



Combined Financial Statements and Supplemental Information  
with Independent Auditors' Report

June 30, 2010 and 2009

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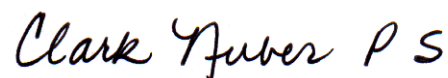
***Independent Auditors' Report******Board of Trustees  
CRISTA Ministries  
Shoreline, Washington***Certified Public  
Accountants  
and Consultants

We have audited the accompanying combined balance sheets of CRISTA Ministries (“the Organization”) as of June 30, 2010 and 2009, and the related combined statements of unrestricted activities, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. This supplemental information is the responsibility of the Organization’s management.

Certified Public Accountants  
September 9, 2010

**CRISTA MINISTRIES**

**Combined Balance Sheets**

**Assets**

**(In Thousands)**

	<i>June 30,</i>	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>			
Cash and cash equivalents:			
Available for current ministries	\$	6,743	\$ 20,823
Designated by the board for expansion		13,253	
Held for donor restricted ministry purposes		9,974	8,296
Held by field operations		<u>2,731</u>	<u>3,074</u>
Total cash and cash equivalents		32,701	32,193
Receivables, net		5,973	4,941
Prepaid expenses and supplies		<u>346</u>	<u>342</u>
<b>Total Current Assets</b>		<b>39,020</b>	<b>37,476</b>
Investments:			
Available for current ministries		12,848	15,365
Endowment funds		6,055	5,905
Other investments		<u>883</u>	<u>882</u>
Total investments		19,786	22,152
Property and equipment used in ministries, net		55,665	56,713
Planned giving program		2,416	3,494
Assets held by field operations		3,596	3,330
Other assets		<u>1,090</u>	<u>527</u>
<b>Total Assets</b>		<b><u>\$ 121,573</u></b>	<b><u>\$ 123,692</u></b>

*The accompanying notes are an integral part of the financial statements.*

## **CRISTA MINISTRIES**

### ***Combined Balance Sheets***

### ***Liabilities and Net Assets***

***(In Thousands)***

	<i>June 30,</i>	<u>2010</u>	<u>2009</u>
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	\$	7,945	\$ 8,588
Accounts payable held in field offices		1,575	1,296
Deferred revenue		657	734
		<u>10,177</u>	<u>10,618</u>
<b>Total Current Liabilities</b>		<b>10,177</b>	<b>10,618</b>
Long-term obligations		9,401	10,790
Refundable entry fees		7,119	7,843
Non-refundable entry fees		8,353	9,383
Deposits		135	148
Planned giving program obligations		2,048	2,257
		<u>37,233</u>	<u>41,039</u>
<b>Total Liabilities</b>		<b>37,233</b>	<b>41,039</b>
Commitments and contingencies (Note 10)			
<b>Net Assets:</b>			
Unrestricted:			
General		19,334	20,480
Represented by property and equipment owned by the organization		47,370	46,978
		<u>66,704</u>	<u>67,458</u>
Temporarily restricted:			
Restricted for program activities		10,018	8,086
Restricted for capital acquisitions		762	210
The organization's portion of irrevocable trust agreements		10	448
Restricted for endowment funds		3,304	2,968
		<u>14,094</u>	<u>11,712</u>
Permanently restricted:			
Endowment for student financial aid		1,239	1,239
Endowment for senior financial aid		1,103	1,103
Perpetual trust		1,200	1,141
		<u>3,542</u>	<u>3,483</u>
<b>Total Net Assets</b>		<b>84,340</b>	<b>82,653</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>121,573</b>	<b>\$ 123,692</b>

*The accompanying notes are an integral part of the financial statements.*

**CRISTA MINISTRIES**

***Combined Statements of Unrestricted Activities  
(In Thousands)***

	<i>Years Ended June 30,</i>	<u>2010</u>	<u>2009</u>
<b>Revenues, Gains, and Losses:</b>			
Fees for services		\$ 57,750	\$ 59,992
Contributions		9,245	9,079
Contributions released from restrictions		9,738	13,163
Gifts-in-kind		62,016	53,582
Government grants		6,673	7,467
Other program revenue		618	794
Income on investments		391	1,215
Net realized and unrealized gains (losses) on investments and planned giving program		1,780	(4,932)
Miscellaneous income		304	401
		<u>148,515</u>	<u>140,761</u>
<b>Total Revenues, Gains, and Losses</b>			
<b>Expenses:</b>			
Program services		136,360	134,011
Fundraising		3,670	3,779
Management and general		4,828	4,883
		<u>144,858</u>	<u>142,673</u>
<b>Total Expenses</b>			
<b>Change in Unrestricted Net Assets Before Impairment Loss on Investments</b>			
		3,657	(1,912)
Impairment loss on investments (Note 11)		(4,411)	
		<u>\$ (754)</u>	<u>\$ (1,912)</u>
<b>Change in Unrestricted Net Assets</b>			

