



Combined Financial Statements and
Supplemental Information with
Independent Auditors' Report

June 30, 2009 and 2008

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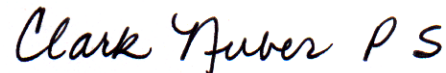
Independent Auditors' Report***Board of Trustees
CRISTA Ministries
Shoreline, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying combined balance sheets of CRISTA Ministries (“the Organization”) as of June 30, 2009 and 2008, 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, 2009 and 2008, 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 20 through 22 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
August 27, 2009

CRISTA MINISTRIES

Combined Balance Sheets

Assets

(In Thousands)

	<i>June 30,</i>	<u>2009</u>	<u>2008</u>
Current Assets:			
Cash and cash equivalents:			
Available for current ministries	\$	20,823	\$ 14,395
Held for donor restricted ministry purposes		8,296	9,575
Held by field operations		3,074	3,448
Total cash and cash equivalents		<u>32,193</u>	<u>27,418</u>
Receivables, net		4,941	6,062
Prepaid expenses and supplies		<u>342</u>	<u>1,732</u>
Total Current Assets		37,476	35,212
Investments:			
Available for current ministries		15,365	25,966
Endowment funds		5,905	7,881
Other investments		<u>882</u>	<u>879</u>
Total investments		<u>22,152</u>	<u>34,726</u>
Property and equipment used in ministries, net		56,713	55,063
Planned giving program		3,494	4,353
Assets held by field operations		3,330	3,402
Other assets		<u>527</u>	<u>588</u>
Total Assets		<u>\$ 123,692</u>	<u>\$ 133,344</u>

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>2009</u>	<u>2008</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 8,588	\$ 9,648
Accounts payable held in field offices	1,296	1,188
Deferred revenue	734	747
	<u>10,618</u>	<u>11,583</u>
Total Current Liabilities	10,618	11,583
Long-term obligations	10,790	12,771
Refundable entry fees	7,843	8,251
Nonrefundable entry fees	9,383	10,201
Deposits	148	140
Planned giving program obligations	2,257	2,997
	<u>41,039</u>	<u>45,943</u>
Total Liabilities	41,039	45,943
Commitments and contingencies (Note 9)		
Net Assets:		
Unrestricted:		
General	20,480	25,824
Represented by property and equipment owned by the organization	46,978	43,546
	<u>67,458</u>	<u>69,370</u>
Temporarily restricted:		
Restricted for program activities	8,086	9,270
Restricted for capital acquisitions	210	305
The organization's portion of irrevocable trust agreements	448	575
Restricted for endowment funds	2,968	4,065
	<u>11,712</u>	<u>14,215</u>
Permanently restricted:		
Endowment for student financial aid	1,239	1,239
Endowment for senior financial aid	1,103	1,103
Perpetual trust	1,141	1,474
	<u>3,483</u>	<u>3,816</u>
Total Net Assets	82,653	87,401
Total Liabilities and Net Assets	\$ 123,692	\$ 133,344

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>2009</u>	<u>2008</u>
Revenues, Gains and Losses:			
Fees for services		\$ 59,992	\$ 60,852
Contributions		9,079	9,392
Contributions released from restrictions		13,163	12,544
Gifts-in-kind		53,582	54,192
Government grants		7,467	5,503
Other program revenue		794	687
Income on investments		1,215	2,289
Net realized and unrealized losses on investments and planned giving program		(4,932)	(1,453)
Miscellaneous income		401	1,748
		<u>140,761</u>	<u>145,754</u>
Total Revenues, Gains and Losses			
Expenses:			
Program services		134,011	131,902
Fundraising		3,779	3,551
Management and general		4,883	4,349
		<u>142,673</u>	<u>139,802</u>
Total Expenses			
Change in Unrestricted Net Assets		<u><u>\$ (1,912)</u></u>	<u><u>\$ 5,952</u></u>

