



Combined Financial Statements and
Supplemental Information with
Independent Auditors' Report
June 30, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 pages 17 and 18 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.

Clark Nuber P S

Certified Public Accountants
August 28, 2008

CRISTA MINISTRIES

Combined Balance Sheets

Assets

(In Thousands)

	<i>June 30,</i>	<i>2008</i>	<i>2007</i>
Current Assets:			
Cash and cash equivalents	\$	29,268	\$ 34,867
Receivables, net		6,074	4,993
Prepaid expenses and inventory		1,732	1,232
		<hr/>	<hr/>
Total Current Assets		37,074	41,092
Investments		33,380	28,133
Land, buildings, and equipment, net		55,063	49,541
Assets held in trust		2,363	2,555
Other assets		5,464	5,048
		<hr/>	<hr/>
Total Assets	\$	133,344	\$ 126,369
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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>	<i>2008</i>	<i>2007</i>
Current Liabilities:			
Accounts payable and accrued expenses	\$	10,836	\$ 9,311
Deferred revenue		747	1,331
		<hr/>	<hr/>
Total Current Liabilities		11,583	10,642
Long-term obligations		12,771	10,538
Refundable entry fees		8,251	8,858
Nonrefundable entry fees		10,201	10,376
Deposits		140	147
Trusts, annuities, and other agreements		2,997	3,276
		<hr/>	<hr/>
Total Liabilities		45,943	43,837
Commitments and contingencies (Note 12)			
Net Assets:			
Unrestricted		69,370	63,418
Temporarily restricted		14,215	15,132
Permanently restricted		3,816	3,982
		<hr/>	<hr/>
Total Net Assets		87,401	82,532
		<hr/>	<hr/>
Total Liabilities and Net Assets	\$	133,344	\$ 126,369
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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>	<i>2008</i>	<i>2007</i>
Revenues and Gains:			
Fees for services	\$	60,852	\$ 56,899
Contributions		9,392	8,007
Contributions released from restrictions		12,544	10,307
Gifts-in-kind		54,192	42,907
Government grants		5,503	4,039
Other program revenue		687	575
Income on investments		2,289	2,422
Net realized and unrealized (losses) gains on investments		(1,453)	2,047
Miscellaneous income		1,748	435
		<hr/>	<hr/>
Total Revenues and Gains		145,754	127,638
Expenses:			
Program services		131,966	112,016
Fundraising		3,629	3,314
Management and general		4,207	4,023
		<hr/>	<hr/>
Total Expenses		139,802	119,353
		<hr/>	<hr/>
Change in Unrestricted Net Assets	\$	5,952	\$ 8,285
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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>	<i>2008</i>	<i>2007</i>
Unrestricted Net Assets:			
Total unrestricted revenue and gains	\$	133,210	\$ 117,331
Contributions released from restrictions		12,544	10,307
Total unrestricted expenses and losses		<u>(139,802)</u>	<u>(119,353)</u>
Change in Unrestricted Net Assets		5,952	8,285
Temporarily Restricted Net Assets:			
Contributions		11,919	10,568
Contributions released from restrictions		(12,544)	(10,307)
Income on investments		274	132
Net realized and unrealized (losses) gains on investments		<u>(566)</u>	<u>830</u>
Change in Temporarily Restricted Net Assets		(917)	1,223
Permanently Restricted Net Assets:			
Contributions			2,640
Net realized and unrealized losses on investments		<u>(166)</u>	<u></u>
Change in Permanently Restricted Net Assets		(166)	2,640
Total Change in Net Assets		4,869	12,148
Beginning of year net assets		<u>82,532</u>	<u>70,384</u>
End of Year Net Assets	\$	<u>87,401</u>	<u>\$ 82,532</u>

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

CRISTA MINISTRIES

Combined Statements of Cash Flows
(In Thousands)

