



BREAD AND WATER FOR AFRICA[®], INC.

Financial Statements

For the Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)



and
Report Thereon



BREAD AND WATER FOR AFRICA, INC.

TABLE OF CONTENTS
For the Year Ended June 30, 2017

	<i>Page</i>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-12



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, 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 2016 financial statements, and our report dated October 19, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 17, 2017

BREAD AND WATER FOR AFRICA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Summarized Financial Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 123,016	\$ 287,058
Contributions receivable, net	104,412	146,804
Accounts receivable	2,671	5
Due from affiliate	5,027	115
Investments	<u>497,756</u>	<u>451,766</u>
TOTAL ASSETS	<u><u>\$ 732,882</u></u>	<u><u>\$ 885,748</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,696	\$ 4,916
Due to affiliates	<u>14,433</u>	<u>15,738</u>
TOTAL LIABILITIES	<u>17,129</u>	<u>20,654</u>
Net Assets		
Unrestricted	237,777	341,145
Temporarily restricted	<u>477,976</u>	<u>523,949</u>
TOTAL NET ASSETS	<u>715,753</u>	<u>865,094</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 732,882</u></u>	<u><u>\$ 885,748</u></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, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions from affiliate	\$ 18,143,113	\$ -	\$ 18,143,113	\$ 15,945,648
Cash contributions from affiliate	-	200,000	200,000	200,000
Workplace campaign contributions	-	75,784	75,784	105,374
Other cash contributions	28,129	124,314	152,443	109,179
Investment income, net	45,680	-	45,680	13,128
Wills and bequests	-	-	-	762
Net assets released from restrictions:				
Satisfaction of time restrictions	118,176	(118,176)	-	-
Satisfaction of purpose restrictions	327,895	(327,895)	-	-
TOTAL SUPPORT AND REVENUE	18,662,993	(45,973)	18,617,020	16,374,091
EXPENSES				
Program Services:				
International programs	18,730,621	-	18,730,621	16,526,930
Total Program Services	18,730,621	-	18,730,621	16,526,930
Supporting Services:				
Management and general	25,753	-	25,753	19,054
Development and fundraising	9,987	-	9,987	16,015
Total Supporting Services	35,740	-	35,740	35,069
TOTAL EXPENSES	18,766,361	-	18,766,361	16,561,999
CHANGE IN NET ASSETS	(103,368)	(45,973)	(149,341)	(187,908)
NET ASSETS, BEGINNING OF YEAR	341,145	523,949	865,094	1,053,002
NET ASSETS, END OF YEAR	\$ 237,777	\$ 477,976	\$ 715,753	\$ 865,094

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, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017				2016
	International Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 18,143,113	\$ -	\$ -	\$ 18,143,113	\$ 15,945,648
Cash grants	473,468	-	-	473,468	477,151
Wages and fringe benefits	51,898	-	-	51,898	52,477
Provision for doubtful accounts	44,389	-	-	44,389	29,597
Office supplies, dues and subscriptions	2,058	6,163	7,840	16,061	9,393
Professional and consulting	-	14,018	-	14,018	13,068
Meetings and travel	8,871	-	-	8,871	5,251
Payroll taxes	3,602	-	-	3,602	3,926
Contract services	1,443	423	894	2,760	12,770
Bank charges	-	2,205	-	2,205	2,016
Printing and production	1,452	-	544	1,996	2,631
Rent	-	1,270	-	1,270	1,270
Advertising	-	-	550	550	1,220
General insurance	-	512	-	512	588
Telephone	67	435	-	502	682
Postage	212	-	159	371	679
Utilities	-	366	-	366	306
Repairs and maintenance	-	348	-	348	172
Miscellaneous	34	-	-	34	-
Shipping	14	13	-	27	3,154
TOTAL EXPENSES	\$ 18,730,621	\$ 25,753	\$ 9,987	\$ 18,766,361	\$ 16,561,999

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, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

Increase (Decrease) in Cash

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (149,341)	\$ (187,908)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for doubtful accounts	964	2,024
Unrealized gains on investments	(25,648)	(1,395)
Realized gains on investments	(8,303)	(18)
Noncash contributions from affiliate	(18,143,113)	(15,945,648)
Donated relief materials	18,143,113	15,945,648
Changes in assets and liabilities:		
Contributions receivable	41,428	25,025
Accounts receivable	(2,666)	38,239
Due from affiliate	(4,912)	(115)
Accounts payable and accrued expenses	(2,220)	474
Due to affiliates	<u>(1,305)</u>	<u>(4,323)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(152,003)</u>	<u>(127,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	308,970	20,282
Purchase of investments	<u>(321,009)</u>	<u>(32,364)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,039)</u>	<u>(12,082)</u>
NET DECREASE IN CASH	(164,042)	(140,079)
CASH, BEGINNING OF YEAR	<u>287,058</u>	<u>427,137</u>
CASH, END OF YEAR	<u>\$ 123,016</u>	<u>\$ 287,058</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, 2017