*The accompanying notes are an integral part of the financial statements.*

**CRISTA MINISTRIES**

***Combined Statements of Changes in Net Assets  
(In Thousands)***

	<i>Years Ended June 30,</i>	<u>2010</u>	<u>2009</u>
<b>Unrestricted Net Assets:</b>			
Total unrestricted revenue, gains, and losses		\$ 134,366	\$ 127,598
Contributions released from restrictions		9,738	13,163
Total unrestricted expenses and losses		<u>(144,858)</u>	<u>(142,673)</u>
<b>Change in Unrestricted Net Assets</b>		<b>(754)</b>	<b>(1,912)</b>
<b>Temporarily Restricted Net Assets:</b>			
Contributions		12,102	11,931
Contributions released from restrictions		(9,738)	(13,163)
Income on investments		38	119
Net realized and unrealized losses on investments and planned giving program		<u>(20)</u>	<u>(1,390)</u>
<b>Change in Temporarily Restricted Net Assets</b>		<b>2,382</b>	<b>(2,503)</b>
<b>Permanently Restricted Net Assets:</b>			
Net realized and unrealized gains (losses) on investments		<u>59</u>	<u>(333)</u>
<b>Change in Permanently Restricted Net Assets</b>		<b>59</b>	<b>(333)</b>
<b>Total Change in Net Assets</b>		<b>1,687</b>	<b>(4,748)</b>
Beginning of year net assets		<u>82,653</u>	<u>87,401</u>
<b>End of Year Net Assets</b>		<b><u>\$ 84,340</u></b>	<b><u>\$ 82,653</u></b>

*The accompanying notes are an integral part of the financial statements.*

## CRISTA MINISTRIES

### Combined Statements of Cash Flows (In Thousands)

	Years Ended June 30,	
	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,687	\$ (4,748)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,340	4,236
Entry fees earned - non-cash	(1,585)	(1,850)
Nonrefundable entry fees received	689	1,410
Loss on sale of property	463	10
Net realized and unrealized losses on long-term investments and planned giving program	2,592	6,655
Changes in assets and liabilities:		
Receivables	(1,032)	1,121
Prepaid expenses and supplies	(4)	1,390
Planned giving program	232	(578)
Assets held by field operations	(266)	72
Other assets	(619)	7
Accounts payable and accrued expenses	(364)	(952)
Deferred revenue and deposits	(90)	(5)
Long-term obligations	(7)	(152)
Planned giving program obligations	(209)	(740)
<b>Net Cash Provided by Operating Activities</b>	<b>5,827</b>	<b>5,876</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of land, buildings, and equipment	(3,701)	(5,855)
Proceeds from disposal of land, buildings, and equipment	2	13
Purchases of investments	(35,421)	(15,786)
Proceeds from sale of investments	36,041	23,142
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(3,079)</b>	<b>1,514</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of long-term obligations	68	490
Principal payments on long-term obligations	(1,450)	(2,319)
Refundable entry fees received	127	611
Entry fee refunds paid	(985)	(1,397)
<b>Net Cash Used by Financing Activities</b>	<b>(2,240)</b>	<b>(2,615)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>508</b>	<b>4,775</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	32,193	27,418
<b>End of Year</b>	<b>\$ 32,701</b>	<b>\$ 32,193</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 426	\$ 562
Cash paid during the year for income taxes	\$ 710	\$ 492

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

## ***CRISTA MINISTRIES***

### ***Notes to Combined Financial Statements***

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#### ***Note 1 - Nature of Operations and Significant Accounting Policies***

##### **Business Purpose and Organization** - To Love God by Serving People.

CRISTA Ministries, headquartered at 19303 Fremont Avenue North, Shoreline, Washington 98133-3800, is a Christian not-for-profit organization made up of seven distinct ministries with one common purpose. The mission of CRISTA Ministries is to love God by serving people - meeting practical and spiritual needs so that those we serve locally and internationally will be built up in love, united in faith and maturing in Christ. We seek to see people drawn into a transformational relationship with Christ.

CRISTA Ministries was founded in 1948 as King's Garden. Today, its seven ministries serving locally and internationally are: CRISTA Senior Living, World Concern, King's Schools, CRISTA Broadcasting, CRISTA Camps and Conferences, Christian Veterinary Mission, and Seattle Urban Academy.

World Concern Development Organization ("WCDO") is the non-ecclesiastical arm of World Concern, shares common facilities and management with World Concern, and is reported in these financial statements as part of World Concern. WCDO is a not-for-profit organization responsible for administering governmental and other grants.

CRISTA Ministries Canada ("CRISTA Canada") is a not-for-profit organization incorporated under the Canada Corporation Act and registered as a Charitable Organization. CRISTA Canada has an agreement with CRISTA Broadcasting to provide programming designed to support individuals in their commitment to practice their Christian beliefs and live the Christian life. CRISTA Canada also has an agreement with World Concern and Christian Veterinary Mission to help provide for the spiritual and physical needs of families in the poorest countries of the world.