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>2009</u>	<u>2008</u>
Unrestricted Net Assets:			
Total unrestricted revenue and gains		\$ 127,598	\$ 133,210
Contributions released from restrictions		13,163	12,544
Total unrestricted expenses and losses		<u>(142,673)</u>	<u>(139,802)</u>
Change in Unrestricted Net Assets		(1,912)	5,952
Temporarily Restricted Net Assets:			
Contributions		11,931	11,919
Contributions released from restrictions		(13,163)	(12,544)
Income on investments		119	274
Net realized and unrealized losses on investments and planned giving program		<u>(1,390)</u>	<u>(566)</u>
Change in Temporarily Restricted Net Assets		(2,503)	(917)
Permanently Restricted Net Assets:			
Net realized and unrealized losses on investments		<u>(333)</u>	<u>(166)</u>
Change in Permanently Restricted Net Assets		(333)	(166)
Total Change in Net Assets		(4,748)	4,869
Beginning of year net assets		<u>87,401</u>	<u>82,532</u>
End of Year Net Assets		<u>\$ 82,653</u>	<u>\$ 87,401</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>	
	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (4,748)	\$ 4,869
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,236	3,865
Entry fees earned - noncash	(1,850)	(2,384)
Nonrefundable entry fees received	1,410	2,289
Loss (gain) on sale of property	10	(1,190)
Net realized and unrealized losses on long-term investments and planned giving program	6,655	2,185
Changes in assets and liabilities:		
Receivables	1,121	(1,081)
Prepaid expenses and supplies	1,390	(500)
Planned giving program	(578)	202
Assets held by field operations	72	(642)
Other assets	7	7
Accounts payable and accrued expenses	(952)	1,525
Deferred revenue and deposits	(5)	(591)
Planned giving program obligations	(740)	(279)
Long-term obligations	(152)	107
Net Cash Provided by Operating Activities	5,876	8,382
Cash Flows from Investing Activities:		
Acquisition of land, buildings, and equipment	(5,855)	(9,380)
Proceeds from disposal of land, buildings, and equipment	13	1,236
Purchases of investments	(15,786)	(24,945)
Proceeds from sale of investments	23,142	16,024
Net Cash Provided (Used) by Investing Activities	1,514	(17,065)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term obligations	490	3,437
Principal payments on long-term obligations	(2,319)	(1,311)
Refundable entry fees received	611	822
Entry fee refunds paid	(1,397)	(1,509)
Net Cash (Used) Provided by Financing Activities	(2,615)	1,439
Increase (Decrease) in Cash and Cash Equivalents	4,775	(7,244)
Cash and Cash Equivalents:		
Beginning of year	27,418	34,662
End of Year	\$ 32,193	\$ 27,418
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 562	\$ 517
Cash paid during the year for income taxes	\$ 492	\$ 819

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, 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 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.

Fair Value Measurements - In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement ("SFAS") No. 157, *Fair Value Measurements*. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. To increase consistency and comparability in fair value measurements, the SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

SFAS 157 uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Continued

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

Effective July 1, 2008, the Organization adopted SFAS 157 for all financial and non-financial assets and liabilities recorded at fair value on a recurring basis, primarily the securities held in the Organization's investment portfolio and planned giving program.

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 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 \$827,000 and \$606,000 at June 30, 2009 and 2008, respectively.

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 other 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, 2009 and 2008 is included in investments.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Continued

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 \$284 and \$234 at June 30, 2009 and 2008, 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, 2009 and 2008 totaled \$3,244,000 and \$3,218,000, respectively. Allowance for doubtful accounts at June 30, 2009 and 2008 totaled \$196,000 and \$248,000, 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.

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, 2009 and 2008, 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 equivalents, and investment balances may at times exceed FDIC and SIPC insurance limits.

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, 2009 and 2008 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, 2009. No unfunded liability exists for obligations to provide future services as of June 30, 2009.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Continued

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.

