



# **BREAD AND WATER FOR AFRICA<sup>®</sup>, INC.**

## **Financial Statements**

*For the Year Ended June 30, 2014*

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



**and  
Report Thereon**



**BREAD AND WATER FOR AFRICA, INC.**

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

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
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, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Continued**

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
October 28, 2014

**BREAD AND WATER FOR AFRICA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**  
**(With Summarized Financial Information as of June 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 177,339	\$ 145,397
Contributions receivable, net	201,768	165,700
Interest in net assets of an affiliate	-	414,143
Accounts receivable	219,442	173
Investments	439,981	-
Prepaid expenses	-	4,243
TOTAL ASSETS	\$ 1,038,530	\$ 729,656
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,147	\$ 4,300
Deferred revenue	-	1,500
Due to affiliate	16,131	20,467
TOTAL LIABILITIES	20,278	26,267
<b>Net Assets</b>		
Unrestricted	177,340	20,547
Temporarily restricted	840,912	682,842
TOTAL NET ASSETS	1,018,252	703,389
TOTAL LIABILITIES AND NET ASSETS	\$ 1,038,530	\$ 729,656

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, 2014**

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

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Noncash contributions from affiliate	\$ 11,593,162	\$ -	\$ 11,593,162	\$ 9,807,645
Cash contributions from affiliates	-	171,788	171,788	-
Workplace campaign contributions	-	164,034	164,034	150,592
Other cash contributions	26,566	79,337	105,903	115,835
Investment income, net	37,540	-	37,540	-
Wills and bequests	27,469	-	27,469	-
Other income	7,541	-	7,541	52
Net assets released from restrictions:				
Satisfaction of time restrictions	127,965	(127,965)	-	-
Satisfaction of purpose restrictions	334,124	(334,124)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>12,154,367</b>	<b>(46,930)</b>	<b>12,107,437</b>	<b>10,074,124</b>
<b>EXPENSES</b>				
Program Services:				
International programs	11,954,894	-	11,954,894	10,028,274
<b>Total Program Services</b>	<b>11,954,894</b>	<b>-</b>	<b>11,954,894</b>	<b>10,028,274</b>
Supporting Services:				
Management and general	20,368	-	20,368	33,122
Development and fundraising	10,312	-	10,312	6,221
<b>Total Supporting Services</b>	<b>30,680</b>	<b>-</b>	<b>30,680</b>	<b>39,343</b>
<b>TOTAL EXPENSES</b>	<b>11,985,574</b>	<b>-</b>	<b>11,985,574</b>	<b>10,067,617</b>
Return of unused grant funds	(12,000)	-	(12,000)	-
Change in donor's intent	-	205,000	205,000	-
<b>CHANGE IN NET ASSETS</b>	<b>156,793</b>	<b>158,070</b>	<b>314,863</b>	<b>6,507</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>20,547</b>	<b>682,842</b>	<b>703,389</b>	<b>696,882</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 177,340</b>	<b>\$ 840,912</b>	<b>\$ 1,018,252</b>	<b>\$ 703,389</b>

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

	2014			2013	
	International Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 11,593,162	\$ -	\$ -	\$ 11,593,162	\$ 9,807,645
Cash grants	270,564	-	-	270,564	151,828
Wages and fringe benefits	47,247	-	-	47,247	46,303
Meetings and travel	18,502	-	47	18,549	3,298
Professional and consulting	-	15,070	-	15,070	6,489
Contract services	9,775	420	-	10,195	10,736
Office supplies, dues and subscriptions	2,410	3,413	2,409	8,232	8,180
Advertising	-	-	6,895	6,895	3,726
Payroll taxes	3,654	-	-	3,654	3,619
Bank charges	3,463	-	-	3,463	2,424
Provision for doubtful accounts	3,440	-	-	3,440	11,303
Printing and production	1,966	-	796	2,762	2,644
Rent	-	779	-	779	6,986
General insurance	631	-	-	631	596
Repairs and maintenance	33	311	-	344	424
Telephone	-	300	-	300	458
Postage	37	-	165	202	-
Miscellaneous	-	68	-	68	364
Shipping	10	7	-	17	120
Equipment rental	-	-	-	-	259
Data processing services and supplies	-	-	-	-	215
<b>TOTAL EXPENSES</b>	<b><u>\$ 11,954,894</u></b>	<b><u>\$ 20,368</u></b>	<b><u>\$ 10,312</u></b>	<b><u>\$ 11,985,574</u></b>	<b><u>\$ 10,067,617</u></b>

