



BREAD AND WATER FOR AFRICA[®], INC.

Financial Statements

For the Year Ended June 30, 2011

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



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, 2011, 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 2010 financial statements and, in our report dated October 29, 2010, 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, 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.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
October 14, 2011

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2011

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

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 15,748	\$ 17,935
Contributions receivable, net	65,993	110,748
Interest in net assets of an affiliate	414,143	-
Due from affiliate	-	439
Prepaid expenses	1,364	16,160
	<u>497,248</u>	<u>145,282</u>
TOTAL ASSETS	<u>\$ 497,248</u>	<u>\$ 145,282</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,898	\$ 15,565
Grants payable	-	43,000
Due to affiliate	1,865	13,940
	<u>9,763</u>	<u>72,505</u>
TOTAL LIABILITIES	<u>9,763</u>	<u>72,505</u>
Net Assets		
Unrestricted	7,349	(68,067)
Temporarily restricted	480,136	140,844
	<u>487,485</u>	<u>72,777</u>
TOTAL NET ASSETS	<u>487,485</u>	<u>72,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 497,248</u>	<u>\$ 145,282</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, 2011

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

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions from affiliate	\$ 7,923,366	\$ -	\$ 7,923,366	\$ 6,534,983
Cash contributions from affiliates	462,657	-	462,657	131,242
Workplace campaign contributions	-	92,933	92,933	148,611
Other cash contributions	42,370	228,491	270,861	60,795
Wills and bequests	-	414,143	414,143	3,000
Other income	138	-	138	-
Net assets released from restrictions:				
Satisfaction of time restrictions	137,688	(137,688)	-	-
Satisfaction of purpose restrictions	258,587	(258,587)	-	-
TOTAL SUPPORT AND REVENUE	8,824,806	339,292	9,164,098	6,878,631
EXPENSES				
Program Services:				
International programs	8,592,591	-	8,592,591	6,842,405
Total Program Services	8,592,591	-	8,592,591	6,842,405
Supporting Services:				
Management and general	60,989	-	60,989	24,088
Development and fundraising	95,810	-	95,810	6,858
Total Supporting Services	156,799	-	156,799	30,946
TOTAL EXPENSES	8,749,390	-	8,749,390	6,873,351
CHANGE IN NET ASSETS	75,416	339,292	414,708	5,280
NET ASSETS, BEGINNING OF YEAR	(68,067)	140,844	72,777	67,497
NET ASSETS, END OF YEAR	\$ 7,349	\$ 480,136	\$ 487,485	\$ 72,777

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, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	2011			2010	
	International Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 7,923,366	\$ -	\$ -	\$ 7,923,366	\$ 6,534,983
Cash grants	488,724	-	-	488,724	252,155
Salaries and fringe benefits	87,727	-	-	87,727	45,256
Printing and production	3,068	-	55,420	58,488	4,648
Cash grants - affiliates	44,000	-	-	44,000	-
Meetings and travel	33,766	-	58	33,824	5,411
Shipping and postage	479	237	21,351	22,067	209
Professional and consulting	-	21,705	-	21,705	11,486
Provision for doubtful accounts	-	18,415	-	18,415	(4,733)
Contract services	2,151	400	11,888	14,439	563
Office supplies, dues and subscriptions	2,515	7,639	940	11,094	5,048
Rent	-	7,761	-	7,761	7,437
Payroll taxes	6,572	-	-	6,572	3,483
Data processing services and supplies	-	404	3,663	4,067	312
Bank charges	-	3,129	-	3,129	2,414
Advertising	-	-	2,490	2,490	2,590
Equipment and maintenance	-	756	-	756	708
Telephone	-	543	-	543	909
General insurance	223	-	-	223	441
Miscellaneous expenses	-	-	-	-	31
TOTAL EXPENSES	\$ 8,592,591	\$ 60,989	\$ 95,810	\$ 8,749,390	\$ 6,873,351

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, 2011

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

Increase (Decrease) in Cash

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 414,708	\$ 5,280
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	(18,415)	(6,206)
Changes in assets and liabilities:		
Contributions receivable	63,170	(36,226)
Interest in net assets of an affiliate	(414,143)	-
Due from affiliate	439	(439)
Prepaid expenses	14,796	(16,160)
Accounts payable and accrued expenses	(7,667)	10,097
Grants payable	(43,000)	34,000
Due to affiliate	<u>(12,075)</u>	<u>13,896</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(2,187)</u>	<u>4,242</u>
NET INCREASE (DECREASE) IN CASH	(2,187)	4,242
CASH, BEGINNING OF YEAR	<u>17,935</u>	<u>13,693</u>
CASH, END OF YEAR	<u>\$ 15,748</u>	<u>\$ 17,935</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, 2011

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 96% of its support in the form of cash and noncash contributions from CRSC and Christian Relief Services, Inc. (CRSI), an affiliate of CRSC, and the remaining 4% 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, 2011

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 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, 2011

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 \$6,072.

3. Temporarily Restricted Net Assets

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

International programs	\$ 414,143
Time restrictions	<u>65,993</u>
Total Temporarily Restricted Net Assets	<u>\$ 480,136</u>

4. Transactions with Affiliates

The Organization is an affiliate of CRSC and CRSI. The three 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, 2011, CRSI made cash contributions to the Organization of \$243,227 and noncash contributions of \$7,923,366. As of June 30, 2011, 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, 2011, CRSC made cash contributions to the Organization of \$219,430. As of June 30, 2011, the Organization owed CRSC \$1,865 for travel, meetings, and office expenses, which is shown as due to affiliate in the accompanying

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BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

4. Transactions with Affiliates (continued)

statement of financial position. During the year ended June 30, 2011, the Organization made cash contributions to CRSI of \$44,000. The noncash and cash contributions from these affiliates represent 96% of the Organization's support and revenue for the year ended June 30, 2011, 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. During the year ended June 30, 2011, the pension expense related to this plan was \$1,474.

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, 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 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 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.

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BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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, 2010, 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 14, 2011, 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.