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 noncash gifts, which are valued at estimated fair market 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 market 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.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 1 - Continued

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 \$697,000 and \$909,000 was included in expenses for the years ended June 30, 2009 and 2008, respectively.

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, 2009 and 2008.

Reclassifications - Certain reclassifications were made to the June 30, 2008 financial statements to conform to the current year presentation. The reclassifications have no effect on change in net assets.

Subsequent Events - The Organization has evaluated subsequent events through August 27, 2009, the date on which the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

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

	<u>2009</u>	<u>2008</u>
	<i>(in Thousands)</i>	
Cash	\$ 3,979	\$ 3,398
CDs, Commercial paper and other	<u>28,214</u>	<u>24,020</u>
	<u>\$ 32,193</u>	<u>\$ 27,418</u>

Cash and cash equivalents include \$3,074,000 and \$3,448,000 at June 30, 2009 and 2008, respectively, of funds on deposit in banks in foreign countries.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 3 - Investments and Planned Giving Program Assets

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

	<u>2009</u>	<u>2008</u>
	<i>(in Thousands)</i>	
Investments:		
Cash and cash equivalents	\$ 1,267	\$ 668
Auction rate securities	735	7,515
Marketable equity securities	8,025	14,417
Marketable debt securities	5,185	5,466
Nonmarketable debt securities	4,917	4,307
Nonmarketable equity securities	366	366
Property held for sale	250	250
Beneficial interest in perpetual trust held by third party	1,141	1,474
Other	<u>266</u>	<u>263</u>
	22,152	34,726
Planned giving program assets:		
Cash and cash equivalents	245	57
Auction rate securities	115	335
Marketable equity securities	1,277	2,059
Marketable debt securities	1,232	1,277
Nonmarketable debt securities	<u>625</u>	<u>625</u>
	3,494	4,353
	<u>\$ 25,646</u>	<u>\$ 39,079</u>

Cash included above represents cash from sale of investments that is being reinvested.

Assets recorded at fair value on a recurring basis at June 30, 2009 were as follows:

	<u>Fair Value Measurements at June 30, 2009 (in Thousands)</u>			
	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>	
	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>	
	<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>	
	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ 10,739	\$ -	\$ -	\$ 10,739
Mortgage backed securities			817	817
Annuity contracts			4,163	4,163
Perpetual trust held by third party			<u>1,141</u>	<u>1,141</u>
	<u>\$ 10,739</u>	<u>\$ -</u>	<u>\$ 6,121</u>	<u>\$ 16,860</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 3 - 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:

	<u>Fair Value Measurements at June 30, 2009 (in Thousands)</u>			
	<u>Mortgage Backed Securities</u>	<u>Annuity Contracts</u>	<u>Perpetual Trust</u>	<u>Total Level 3</u>
Beginning balance	\$ 780	\$ 6,214	\$ 1,474	\$ 8,468
Total gains or losses (realized/unrealized)	49	(1,990)	(333)	(2,274)
Purchases, issuances, and settlements	(12)	(61)		(73)
Ending Balance	<u>\$ 817</u>	<u>\$ 4,163</u>	<u>\$ 1,141</u>	<u>\$ 6,121</u>

A reconciliation of the investments and planned giving program assets measured at fair value on a recurring basis to total investments and planned giving program assets follows as of June 30, 2009:

Assets recorded at fair value on a recurring basis	\$ 16,860
Assets recorded at cost	<u>8,786</u>
Total Investments and Planned Giving Program Assets	<u>\$ 25,646</u>