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, 2014**

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

**Increase (Decrease) in Cash**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 314,863	\$ 6,507
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	(15,049)	11,303
Unrealized gains on investments	(22,517)	-
Realized gains on investments	(5,771)	-
Changes in assets and liabilities:		
Contributions receivable	(21,019)	(25,243)
Interest in net assets of an affiliate	414,143	-
Accounts receivable	(219,269)	2,250
Prepaid expenses	4,243	(4,243)
Accounts payable and accrued expenses	(153)	49
Deferred revenue	(1,500)	1,500
Due to affiliate	(4,336)	(15,757)
	<u>443,635</u>	<u>(23,634)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	21,317	-
Purchase of investments	(433,010)	-
	<u>(411,693)</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	31,942	(23,634)
<b>CASH, BEGINNING OF YEAR</b>	<u>145,397</u>	<u>169,031</u>
<b>CASH, END OF YEAR</b>	<u>\$ 177,339</u>	<u>\$ 145,397</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, 2014

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### 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.

#### **Investments**

Investments are recorded in the accompanying statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### **Fair Value Measurements**

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

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

Continued

# BREAD AND WATER FOR AFRICA, INC.

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

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

#### **Fair Value Measurements (continued)**

*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, 2014, only the Organization's investments, as described in Note 5 of these financial statements, were measured at fair value on a recurring basis.

#### **Net Assets**

The net assets of the Organization are classified as follows:

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

#### **Revenue Recognition**

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

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying statement of activities. Revenue recognized 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 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

**BREAD AND WATER FOR AFRICA, INC.**

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

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

**Noncash Contributions (continued)**

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.

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 \$2,680.

3. Accounts Receivable

The majority of the accounts receivable balance is comprised of funds due from a grantee in Kenya. The Organization gave a grant to a local charity in Kenya two years ago to build a school which was fully disbursed to the local charity in Kenya in a previous year. However in the current year due to changes in the political environment which would continue to delay building of the school in Kenya, the original donor to the Organization changed his intent and indicated that the unspent funds should be used in Sierra Leone. The Organization contacted the local charity in Kenya and requested the funds to be returned. This amount is included in accounts receivable in the accompanying statement of financial position and is shown as change in donor's intent in the accompanying statement of activities to show that the donor's restriction has not been satisfied. All receivables are expected to be received within one year and are deemed to be fully collectible.

Continued

**BREAD AND WATER FOR AFRICA, INC.**

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

4. Investments

As of June 30, 2014, the Organization's investments, at fair value, amounted to \$439,981. Investments consisted entirely of exchange-traded funds. (See Note 5)

A summary of investment income is as follows for the year ended June 30, 2014:

Interest and dividends	\$ 9,252
Unrealized gains	22,517
Realized gains	<u>5,771</u>
Total	<u>\$ 37,540</u>

5. Fair Value Measurements

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2014, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange-traded funds:				
Intermediate-term bond	\$ 70,051	\$ 70,051	\$ -	\$ -
Short-term bond	86,205	86,205	-	-
Large blend	62,449	62,449	-	-
Inflation-protected bond	35,300	35,300	-	-
Foreign large blend	32,965	32,965	-	-
Diversified emerging markets	37,030	37,030	-	-
Mid-cap blend	24,446	24,446	-	-
High yield bond	30,702	30,702	-	-
Large value	14,279	14,279	-	-
Small blend	14,523	14,523	-	-
Commodities	13,157	13,157	-	-
Real estate investments trust (REIT)	9,281	9,281	-	-
Foreign small/mid blend	<u>9,593</u>	<u>9,593</u>	-	-
Total	<u>\$ 439,981</u>	<u>\$ 439,981</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

**BREAD AND WATER FOR AFRICA, INC.**

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

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5. Fair Value Measurements (continued)

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

*Exchange-traded funds* – Valued at quoted market prices for identical assets in active markets.

6. Temporarily Restricted Net Assets

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

International programs	\$ 639,143
Time restrictions	<u>201,769</u>
Total Temporarily Restricted Net Assets	<u>\$ 840,912</u>

7. 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, 2014, CRSI made noncash contributions to the Organization of \$11,593,162 and cash contributions of \$171,788. As of June 30, 2014, the Organization owed CRSI \$16,131 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, 2014, and the contributions to the Organization from the affiliates are dependent on support from the general public.

8. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. The Organization makes matching contributions up to 3% of each participant's salary. The Organization also makes an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2014, retirement expense related to the plan was \$1,498.

## BREAD AND WATER FOR AFRICA, INC.

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

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#### 9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2014, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2014, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2014, the statute of limitations for tax years ended June 30, 2010 through June 30, 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### 10. 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, 2013, from which the summarized information was derived.

#### 11. Subsequent Events

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