	<i>Years Ended June 30,</i>	<i>2008</i>	<i>2007</i>
Cash Flows from Operating Activities:			
Change in net assets	\$	4,869	\$ 12,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		3,865	3,646
Entry fees earned - noncash		(2,384)	(2,057)
Nonrefundable entry fees received		2,289	1,773
Contributions restricted for investment in long-term assets			(2,640)
Gain on sale of assets		(1,190)	(11)
Net realized and unrealized losses (gains) on long-term investments		2,185	(2,877)
Changes in assets and liabilities:			
Receivables		(1,081)	(687)
Prepaid expenses and inventory		(500)	266
Assets held in trust		192	(100)
Other assets		(635)	(341)
Accounts payable and accrued expenses		1,525	1,038
Deferred revenue and deposits		(591)	(137)
Trusts, annuities, and other agreements		(279)	(102)
Long-term obligations		107	568
Net liabilities from discontinued operations			(1,435)
Net Cash Provided by Operating Activities		8,372	9,052
Cash Flows from Investing Activities:			
Acquisition of land, buildings, and equipment		(9,380)	(7,079)
Proceeds from disposal of land, buildings, and equipment		1,236	16
Purchases of investments		(24,002)	(14,679)
Proceeds from sale of investments		16,736	12,981
Net Cash Used by Investing Activities		(15,410)	(8,761)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term obligations		3,437	
Principal payments on long-term obligations		(1,311)	(1,210)
Proceeds from contributions restricted for investment in long-term assets			1,000
Refundable entry fees received		822	934
Entry fee refunds paid		(1,509)	(959)
Net Cash Provided (Used) by Financing Activities		1,439	(235)
(Decrease) Increase in Cash and Cash Equivalents		(5,599)	56
Cash and Cash Equivalents:			
Beginning of year		34,867	34,811
End of Year	\$	29,268	\$ 34,867
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for interest	\$	517	\$ 596
Cash paid during the year for income taxes	\$	819	\$ 753

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

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies

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

CRISTA Ministries is a Christian not-for-profit organization made up of seven distinct ministries with one common purpose with main offices located at 19303 Fremont Avenue North, Shoreline, Washington 98133-3800. We deliver practical services to people locally and internationally helping them live independent, transformational lives and calling them to do the same for others. With a deep commitment to our Christian faith and belief in the redeeming power of Jesus Christ, we express our love for God by serving people.

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 interorganization 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.

Accounts Receivable - Trade accounts receivable 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 that are 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 \$606,000 and \$586,000 at June 30, 2008 and 2007, respectively.

CRISTA MINISTRIES

Notes to Combined Financial Statements

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 - Investments consist primarily of marketable debt and equity securities as well as other non-marketable securities. Investments in marketable securities are stated at fair value, which is determined using quoted market prices. 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, 2008 and 2007 is included in investments.

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.

Other assets also include a trust administered by a third party of which the Organization has a partial interest. Assets held within the third party trust consist of marketable and nonmarketable securities. Marketable securities are stated at market value based on quoted market prices. Nonmarketable securities are valued at fair value as provided by the trustee.

Additionally, included in other assets are assets in overseas locations and micro-enterprise loans outstanding under the Micro-enterprise Loan Programs (MLP), which are designed to assist impoverished persons to become self-sufficient. The MLP is administered in accordance with guidelines published by World Concern and is tailored to specific conditions of the host country. Interest rates on MLP loans range from 16% to 36%, which is below market rate for these types of loans in the host countries. The average loan size at June 30, 2008 was \$234. 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. The allowance for doubtful accounts is calculated based on an analysis of individual accounts.

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, 2008 and 2007, 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. Investments are held with a variety of financial institutions. Cash, cash equivalent and investment balances may at times exceed FDIC and SIPC insurance limits.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Continued

Financial Instruments - The carrying amount in the financial statements of financial instruments, including cash and cash equivalents, receivables, investments, development loans receivable, payables, and long-term obligations, approximated fair value as of June 30, 2008 and 2007 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 such time as 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 nonrefundable 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, 2008. No unfunded liability exists for obligations to provide future services as of June 30, 2008.

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 that they 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

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 Statement 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 noncash gifts, which are valued at estimated fair market value at the date of gift.

Gifts-in-kind (GIK) 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, medical supplies and other commodities are donated to the Organization for distribution to overseas development projects. Such gifts are recorded, at estimated fair market value, as inventory and revenue at the time received and as a reduction of inventory and program services expense on the dates the goods are received by beneficiaries.

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.