**Principles of Combination** - The combined financial statements include the accounts of CRISTA Ministries, WCDO, and CRISTA Canada (collectively, the "Organization"). All significant inter-organization transactions have been eliminated.

**Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash in excess of daily requirements is invested in interest-bearing instruments with maturities of three months or less. Such investments are considered to be cash equivalents, except for those included in the Organization's investment portfolio and subject to its investment policy.

**Cash Held by Field Operations** - Cash held by field operations represents cash forwarded to project field sites for use in carrying out ministry activities.

**Accounts Receivable** - Trade account receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for doubtful accounts was \$999,000 and \$827,000 at June 30, 2010 and 2009, respectively.

## **CRISTA MINISTRIES**

### **Notes to Combined Financial Statements**

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#### **Note 1 - Continued**

**Property and Depreciation** - The Organization capitalizes assets with a cost greater than \$5,000 and an estimated useful life of 3 or more years. Purchased property is carried at cost. Donated property is recorded at market value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 5 years
Vehicles	3 - 7 years

**Investments and Planned Giving Program Assets** - Investments and planned giving program assets consist primarily of marketable debt and equity securities as well as mutual funds and non-marketable securities. Investments in marketable securities are stated at fair value. Investments in non-marketable securities are stated at the lower of cost or net realizable value.

**Captive Insurance Company** - The Organization has contracted with a captive insurance company to insure against professional liability, property damage, and business income/extra expense, and to reinsure against a portion of its general liability, auto liability, and physical damage. The Organization owns a non-controlling share of the common stock of the captive insurance company and is accounting for this investment under the cost method of investment accounting. The value of this investment in the amount of \$366,000 as of June 30, 2010 and 2009, is included in investments.

**Assets Held by Field Operations** - The Organization includes in assets held by field operations assets in overseas locations and micro-enterprise loans (MLP), which are designed to assist impoverished persons to become self-reliant, successful entrepreneurs. The MLP is administered in accordance with guidelines published by World Concern and is tailored to specific conditions of the host country. The average loan size was \$295 and \$284 at June 30, 2010 and 2009, respectively. Maturities on MLP loans range from two months to two years. The majority of these loans mature from one to two years. Based on management's intent and ability to reinvest collected amounts in the MLP in these countries, the balance has been classified as long-term. MLP at June 30, 2010 and 2009, totaled \$3,621,000 and \$3,244,000, respectively. Allowance for doubtful accounts at June 30, 2010 and 2009, totaled \$260,000 and \$196,000, respectively. The allowance for doubtful accounts is calculated based on an analysis of individual accounts.

**Other Assets** - The Organization has capitalized financing fees associated with the issuance of tax-exempt bonds and radio license fees. These costs are amortized to expense on a straight-line basis over the contract term or future benefits period.

**Concentration of Credit Risk** - Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of receivables, cash and cash equivalents, and investments. As of June 30, 2010 and 2009, concentration of credit risk with respect to receivables is limited due to a large base of customers consisting of public and private companies representing a variety of industries, government agencies, and individuals in the Pacific Northwest. Cash and cash equivalents are held with banks located in and outside of the United States. As of June 30, 2010 and 2009, 8% and 10% of cash and cash equivalents are held in banks outside of the United States. Investments are held with a variety of financial institutions. Cash, cash equivalents, and investment balances may at times exceed FDIC and SIPC insurance limits.

## ***CRISTA MINISTRIES***

### ***Notes to Combined Financial Statements***

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#### ***Note 1 - Continued***

**Financial Instruments** - The carrying amount of financial instruments, including cash and cash equivalents, receivables, investments, development loans receivable, payables, and long-term obligations, approximates fair value as of June 30, 2010 and 2009, with the exception of investments carried at cost. It is not practical to estimate the fair value of investments carried at cost.

**Deferred Revenue** - Cash from some fees for services is received prior to the Organization providing the intended program services. These revenues are deferred until the period in which the services are rendered.

**Entry Fees** - Entry fees represent advance payment for use of retirement facilities. Entry fees are subject to contractual refunds upon death or other termination of residency. The refunds on a majority of the contracts range from 0% to 75% of the entry fees paid, depending upon length of residency. The non-refundable portion of the entry fee is recorded as deferred revenue and is amortized to income based upon the life expectancy of the residents.

The present value of the net cost of future services to current residents is calculated annually to determine if an unfunded liability for those services should be recorded. A discount rate of 6% was used as of June 30, 2010. No unfunded liability exists for obligations to provide future services as of June 30, 2010 or 2009.

**Basis of Presentation** - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets include all net assets on which there are no donor-imposed restrictions for use, or such donor-imposed restrictions were temporary and expired or were met during the current or previous years.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures, and equipment) are reported as temporarily restricted. When the long-lived assets are acquired, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in contributions released from restrictions.