Note 4 - Property and Equipment Used in Ministries

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

	<u>2009</u>	<u>2008</u>
	<i>(in Thousands)</i>	
Land	\$ 8,732	\$ 8,732
Buildings and improvements	83,557	75,567
Furniture, equipment, and other	14,705	13,150
Construction in progress	<u>896</u>	<u>4,824</u>
	107,890	102,273
Less accumulated depreciation	<u>(51,177)</u>	<u>(47,210)</u>
	<u>\$ 56,713</u>	<u>\$ 55,063</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 5 - 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 market value and totaled \$1,629,000 and \$2,363,000 at June 30, 2009 and 2008, 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 \$1,180,000 and \$1,789,000 at June 30, 2009 and 2008, respectively. Gains or losses 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 loss of \$128,000 and a gain of \$49,000 during the years ended June 30, 2009 and 2008, respectively, related to the change in trust assets and liabilities. This gain or loss is included in the temporarily restricted net realized and unrealized gains (losses) on investments on the 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. There were no contributions to irrevocable trusts during the years ended June 30, 2009 and 2008.

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. The revocable trust assets at fair market value were \$0 and \$0 at June 30, 2009 and June 30, 2008, respectively.

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 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 \$962,000 and \$1,052,000 at June 30, 2009 and 2008, 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 \$115,000 and \$156,000 at June 30, 2009 and 2008, respectively.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 6 - Long-Term Obligations

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

	<u>2009</u>	<u>2008</u>
	<i>(in Thousands)</i>	
Tax exempt bonds - interest at weekly variable and fixed rates (effective rate of 5.4% and 5.5%, respectively for 2009 and 2008), due in various installments through July 1, 2014	\$ 6,685	\$ 8,080
Line-of-credit (effective interest rate of 3.6% and 3.8%, respectively for 2009 and 2008), due November 30, 2010	3,050	3,437
Deferred employee benefits	410	562
Obligations for future services	<u>645</u>	<u>692</u>
	<u>\$ 10,790</u>	<u>\$ 12,771</u>

Letters of credit are required with a financial institution to guarantee payment on the tax-exempt bonds. At June 30, 2009 and 2008, the letters of credit balance was \$8,313,000 and \$9,590,000, respectively, as security for all tax-exempt bonds. The letters of credit expire on July 15, 2012.

The tax-exempt bonds are secured by land, buildings, and equipment with an aggregate net book value of \$21,860,000 and \$20,606,000, at June 30, 2009 and 2008, 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 \$578,000 and \$539,000, for the years ended June 30, 2009 and 2008, respectively.

The Organization has two line-of-credit agreements expiring November 30, 2010, which provide for a total commitment of \$5,000,000. There was \$3,050,000 and \$3,437,000 outstanding on the lines of credit at June 30, 2009 and 2008, respectively. The line of credit outstanding of \$3,050,000 is included in the long term obligations at June 30, 2009. The Organization was in compliance with covenants on the line-of-credit agreements during fiscal year 2009.

Principal maturities on long-term obligations are as follows:

<i>Years Ending June 30,</i>	<i>(in Thousands)</i>
2010	\$ -
2011	4,495
2012	1,400
2013	1,045
2014	1,100
Thereafter	<u>2,750</u>
	<u>\$ 10,790</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 7 - Endowment

The Organization's endowment consists of approximately 12 individual donor-restricted funds established for a variety of purposes. As required by GAAP, 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.

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	\$ 3,816	\$ 7,881
Endowment investment return				
Interest and dividends		110		110
Realized and unrealized gains and losses	(546)	(1,162)	(333)	(2,041)
Total endowment investment return	(546)	(1,052)	(333)	(1,931)
Contributions		142		142
Appropriation of endowment for expenditure		(187)		(187)
Endowment Net Assets, June 30, 2009	<u>\$ (546)</u>	<u>\$ 2,968</u>	<u>\$ 3,483</u>	<u>\$ 5,905</u>

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 7 - Continued

Included in endowment net assets at June 30, 2009 and 2008 is an interest in a perpetual trust of \$1,141,000 and \$1,474,000, respectively. This trust is managed by a third-party trustee who is responsible for investing, managing, and distributing the trust assets. Therefore, the perpetual trust is not subject to the Organization's endowment investment or spending policies.