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

The Organization received 99% of its support in the form of cash and noncash contributions from Christian Relief Services, Inc. (CRSI), an affiliate of CRSC, and the remaining 1% 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 (GAAP). 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. Investment income, including net realized and unrealized gains (losses), is reflected in the statement of activities as an increase (decrease) in unrestricted net assets, unless the investment income use is restricted by explicit donor stipulation for a specific purpose or law. Interest and dividend income is recorded on the accrual basis.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement 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 active markets that the Organization has the ability to access.

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2017

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

Fair Value Measurement (continued)

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, 2017, only the Organization's investments, as described in Note 4 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, books, 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

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

Noncash Contributions (continued)

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 GAAP.

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 GAAP 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 \$21,017 as of June 30, 2017.

3. Investments

As of June 30, 2017, the Organization's investments, at fair value, amounted to \$497,756. Investments consisted entirely of exchange-traded funds (see Note 4).

A summary of investment income is as follows for the year ended June 30, 2017:

Interest and dividends	\$	11,729
Unrealized gains		25,648
Realized gains		<u>8,303</u>
Total Investment Income	\$	<u>45,680</u>

Continued

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. Fair Value Measurement

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2017, aggregated by the fair value hierarchy level within which those measurements were made:

	<u>Total Fair Value</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>
Exchange-traded funds:				
Large growth	\$ 76,362	\$ 76,362	\$ -	\$ -
Large value	75,151	75,151	-	-
Small blend	51,577	51,577	-	-
Intermediate-term bond	50,375	50,375	-	-
Foreign large blend	46,774	46,774	-	-
Diversified emerging markets	41,116	41,116	-	-
Mid-cap blend	25,223	25,223	-	-
High-yield bond	19,232	19,232	-	-
Mid-cap growth	18,679	18,679	-	-
Corporate bond	17,126	17,126	-	-
Mid-cap value	15,895	15,895	-	-
Real estate investment trusts	15,065	15,065	-	-
Emerging markets bond	13,610	13,610	-	-
Long-term government bonds	13,113	13,113	-	-
Commodities	9,233	9,234	-	-
Global real estate	<u>9,225</u>	<u>9,225</u>	-	-
Total	<u>\$ 497,756</u>	<u>\$ 497,756</u>	<u>\$ -</u>	<u>\$ -</u>

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.

5. Temporarily Restricted Net Assets

As of June 30, 2017, net assets were restricted for use in programs or for future periods as follows:

International programs	\$ 373,564
Time restrictions	<u>104,412</u>
Total Temporarily Restricted Net Assets	<u>\$ 477,976</u>

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. Transactions with Affiliates

The Organization is an affiliate of CRSC, Christian Relief Services Virginia (CRS Virginia) Christian Relief Services Residential, Inc. (CRS Residential) and CRSI. A majority of the Organization's board overlaps with CRSC, CRSI, CRS Virginia and CRS Residential's boards. 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, 2017, CRSI made noncash contributions to the Organization of \$18,143,113 and cash contributions of \$200,000. The noncash and cash contributions from CRSI represent 99% of the Organization's support and revenue for the year ended June 30, 2017, and the contributions to the Organization from CRSI are dependent on support from the general public.

As of June 30, 2017, the Organization owed CRSC and CRS Virginia \$14,366 and \$67, respectively, for salaries, benefits and other expenses, and this is shown as due to affiliates in the accompanying statement of financial position. In addition, CRS Residential owed the Organization \$5,027 for travel reimbursement costs, and this is shown as due from affiliate in the accompanying statement of financial position.

7. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. Under the terms of the defined contribution plan, eligible employees may elect to contribute up to the federal tax limitation. The plan has the following employee deferral and matching provisions:

<u>Elective Deferral</u>	<u>Employer Matching</u>
1%	150% of employee contribution
1% – 3%	100% of employee contribution
3% – 6%	50% of employee contribution

Employees are immediately vested in employer contributions. During the year ended June 30, 2017, retirement expense related to the plan was \$2,334.

8. 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 as of June 30, 2017, as the Organization had no taxable net unrelated business income.

BREAD AND WATER FOR AFRICA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

8. Income Taxes (continued)

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *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 uncertainty in income tax positions taken for the year ended June 30, 2017, 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, 2017, the statute of limitations for tax years ended June 30, 2013 through June 30, 2016, 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 uncertainty in income taxes, if any, in income tax expense.

9. 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 17, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.