## ***CRISTA MINISTRIES***

### ***Notes to Combined Financial Statements***

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#### ***Note 1 - Continued***

**Foreign Currency Translation** - The functional currency of World Concern's field offices is the local currency in which the office is located. Assets and liabilities of the office have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Any translation adjustments are included in the Combined Statements of Unrestricted Activities.

**Revenues and Gains** - Fees for services, government grants, and miscellaneous income consist of revenues earned during the year. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions also include non-cash gifts, which are valued at estimated fair value at the date of gift.

Gifts-in-kind received through private donations are recorded in accordance with industry standards, referred to as the *Interagency GIK Standards*, as developed by an interagency taskforce appointed by the Association of Evangelical Relief and Development Organizations (AERDO). Gifts-in-kind of medicine, clothing, agricultural supplies, health supplies, and other commodities are donated to the Organization for distribution to overseas development projects. Such gifts are recorded, at estimated fair value, as inventory and revenue at the time received and as a reduction of inventory and program services expense when the distributing agency receives the goods.

Senior Living recognizes revenue based on estimated net realizable amounts from patients and third-party payors, which includes the Medicaid and Medicare programs. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates may change.

**Functional Allocation of Expenses** - The cost of providing program services, fundraising, and general administration of the Organization has been summarized on a functional basis in a supplemental statement to the financial statements. Accordingly, certain costs have been allocated between program services, fundraising, and general administrative expenses based on actual usage or square footage.

**Income Taxes** - The Internal Revenue Service has determined that CRISTA and WCDO are exempt from federal income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code, with the exception of certain activities that result in unrelated business income which are therefore taxable. Federal income tax of \$646,000 and \$697,000 was included in expenses for the years ended June 30, 2010 and 2009, respectively. There are open tax years that are subject to IRS review; however, management has determined that no provision for uncertain tax positions was required at June 30, 2010 or 2009.

CRISTA Canada is registered as a Charitable Organization under tax laws established by the Canada Revenue Agency. It had no taxable income for the years ended June 30, 2010 and 2009.

**Subsequent Events** - The Organization has evaluated subsequent events through September 9, 2010, the date on which the financial statements were issued.

## CRISTA MINISTRIES

### Notes to Combined Financial Statements

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#### Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

	<i>(In Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Cash	\$ 4,094	\$ 3,979
CDs, commercial paper, and other	<u>28,607</u>	<u>28,214</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 32,701</u></b>	<b><u>\$ 32,193</u></b>

Cash and cash equivalents include \$2,731,000 and \$3,074,000 at June 30, 2010 and 2009, respectively, of funds on deposit in banks in foreign countries.

Cash and cash equivalents designated by the Board for expansion at June 30, 2010, include \$8,875,000 for the purchase and development of KFMK radio station in Austin, Texas (see also Note 11), and \$4,378,000 for construction of Schools' Technology and Science Center.

#### Note 3 - Investments and Planned Giving Program Assets

Investments and planned giving program assets consisted of the following as of June 30:

	<i>(In Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Investments:		
Cash and cash equivalents	\$ 656	\$ 1,267
Auction rate securities		735
Marketable equity securities	2,959	8,025
Marketable debt securities	13,638	5,185
Non-marketable debt securities	451	4,917
Non-marketable equity securities	366	366
Property held for sale	250	250
Beneficial interest in perpetual trust held by third party	1,200	1,141
Other	<u>266</u>	<u>266</u>
	19,786	22,152
Planned giving program assets:		
Cash and cash equivalents	32	245
Auction rate securities		115
Marketable equity securities	534	1,277
Marketable debt securities	1,850	1,232
Non-marketable debt securities		<u>625</u>
	<u>2,416</u>	<u>3,494</u>
<b>Total Investments and Planned Giving Program Assets</b>	<b><u>\$ 22,202</u></b>	<b><u>\$ 25,646</u></b>

## ***CRISTA MINISTRIES***

### ***Notes to Combined Financial Statements***

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#### ***Note 4 - Fair Value Measurements***

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3: Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. These financial instruments were valued using a market approach.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

**Mutual Funds** - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Organization at year-end.

**Alternative Investments** - Mortgage backed securities and annuity contracts are valued using the NAV provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date. The investment is traded on a private market that is not active.

**Trust** - The perpetual trust is valued at the Organization's share of the trust's assets, which are reported at fair value.

