATER FOR AFRICA[®], INC.

Financial Statements

For the Year Ended June 30, 2013

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



**and
Report Thereon**



BREAD AND WATER FOR AFRICA, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Continued

Report on Summarized Comparative Information

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

Raffa, P.C.

Raffa, P.C.

Washington, DC
October 15, 2013

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 145,397	\$ 169,031
Contributions receivable, net	165,700	151,760
Interest in net assets of an affiliate	414,143	414,143
Accounts receivable	173	2,423
Prepaid expenses	<u>4,243</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 729,656</u>	 <u>\$ 737,357</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,300	\$ 4,251
Deferred revenue	1,500	-
Due to affiliate	<u>20,467</u>	<u>36,224</u>
 TOTAL LIABILITIES	 <u>26,267</u>	 <u>40,475</u>
 Net Assets		
Unrestricted	20,547	81,069
Temporarily restricted	<u>682,842</u>	<u>615,813</u>
 TOTAL NET ASSETS	 <u>703,389</u>	 <u>696,882</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 729,656</u>	 <u>\$ 737,357</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, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions from affiliate	\$ 9,807,645	\$ -	\$ 9,807,645	\$ 8,464,600
Cash contributions from affiliates	-	-	-	568,469
Workplace campaign contributions	-	150,592	150,592	172,333
Other cash contributions	27,239	88,596	115,835	112,575
Other income	52	-	52	-
Net assets released from restrictions:				
Satisfaction of time restrictions	136,563	(136,563)	-	-
Satisfaction of purpose restrictions	35,596	(35,596)	-	-
TOTAL SUPPORT AND REVENUE	10,007,095	67,029	10,074,124	9,317,977
EXPENSES				
Program Services:				
International programs	10,028,274	-	10,028,274	9,045,743
Total Program Services	10,028,274	-	10,028,274	9,045,743
Supporting Services:				
Management and general	33,122	-	33,122	49,563
Development and fundraising	6,221	-	6,221	13,274
Total Supporting Services	39,343	-	39,343	62,837
TOTAL EXPENSES	10,067,617	-	10,067,617	9,108,580
CHANGE IN NET ASSETS	(60,522)	67,029	6,507	209,397
NET ASSETS, BEGINNING OF YEAR	81,069	615,813	696,882	487,485
NET ASSETS, END OF YEAR	\$ 20,547	\$ 682,842	\$ 703,389	\$ 696,882

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

	2013			2012	
	International Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 9,807,645	\$ -	\$ -	\$ 9,807,645	\$ 8,464,600
Cash grants	151,828	-	-	151,828	413,403
Wages and fringe benefits	46,303	-	-	46,303	97,971
Provision for doubtful accounts	-	11,303	-	11,303	13,264
Contract services	10,736	-	-	10,736	8,958
Office supplies, dues and subscriptions	2,863	4,564	753	8,180	16,343
Rent	-	6,986	-	6,986	7,685
Professional and consulting	-	6,489	-	6,489	18,550
Advertising	-	-	3,726	3,726	6,046
Payroll taxes	3,619	-	-	3,619	6,671
Meetings and travel	3,262	-	36	3,298	2,236
Printing and production	1,268	-	1,376	2,644	16,958
Bank charges	-	2,424	-	2,424	3,022
General insurance	596	-	-	596	698
Repairs and maintenance	-	424	-	424	636
Telephone	-	458	-	458	544
Miscellaneous	34	-	330	364	-
Equipment rental	-	259	-	259	220
Data processing services and supplies	-	215	-	215	291
Shipping	120	-	-	120	210
Cash grants - affiliates	-	-	-	-	30,000
Postage	-	-	-	-	274
TOTAL EXPENSES	<u>\$ 10,028,274</u>	<u>\$ 33,122</u>	<u>\$ 6,221</u>	<u>\$ 10,067,617</u>	<u>\$ 9,108,580</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, 2013

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

Increase (Decrease) in Cash

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,507	\$ 209,397
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	11,303	13,264
Changes in assets and liabilities:		
Contributions receivable	(25,243)	(99,031)
Accounts receivable	2,250	(2,423)
Prepaid expenses	(4,243)	1,364
Accounts payable and accrued expenses	49	(3,647)
Deferred revenue	1,500	-
Due to affiliate	<u>(15,757)</u>	<u>34,359</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(23,634)</u>	<u>153,283</u>
NET INCREASE (DECREASE) IN CASH	(23,634)	153,283
CASH, BEGINNING OF YEAR	<u>169,031</u>	<u>15,748</u>
CASH, END OF YEAR	<u>\$ 145,397</u>	<u>\$ 169,031</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, 2013

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 Christian Relief Services, Inc. (CRSI), an affiliate 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 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

BREAD AND WATER FOR AFRICA, INC.

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

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

Revenue Recognition (continued)

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.

The Organization arranges a Kenyan Safari annual tour for supporters to view the Lewa Children's Home, Kipkeino Primary School, Baraka Farm and surrounding area. Deposits received for the Kenyan Safari tour are recorded as revenue when the tour occurs. Deposits received in advance of the tour are recorded as deferred revenue in the accompanying statement of financial position.

Noncash Contributions

Noncash contributions from an affiliate represent contributions of school supplies, 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.

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.

BREAD AND WATER FOR AFRICA, INC.

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

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 \$17,730.

3. Temporarily Restricted Net Assets

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

International programs	\$ 517,142
Time restrictions	<u>165,700</u>
Total Temporarily Restricted Net Assets	<u>\$ 682,842</u>

4. Transactions with Affiliates

The Organization is an affiliate of CRSC and CRSI. The 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, 2013, CRSI made noncash contributions to the Organization of \$9,807,645. As of June 30, 2013, 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. As of June 30, 2013, the Organization owed CRSC \$19,547 and CRSI \$920 for salaries, benefits, travel, meetings, and office expenses, which is shown as due to affiliate in the accompanying statement of financial position. The noncash and cash contributions from these affiliates represent 97% of the Organization's support and revenue for the year ended June 30, 2013, 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 makes matching contributions up to 3% of each participant's salary. The Organization also makes an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2013, retirement expense related to the plan was \$1,451.

BREAD AND WATER FOR AFRICA, INC.

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

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, 2013, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2013, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2013, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

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, 2012, 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 15, 2013, 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.