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 \$909,000 was included in expenses at June 30, 2008, and payments of \$819,000 were made to the U.S. Treasury during the year ending June 30, 2008, resulting in an accrued tax payable of \$90,000. Federal income tax of \$786,000 was included in expenses at June 30, 2007, and payments of \$753,000 were made to the US Treasury during the year ending June 30, 2007, resulting in an accrued tax payable of \$33,000.

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, 2008 and 2007.

Note 2 - Cash and Cash Equivalents

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

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Cash	\$ 3,398	\$ 3,791
Commercial paper and other	<u>25,870</u>	<u>31,076</u>
	<u>\$ 29,268</u>	<u>\$ 34,867</u>

Cash and cash equivalents include \$3,419,000 and \$2,993,000 at June 30, 2008 and 2007, respectively, of funds on deposit in banks in foreign countries.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 3 - Investments

Investments consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Cash	\$ 533	\$ 556
Marketable equity securities	16,207	18,815
Marketable debt securities	5,466	3,940
Nonmarketable equity securities	366	366
Nonmarketable debt securities	4,295	3,946
Property held for sale	250	250
Auction rate securities	6,000	
Other	<u>263</u>	<u>260</u>
	<u>\$ 33,380</u>	<u>\$ 28,133</u>

Note 4 - Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Land	\$ 8,732	\$ 8,509
Buildings and improvements	75,567	72,213
Furniture, equipment, and other	13,150	12,486
Construction in progress	<u>4,824</u>	<u>487</u>
	102,273	93,695
Less accumulated depreciation	<u>(47,210)</u>	<u>(44,154)</u>
	<u>\$ 55,063</u>	<u>\$ 49,541</u>

Note 5 - Assets Held in Trust

Assets held in trust consist of various unitrusts, testamentary and grantor trusts (Note 6) administered by CRISTA and are stated at fair value and consisted of the following as of June 30:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Cash	\$ 57	\$ 42
Equity securities	843	777
Fixed income securities	838	1,111
Mortgage debt securities	<u>625</u>	<u>625</u>
	<u>\$ 2,363</u>	<u>\$ 2,555</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 6 - Trusts, Annuities, and Other Agreements

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 market value and totaled \$2,363,000 and \$2,111,000 at June 30, 2008 and 2007, 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 \$1,789,000 and \$1,586,000 at June 30, 2008 and 2007, respectively. Gain from the change in trust liabilities is 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 gain of \$49,000 and a gain of \$50,000 during the years ended June 30, 2008 and 2007, respectively, related to the change in trust assets and liabilities. This gain is included in the temporarily restricted net realized and unrealized gains on investments on the Combined Statement of Changes in Net Assets. There was a transfer of \$436,000 from revocable trust assets to irrevocable trust assets during the year ended June 30, 2008. The associated liability was adjusted to \$282,000 and a total of \$154,000 was recognized as temporarily restricted contributions during the year ended June 30, 2008. There were no other contributions to irrevocable trusts during the years ended June 30, 2008 and 2007.

Revocable Trusts - The Organization was a beneficiary of a revocable trust administered by the Organization. Upon the death of the grantor the trust became irrevocable with annual distributions to be made to a beneficiary. Upon the death of the beneficiary the remaining assets will be distributed to the Organization. During the year ended June 30, 2008, the fair value of \$436,000 was transferred from revocable trusts to irrevocable trusts, as described in the previous paragraph. The revocable trust assets at fair market value were \$0 and \$444,000 at June 30, 2008 and June 30, 2007, respectively. There were no contributions to revocable trusts and no gains or losses were recognized for the years ended June 30, 2008 and 2007.

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 the market value as general assets of the Organization and unrestricted or 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 the beneficiaries are recorded as liabilities and totaled \$1,052,000 and \$1,044,000 at June 30, 2008 and 2007, 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.

Other Agreements - Other agreements consist of gift loan agreements that 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 \$156,000 and \$202,000 at June 30, 2008 and 2007, respectively.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 7 - Other Assets

Other assets as of June 30 consisted of the following:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Micro-enterprise loans	\$ 3,218	\$ 2,715
Allowance for doubtful micro-enterprise loans	(248)	(234)
Partial interest in a perpetual trust administered by a third party	1,474	1,640
Net financing fees for tax exempt bonds	401	446
Assets in overseas locations	432	279
Net radio license	187	202
	<u>\$ 5,464</u>	<u>\$ 5,048</u>

During the year ended June 30, 2007, the Organization was notified that it had an unconditional, irrevocable right to 3% of the benefits of a perpetual trust administered by a third party. Under the terms of the trust, an independent trustee will make annual distributions, in perpetuity, to the Organization based upon 3% of the trust's annual earnings. The distributions are available for general operations. Permanently restricted contribution revenue and the related asset were recorded at fair value during the year ended June 30, 2007. During 2008, the fair value of the Organization's share of the trust decreased by \$166,000, which was recorded as a decrease to the trust assets and an increase in permanently restricted unrealized losses.