**CRISTA MINISTRIES**

**Notes to Combined Financial Statements**

**Note 4 - Continued**

Assets recorded at fair value on a recurring basis at June 30 were as follows:

	<u>Fair Value Measurements at June 30, 2010 (In Thousands)</u>			
	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Mutual funds				
Growth	\$ 222	\$ -	\$ -	\$ 222
Value	39			39
Blended	734			734
International	216			216
Bond	11,089			11,089
Commodity	1,401			1,401
Total mutual funds	<u>13,701</u>			<u>13,701</u>
Mortgage backed securities			816	816
Annuity contracts			4,464	4,464
Perpetual trust held by third party			1,200	1,200
<b>Total at June 30, 2010</b>	<b><u>\$ 13,701</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,480</u></b>	<b><u>\$ 20,181</u></b>
	<u>Fair Value Measurements at June 30, 2009 (In Thousands)</u>			
	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Mutual funds				
Growth	\$ 1,295	\$ -	\$ -	\$ 1,295
Value	1,036			1,036
Blended	2,594			2,594
International	588			588
Bond	4,240			4,240
Commodity	986			986
Total mutual funds	<u>10,739</u>			<u>10,739</u>
Mortgage backed securities			817	817
Annuity contracts			4,163	4,163
Perpetual trust held by third party			1,141	1,141
<b>Total at June 30, 2009</b>	<b><u>\$ 10,739</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,121</u></b>	<b><u>\$ 16,860</u></b>

**CRISTA MINISTRIES**

**Notes to Combined Financial Statements**

**Note 4 - Continued**

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) follows:

	<i>Fair Value Measurements (In Thousands)</i>			
	<i>Mortgage Backed Securities</i>	<i>Annuity Contracts</i>	<i>Perpetual Trust</i>	<i>Total Level 3</i>
<b>Balance, July 1, 2008</b>	<b>\$ 780</b>	<b>\$ 6,214</b>	<b>\$ 1,474</b>	<b>\$ 8,468</b>
Total gains or losses (realized/unrealized)	49	(1,990)	(333)	(2,274)
Purchases, issuances, and settlements	(12)	(61)		(73)
<b>Balance, June 30, 2009</b>	<b>817</b>	<b>4,163</b>	<b>1,141</b>	<b>6,121</b>
Total gains or losses (realized/unrealized)	47	410	59	516
Purchases, issuances, and settlements	(48)	(109)		(157)
<b>Balance, June 30, 2010</b>	<b><u>\$ 816</u></b>	<b><u>\$ 4,464</u></b>	<b><u>\$ 1,200</u></b>	<b><u>\$ 6,480</u></b>

A reconciliation of the investments and planned giving assets measured at fair value on a recurring basis to total investments as of June 30 is as follows:

	<i>(In Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Assets recorded at fair value on a recurring basis	\$ 20,181	\$ 16,860
Assets recorded at cost	<u>2,021</u>	<u>8,786</u>
<b>Total Investments and Planned Giving</b>	<b><u>\$ 22,202</u></b>	<b><u>\$ 25,646</u></b>

## CRISTA MINISTRIES

### Notes to Combined Financial Statements

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#### Note 5 - Property and Equipment Used in Ministries

Property and equipment used in ministries consisted of the following as of June 30:

	<i>(In Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Land	\$ 9,284	\$ 8,732
Buildings and improvements	85,167	83,557
Furniture, equipment, and other	15,617	14,705
Construction in progress	<u>590</u>	<u>896</u>
	110,658	107,890
Less accumulated depreciation	<u>(54,993)</u>	<u>(51,177)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 55,665</u></b>	<b><u>\$ 56,713</u></b>

#### Note 6 - Planned Giving Program

**Irrevocable Trusts** - The Organization is a beneficiary of irrevocable unitrusts and testamentary trusts administered by the Organization. The trusts provide for annual distributions of 6% to 8% of the value of trust assets to be paid to the trust grantors. The trusts all terminate upon the death of the various grantors, at which time the remaining assets will be distributed to the Organization and other beneficiaries. The trust assets are valued at fair value and totaled \$1,010,000 and \$1,629,000 at June 30, 2010 and 2009, respectively. The trust liabilities are valued at the present value of the estimated future distributions to be paid to the trust grantors discounted at rates of 6% to 8% and totaled \$1,000,000 and \$1,180,000 at June 30, 2010 and 2009, respectively. Gains or losses from the change in trust liabilities are recorded as temporarily restricted contribution revenue. When trusts are initially established the Organization records temporarily restricted contribution revenue equal to the value of trust assets received less the trust liability. The Organization recorded a loss of \$438,000 and \$128,000 during the years ended June 30, 2010 and 2009, respectively, related to the change in trust assets and liabilities. This loss is included in the temporarily restricted net realized and unrealized gains (losses) on investments on the statement of changes in net assets. There were no contributions to irrevocable trusts during the years ended June 30, 2010 and 2009.

**Annuities** - The Organization administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. When contributed assets are initially received the assets are recorded at fair value as general assets of the Organization and temporarily restricted contribution revenue is recorded equal to the value of contributed assets received less the annuity liability. The present values of the payments due to the beneficiaries are recorded as liabilities and totaled \$928,000 and \$962,000 at June 30, 2010 and 2009, respectively. Net present values are calculated based on the expected life of the beneficiaries and using the applicable federal discount rate at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. The Organization maintains segregated funds that exceed the actuarial value of the annuity liability as required by State law.

**Gift Loan Agreements** - Gift loan agreements represent demand notes with interest rates of 5% that become contributions to the Organization upon the death of the noteholder. Gift loan agreement liabilities totaled \$120,000 and \$115,000 at June 30, 2010 and 2009, respectively.

## CRISTA MINISTRIES

### Notes to Combined Financial Statements

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#### Note 6 - Continued

**Perpetual Trust** - The Organization is named as one of several beneficiaries of a perpetual trust. Under the terms of the trust, an independent trustee will make annual distributions, in perpetuity, to the Organization based upon 3% percent of the Organizations' share of the trust assets' fair value. That share totaled \$1,200,000 and \$1,141,000 at June 30, 2010 and 2009, respectively, and is included in permanently restricted net assets. The Organization received distributions totaling \$55,230 and \$68,633 for the years ended June 30, 2010 and 2009, respectively. The distributions are available for general operations. Changes in the value of the underlying assets of \$59,000 and (\$333,000) for the years ended June 30, 2010 and 2009, respectively, have been recorded in the accompanying statement of changes in permanently restricted net assets as net realized and unrealized gains or losses on investments.

#### Note 7 - Long-Term Obligations

Long-term obligations as of June 30 consisted of the following:

	<u>(In Thousands)</u>	
	<u>2010</u>	<u>2009</u>
Tax exempt bonds - interest at weekly variable and fixed rates (effective rate of 4.6% and 5.4%, respectively for 2010 and 2009), due in various installments through July 1, 2017	\$ 5,245	\$ 6,685
Line-of-credit (effective interest rate of 2.2% and 3.6%, respectively for 2010 and 2009), due November 30, 2011	3,050	3,050
Deferred employee benefits	471	410
Obligations for future services	<u>635</u>	<u>645</u>
<b>Total Long-Term Obligations</b>	<b><u>\$ 9,401</u></b>	<b><u>\$ 10,790</u></b>

Letters of credit are required with a financial institution to guarantee payment on the tax-exempt bonds. At June 30, 2010 and 2009, the letter of credit balance was \$6,882,000 and \$8,313,000, respectively, as security for all tax-exempt bonds. The annual fee for the letter of credit was 0.625% of the outstanding bond balance in 2010 and 2009. The annual charge was approximately \$44,000 and \$53,000 for the years ended 2010 and 2009, respectively. The letter of credit expires on July 15, 2012.

The tax-exempt bonds are secured by land, buildings, and equipment with an aggregate net book value of \$21,460,000 and \$21,860,000, at June 30, 2010 and 2009, respectively. The Organization is in compliance with all restrictive covenants.

Deferred employee benefits include a salary continuation agreement with a former key officer and a reserve for workers' compensation liability.

Interest expense, including letter of credit fees, was \$436,000 and \$578,000, for the years ended June 30, 2010 and 2009, respectively.

## **CRISTA MINISTRIES**

### **Notes to Combined Financial Statements**

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#### **Note 7 - Continued**

The Organization has two line-of-credit agreements expiring November 30, 2011, which provide for a total commitment of \$5,000,000. There was \$3,050,000 and \$3,050,000 outstanding on the lines-of-credit at June 30, 2010 and 2009, respectively. The line-of-credit outstanding of \$3,050,000 is included in the long-term obligations at June 30, 2010. The Organization was in compliance with covenants on the line-of-credit agreements during fiscal year 2010.

Principal maturities on long-term obligations are as follows:

<i>Years Ending June 30,</i>	<i>(In Thousands)</i>
2011	\$ -
2012	4,455
2013	1,118
2014	1,105
2015	1,155
Thereafter	<u>1,568</u>
<b>Total</b>	<b><u>\$ 9,401</u></b>

#### **Note 8 - Endowment**

The Organization's endowments consist of a number of funds established for a variety of purposes. Its endowments include both donor-restricted permanent endowment funds and temporarily restricted funds set up to function as endowments but allowing for the possibility of spending of corpus, if necessary. As required by generally accepted accounting principles and as disclosed below, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Organization classifies as permanently restricted net assets the original value of gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the:

- Duration and preservation of the fund;
- Purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- Investment policies of the Organization.

**CRISTA MINISTRIES**

**Notes to Combined Financial Statements**

**Note 8 - Continued**

Endowment net assets at June 30, 2010, consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Permanent Endowments				
Student financial aid	\$ (387)	\$ -	\$ 1,239	\$ 852
Senior financial aid	<u>(379)</u>		<u>1,103</u>	<u>724</u>
Total donor restricted permanent endowments	(766)		2,342	1,576
Temporarily Restricted, Functioning as Endowments				
General program		815		815
Schools		954		954
Christian Veterinary Mission		796		796
Seattle Urban Academy		415		415
Camps		317		317
World Concern		<u>7</u>		<u>7</u>
Total temporarily restricted functioning as endowments		<u>3,304</u>		<u>3,304</u>
<b>Endowment Net Assets, June 30, 2010</b>	<b><u>\$ (766)</u></b>	<b><u>\$ 3,304</u></b>	<b><u>\$ 2,342</u></b>	<b><u>\$ 4,880</u></b>