Note 8 - Long-Term Obligations

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

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Tax exempt bonds - interest at weekly variable and fixed rates (effective rate of 5.5% and 5.5%, respectively for 2008 and 2007), due in various installments through July 1, 2014	\$ 8,080	\$ 9,325
Line-of-credit, with effective interest rate of 3.8%, due November 30, 2009	3,437	
Deferred employee benefits	562	505
Obligations for future services	692	708
	<u>\$ 12,771</u>	<u>\$ 10,538</u>

Letters of credit are required with a financial institution to guarantee payment on the tax-exempt bonds. At June 30, 2008 and 2007, the letters of credit balance was \$9,590,000 and \$10,831,000 respectively, as security for all tax-exempt bonds.

The tax-exempt bonds are secured by land, buildings, and equipment with an aggregate net book value of \$20,606,000 and \$16,609,000, at June 30, 2008 and 2007, respectively. The Organization is in compliance with all restrictive covenants.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 8 - Continued

The Organization has two line-of-credit agreements with a bank expiring November 30, 2009 which provide for a total commitment of \$5,750,000. There was \$3,437,000 and \$0 outstanding on the lines of credit at June 30, 2008 and 2007, respectively. The Organization was in compliance with covenants on the line-of-credit agreements during fiscal year 2008. The lines-of-credit are secured by auction rate securities on deposit with the bank.

Interest expense, including letter of credit fees, was \$539,000 and \$603,000, for the years ended June 30, 2008 and 2007, respectively.

The Organization is responsible for certain obligations related to employees and others that extend more than one year into the future and are therefore classified as long term obligations.

Principal maturities on long-term obligations are as follows:

<i>Years Ending June 30,</i>	<i>(In Thousands)</i>
2009	\$ -
2010	4,905
2011	1,445
2012	1,400
2013	1,045
Thereafter	<u>3,976</u>
	<u>\$ 12,771</u>

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30 consisted of the following:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Restricted for program activities	\$ 13,335	\$ 14,298
Restricted for capital acquisitions	305	308
The Organization's portion of irrevocable trust agreements	<u>575</u>	<u>526</u>
	<u>\$ 14,215</u>	<u>\$ 15,132</u>

Note 10 - Permanently Restricted Net Assets

Permanently restricted net assets as of June 30 consisted of the following:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Endowment for student financial aid	\$ 1,239	\$ 1,239
Endowment for senior financial aid	1,103	1,103
Perpetual trust (Note 7)	<u>1,474</u>	<u>1,640</u>
	<u>\$ 3,816</u>	<u>\$ 3,982</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 11 - Gifts-In-Kind

CRISTA receives donations of medicine, clothing, agricultural supplies, medical 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 on the dates the goods are received and as a reduction of inventory and program services expense on the dates the goods are received by the beneficiaries. Fair market value is based on product like-kind analysis and current market prices when available.

Gifts of \$52,994,000 and \$42,639,000 for the years ended June 30, 2008 and 2007 respectively, relate to the gifts-in-kind received through private donations and \$1,198,000 and \$268,000 for the years ended June 30, 2008 and 2007 were received from other not-for-profit organizations. Of the total gifts for the years ended June 30, 2008 and 2007, 77% and 99%, respectively, came from a single source.

A summary of gift-in-kind revenue for the years ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>
	<i>(In Thousands)</i>	
Medicines and medical supplies	\$ 53,077	\$ 42,404
Clothing	349	61
Seeds, food, and agricultural supplies	701	403
Other supplies	<u>65</u>	<u>39</u>
	<u>\$ 54,192</u>	<u>\$ 42,907</u>

Note 12 - Commitments and Contingencies

Leases - The Organization is obligated under various operating leases for office equipment and radio towers. Lease expense for the years ended June 30, 2008 and 2007, was \$313,000 and \$307,000, respectively. Future minimum lease payments for operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2008, are as follows:

	<i>(In Thousands)</i>
2009	\$ 275
2010	222
2011	193
2012	<u>16</u>
	<u>\$ 706</u>

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 the employee's 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, 2008 and 2007 were \$1,310,000 and \$1,302,000, respectively.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 12 - Continued

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.