Endowment net assets at June 30, 2009, consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Permanent Endowments				
Student financial aid	\$ (318)		\$ 1,239	\$ 921
Senior financial aid	<u>(228)</u>		<u>1,103</u>	<u>875</u>
Total donor restricted permanent endowments	(546)		2,342	1,796
Temporarily Restricted, Functioning as Endowments				
General program		751		751
Schools		829		829
Christian Veterinary Mission		742		742
Seattle Urban Academy		364		364
Camps		<u>282</u>		<u>282</u>
Total temporarily restricted functioning as endowments		<u>2,968</u>		<u>2,968</u>
<b>Endowment Net Assets, June 30, 2009</b>	<b><u>\$ (546)</u></b>	<b><u>\$ 2,968</u></b>	<b><u>\$ 2,342</u></b>	<b><u>\$ 4,764</u></b>

**CRISTA MINISTRIES**

**Notes to Combined Financial Statements**

**Note 8 - Continued**

Changes to endowment net assets for the year ended June 30, 2010, are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ (546)	\$ 2,968	\$ 2,342	\$ 4,764
Endowment investment return:				
Interest and dividends		96		96
Realized and unrealized gains and losses	(220)	363		143
Total endowment investment return	(220)	459		239
Contributions		91		91
Appropriation of endowment for expenditure		(214)		(214)
<b>Endowment Net Assets, June 30, 2010</b>	<b>\$ (766)</b>	<b>\$ 3,304</b>	<b>\$ 2,342</b>	<b>\$ 4,880</b>

Changes to endowment net assets for the year ended June 30, 2009, are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ -	\$ 4,065	\$ 2,342	\$ 6,407
Endowment investment return:				
Interest and dividends		110		110
Realized and unrealized losses	(546)	(1,162)		(1,708)
Total endowment investment return	(546)	(1,052)		(1,598)
Contributions		142		142
Appropriation of endowment for expenditure		(187)		(187)
<b>Endowment Net Assets, June 30, 2009</b>	<b>\$ (546)</b>	<b>\$ 2,968</b>	<b>\$ 2,342</b>	<b>\$ 4,764</b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$766,000 as of June 30, 2010, and \$546,000 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations and impairment of investments (Note 11) that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

## CRISTA MINISTRIES

### Notes to Combined Financial Statements

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#### Note 8 - Continued

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an average annual rate of return of approximately 7%, or the Consumer Price Index plus a risk premium of 3%, whichever is greater over a 5-year investment horizon in a manner that seeks to minimize principal fluctuations over the investment time horizon. Actual returns may vary significantly from this objective in any given year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield such as interest and dividends. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution approximately 5% of the market value of endowment assets as of the beginning of the calendar year. In establishing this policy, the Organization considered the long-term expected return on its endowment and its desire to maintain a predictable stream of funding to programs supported by its endowment assets. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average 2% annually. This is consistent with the Organization's objective to provide real growth to its endowment through new gifts and investment returns.

#### Note 9 - Gifts-in-Kind

CRISTA receives donations of medicine, clothing, agricultural supplies, health supplies, and other commodities for use in its various programs. Such gifts are recorded as inventory and revenue at the time received and as a reduction of inventory and as a program services expense when the distributing agency has received the goods at estimated fair market values. Fair value is based on product like-kind analysis and current market prices when available.

Gifts of \$16,215,000 and \$45,101,000 for the years ended June 30, 2010 and 2009, respectively, relate to gifts-in-kind received through private donations and \$45,801,000 and \$8,481,000 for the years ended June 30, 2010 and 2009, were received from other not-for-profit organizations. Of the total gifts for the years ended June 30, 2010 and 2009, 74% and 83%, respectively, came from a single source, although the single source was different in each year. A summary of gift-in-kind revenue for the years ended June 30 is as follows:

	<i>(In Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Medicines and medical supplies	\$ 60,970	\$ 52,254
Clothing	5	261
Seeds, food, and agricultural supplies	378	142
Other supplies	<u>663</u>	<u>925</u>
<b>Total Gift-In-Kind Revenue</b>	<b><u>\$ 62,016</u></b>	<b><u>\$ 53,582</u></b>

## CRISTA MINISTRIES

### Notes to Combined Financial Statements

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#### Note 10 - Commitments and Contingencies

**Leases** - The Organization is obligated under various operating leases for office equipment, office and radio tower space. Lease expense for the years ended June 30, 2010 and 2009, was \$350,000 and \$332,000, respectively. Future minimum lease payments for operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2010, are as follows:

	<u>(In Thousands)</u>
2011	\$ 295
2012	110
2013	97
2014	101
2015	82
Thereafter	<u>678</u>
<b>Total</b>	<b><u>\$ 1,363</u></b>

**Employee Retirement Benefits** - The Organization offers a Section 403(b) savings plan to eligible employees. Employees may contribute amounts from their salaries to the plan up to the limits specified by the Internal Revenue Service. The Organization contributes 3% of earnings annually to each eligible employee's account. The Organization matches up to 4% additional contributions to an eligible employee's account based upon years of service to the Organization. Employer provided funds are vested to the employee at 20% per year until fully vested after five years. Total employer contributions expensed during the years ended June 30, 2010, and June 30, 2009, were \$1,366,000 and \$1,389,000, respectively.

**Other Employee Benefits** - The Organization offers employees an option to participate in a self-insured health plan. The Organization also maintains a self-insured workers' compensation plan. Claims under these plans are self-insured with stop-loss umbrella policies in place to limit maximum potential liability for both individual claims and total claims for a plan year. Claims are paid as they are submitted to the plan administrators. The Organization maintains an accrual for claims that have been incurred but not yet reported (IBNR) to the plan administrators and therefore have not been paid. The IBNR reserve is based on the historical lag period and current payment trends of health insurance claims (generally 2-3 months) and workers compensation claims (generally 1-3 years). The IBNR reserve for health care is based on the historical claims as computed by the stoploss insurer's actuaries (generally 15 months), less payments made. The liability for the benefit claims due in less than one year are recorded in accounts payable and accrued expenses while the liability for claims greater than one year are recorded in long term obligations in the accompanying combined balance sheets.

**Contingencies** - In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

## ***CRISTA MINISTRIES***

### ***Notes to Combined Financial Statements***

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#### ***Note 11 - Subsequent Events***

**Acquisition of Radio Station KFMK** - On June 4, 2010, the Organization entered into a Purchase Agreement to acquire radio station KFMK in Round Rock (Austin), Texas, subject to approval by the Federal Communications Commission (FCC), for \$6,250,000 with a \$625,000 deposit at the signing of the agreement and the balance to be paid at closing. It is anticipated that the FCC will approve the purchase and closing will take place in September 2010. Funds to complete the purchase have been set aside in cash designated by the Board.

**Impairment of Investments and Trusts** - In fiscal years 2003 through 2005, the Organization invested \$3,015,000 of its investments available for current ministries and \$290,000 of its endowment investments with an investment company (the Company). During subsequent years, \$1,633,000 of cumulative interest was added to the investments. In July 2010, the Organization was notified that the Company had filed for bankruptcy. Based on information received from the bankruptcy trustee, management believes that the recoverable value of the investments is \$451,000. Because the conditions causing the bankruptcy existed prior to year-end, unrestricted loss on investments of \$4,411,000 and temporarily restricted loss on investments of \$76,000 was recognized in the year ended June 30, 2010. Any future recoveries or losses over or under the estimated recovery amount will be reflected as income or loss in the year received.

Certain of the trusts administered by the Organization were also invested with the Company. Net impairment losses associated with the Organization's beneficial interest in the trusts totaling \$472,000 were recognized for the year ended June 30, 2010, in temporarily restricted losses on investments and planned giving program.

***SUPPLEMENTAL INFORMATION***

**CRISTA MINISTRIES**

***Combined Statements of Functional Expenses  
Years Ending June 30, 2010 and 2009  
(In Thousands)***

	2010				2009			
	<i>Program Services</i>	<i>Fundraising</i>	<i>Management and General</i>	<i>Total 2010</i>	<i>Program Services</i>	<i>Fundraising</i>	<i>Management and General</i>	<i>Total 2009</i>
Salaries	\$ 31,743	\$ 1,229	\$ 1,896	\$ 34,868	\$ 33,461	\$ 1,337	\$ 2,009	\$ 36,807
Payroll taxes	2,931	121	162	3,214	2,940	178	189	3,307
Employee benefits	5,243	162	272	5,677	5,864	181	271	6,316
Professional services	1,768	60	239	2,067	1,385	191	174	1,750
Advertising and promotion	721	25	18	764	868	8	11	887
Office expenses	1,704	263	142	2,109	1,883	211	150	2,244
Information technology	425	203	75	703	647	2	64	713
Occupancy	4,394	29	213	4,636	4,260	37	213	4,510
Travel	1,565	47	83	1,695	2,033	52	78	2,163
Conferences and training	1,278	54	105	1,437	1,774	54	64	1,892
Interest	436			436	578			578
Depreciation and amortization	4,340			4,340	4,236			4,236
Insurance	1,519		159	1,678	1,369		211	1,580
Dues and fees	570	12	70	652	532	2	61	595
Purchased services	1,819	1,251	1,062	4,132	1,346	1,077	1,114	3,537
Taxes	791	9		800	827	12		839
Grants	55			55	32			32
Program supplies	74,862	205	2	75,069	69,869	437	8	70,314
Other	196		330	526	107		266	373
	<b>\$ 136,360</b>	<b>\$ 3,670</b>	<b>\$ 4,828</b>	<b>\$ 144,858</b>	<b>\$ 134,011</b>	<b>\$ 3,779</b>	<b>\$ 4,883</b>	<b>\$ 142,673</b>

See independent auditors' report.