CRISTA Shores Renovation - During the year ended June 30, 2008, CRISTA began a renovation of the exterior of the CRISTA Shores Retirement Community facilities. Approximately \$4.5 million had been incurred at June 30, 2008. The contract is on a time and materials basis and management estimates that an additional \$2.2 million will be incurred to complete the project during the year ending June 30, 2009.

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.

SUPPLEMENTAL INFORMATION

CRISTA MINISTRIES

Combining Balance Sheet

June 30, 2008

(With Comparative Totals for 2007)

(In Thousands)

	<i>CRISTA Senior Living</i>	<i>World Concern</i>	<i>King's Schools</i>	<i>CRISTA Broadcasting</i>	<i>CRISTA Camps and Conferences</i>	<i>Christian Veterinary Mission</i>	<i>Seattle Urban Academy</i>	<i>CRISTA Canada</i>	<i>CRISTA Operations</i>	<i>Total 2008</i>	<i>Total 2007</i>
Assets											
Current Assets:											
Cash and cash equivalents	\$ 14,168	\$ 4,002	\$ 32	\$ 1	\$ 1	\$ 600	\$ -	\$ 56	\$ 10,408	\$ 29,268	\$ 34,867
Due from (to) CRISTA Ministries	12,438	(5,671)	1,251	2,667	(1,315)	285	(85)		(9,570)		
Receivables, net	2,014	1,443	107	2,106	107	4		42	251	6,074	4,993
Prepaid expenses and inventory	(1)		16		52				1,665	1,732	1,232
Total Current Assets	28,619	(226)	1,406	4,774	(1,155)	889	(85)	98	2,754	37,074	41,092
Investments	3,073	299	3,319		466	1,991	585		23,647	33,380	28,133
Land, buildings, and equipment, net	31,002	162	10,009	1,521	2,229		11	15	10,114	55,063	49,541
Assets held in trust									2,363	2,363	2,555
Other assets	401	3,403		187					1,473	5,464	5,048
Total Assets	\$ 63,095	\$ 3,638	\$ 14,734	\$ 6,482	\$ 1,540	\$ 2,880	\$ 511	\$ 113	\$ 40,351	\$ 133,344	\$ 126,369
Liabilities and Net Assets											
Current Liabilities:											
Accounts payable and accrued expenses	\$ 2,136	\$ 2,181	\$ 1,410	\$ 608	\$ 135	\$ 372	\$ 58	\$ 21	\$ 3,915	\$ 10,836	\$ 9,311
Deferred revenue	22		239		470	16				747	1,331
Total Current Liabilities	2,158	2,181	1,649	608	605	388	58	21	3,915	11,583	10,642
Long-term obligations, net of current portion	11,517								1,254	12,771	10,538
Refundable entry fees	8,251									8,251	8,858
Nonrefundable entry fees	10,201									10,201	10,376
Deposits	140									140	147
Trusts, annuities, and other agreements									2,997	2,997	3,276
Total Liabilities	32,267	2,181	1,649	608	605	388	58	21	8,166	45,943	43,837
Net Assets:											
Unrestricted	29,192	(4,948)	9,733	5,874	469	(81)	(132)	92	29,171	69,370	63,418
Temporarily restricted	533	6,405	2,113		466	2,573	585		1,540	14,215	15,132
Permanently restricted	1,103		1,239						1,474	3,816	3,982
Total Net Assets	30,828	1,457	13,085	5,874	935	2,492	453	92	32,185	87,401	82,532
Total Liabilities and Net Assets	\$ 63,095	\$ 3,638	\$ 14,734	\$ 6,482	\$ 1,540	\$ 2,880	\$ 511	\$ 113	\$ 40,351	\$ 133,344	\$ 126,369

See independent auditors' report.

CRISTA MINISTRIES

Combining Statement of Activities

Year Ended June 30, 2008

(With Comparative Totals for 2007)

(In Thousands)

	<u>CRISTA Senior Living</u>	<u>World Concern</u>	<u>King's Schools</u>	<u>CRISTA Broadcasting</u>	<u>CRISTA Camps and Conferences</u>	<u>Christian Veterinary Mission</u>	<u>Seattle Urban Academy</u>	<u>CRISTA Canada</u>	<u>CRISTA Operations</u>	<u>Total</u>	<u>Inter- departmental eliminations</u>	<u>Total 2008</u>	<u>Total 2007</u>
Change in Unrestricted Net Assets from Continuing Operations													
Revenues and Gains:													
Fees for services	\$ 29,863	\$ 23	\$ 15,485	\$ 12,182	\$ 2,517	\$ 33	\$ 19	\$ -	\$ 730	\$ 60,852	\$ -	\$ 60,852	\$ 56,899
Contributions	7	5,501	43	246	36	2,632	527	295	335	9,622	(230)	9,392	8,007
Contributions released from restrictions	980	8,762	1,387		127	1,250	5		33	12,544		12,544	10,307
Gifts-in-kind	1	54,013	4		4	170				54,192		54,192	42,907
Government grants		5,503								5,503		5,503	4,039
Other program revenue		687								687		687	575
Income on investments	616	29	25		2	75	26		1,516	2,289		2,289	2,422
Net realized and unrealized gains (losses) on investments	(131)	(26)	(13)		(5)	(104)	(10)		(1,164)	(1,453)		(1,453)	2,047
Miscellaneous income	247	186	310	224	26	6	3	7	1,250	2,259	(511)	1,748	435
Total Revenues and Gains	31,583	74,678	17,241	12,652	2,707	4,062	570	302	2,700	146,495	(741)	145,754	127,638
Expenses:													
Program -													
Long-term healthcare	19,692									19,692		19,692	18,853
Relief and development services		71,950				3,615				75,565	(45)	75,520	59,523
Mission and development education						65				65		65	74
Instruction and activities			12,374				443			12,817		12,817	11,608
Broadcast programming				3,231						3,231	(55)	3,176	3,206
Camping and conference program					1,909					1,909	(22)	1,887	1,827
Sales, marketing, and promotion	428		683	5,707	289					7,107		7,107	6,141
Maintenance and utilities	3,910		1,780	206	631	29			(203)	6,353		6,353	6,166
Depreciation and amortization	1,796	15	818	226	213		3	4	790	3,865		3,865	3,646
Interest	544	84	55	1	24		2		203	913	(374)	539	603
Other program								253	937	1,190	(245)	945	369
	26,370	72,049	15,710	9,371	3,066	3,709	448	257	1,727	132,707	(741)	131,966	112,016
Fundraising and promotion	115	2,391	257	128	122	515	140	21	(60)	3,629		3,629	3,314
Management and general	1,056	1,744	518	612	133	80	23	18	23	4,207		4,207	4,023
Total Expenses	27,541	76,184	16,485	10,111	3,321	4,304	611	296	1,690	140,543	(741)	139,802	119,353
Change in Unrestricted Net Assets	4,042	(1,506)	756	2,541	(614)	(242)	(41)	6	1,010	5,952		5,952	8,285
Change in Temporarily and Permanently Restricted Net Assets													
Contributions	176	8,942	1,097		148	1,276	277		3	11,919		11,919	13,208
Transfer between operating units	701			(5)					(696)				
Contributions released from restrictions	(980)	(8,762)	(1,387)		(127)	(1,250)	(5)		(33)	(12,544)		(12,544)	(10,307)
Income on investments	26	15	117		18	14			84	274		274	132
Net realized and unrealized gains (losses) on investments	(107)		(221)		(41)	(35)	(49)		(279)	(732)		(732)	830
Change in Temporarily and Permanently Restricted Net Assets	(184)	195	(394)	(5)	(2)	5	223	-	(921)	(1,083)	-	(1,083)	3,863
Change In Net Assets	\$ 3,858	\$ (1,311)	\$ 362	\$ 2,536	\$ (616)	\$ (237)	\$ 182	\$ 6	\$ 89	\$ 4,869	\$ -	\$ 4,869	\$ 12,148

See independent auditors' report.