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 \$546,000 as of June 30, 2009, and \$0 as of June 30, 2008. These deficiencies resulted from unfavorable market fluctuations 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.

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 give 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 8 - 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 market value is based on product like-kind analysis and current market prices when available.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 8 - Continued

Gifts of \$45,101,000 and \$52,994,000 for the years ended June 30, 2009 and 2008 respectively, relate to gifts-in-kind received through private donations and \$8,481,000 and \$1,198,000 for the years ended June 30, 2009 and 2008 were received from other not-for-profit organizations. Of the total gifts for the years ended June 30, 2009 and 2008, 83% and 77%, 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:

	<u>2009</u>	<u>2008</u>
	<i>(in Thousands)</i>	
Medicines and medical supplies	\$ 52,254	\$ 53,077
Clothing	261	349
Seeds, food, and agricultural supplies	142	701
Other supplies	<u>925</u>	<u>65</u>
	<u>\$ 53,582</u>	<u>\$ 54,192</u>

Effective July 1, 2008, CRISTA changed its methodology for valuing certain medicines. The methodology was changed to more accurately capture the fair value of the medications based on current information. There is no net effect on the change in unrestricted net assets; however, gifts-in-kind revenue and expense were \$24,347,000 higher than they would have been under the old methodology for the year ended June 30, 2009 due to the change in valuation methodology.

Note 9 - 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, 2009 and 2008, was \$332,000 and \$313,000, 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, 2009, are as follows:

	<i>(in Thousands)</i>
2010	\$ 234
2011	205
2012	<u>17</u>
	<u>\$ 456</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 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, 2009, and June 30, 2008, were \$1,389,000 and \$1,310,000, respectively.

CRISTA MINISTRIES

Notes to Combined Financial Statements

Note 9 - 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.

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, 2009

(With Comparative Totals for 2008)

(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 2009</u>	<u>Total 2008</u>
Assets											
Current Assets:											
Cash and cash equivalents											
Available for current ministries	\$ 14,282	\$ (5,054)	\$ -	\$ 1	\$ 5	\$ -	\$ -	\$ 39	\$ 11,550	\$ 20,823	\$ 14,395
Held for donor restricted ministry purposes	257	5,627	715		56	1,542	99			8,296	9,575
Held by field operations		3,074								3,074	3,448
Due from (to) other ministries	11,779	(7,630)	663	2,779	(2,141)	(61)	(140)		(5,249)		
Receivables, net	1,252	1,550	149	1,740	148			46	56	4,941	6,062
Prepaid expenses and supplies		1	16		33				292	342	1,732
Total Current Assets	27,570	(2,432)	1,543	4,520	(1,899)	1,481	(41)	85	6,649	37,476	35,212
Investments											
Available for current ministries	46					1			15,318	15,365	25,966
Endowment funds	875		1,750		282	742	364		1,892	5,905	7,881
Other investments									882	882	879
Property and equipment used in current ministries, net	32,225	152	9,945	1,304	2,059		44	9	10,975	56,713	55,063
Planned giving program									3,494	3,494	4,353
Assets held by field operations		3,330								3,330	3,402
Other assets	355			172						527	588
Total Assets	\$ 61,071	\$ 1,050	\$ 13,238	\$ 5,996	\$ 442	\$ 2,224	\$ 367	\$ 94	\$ 39,210	\$ 123,692	\$ 133,344
Liabilities and Net Assets											
Current Liabilities:											
Accounts payable and accrued expenses	\$ 1,498	\$ 934	\$ 1,335	\$ 549	\$ 96	\$ 394	\$ 61	\$ 9	\$ 3,712	\$ 8,588	\$ 9,648
Accounts payable held in field offices		1,296								1,296	1,188
Deferred revenue	17		370		335	12				734	747
Total Current Liabilities	1,515	2,230	1,705	549	431	406	61	9	3,712	10,618	11,583
Long-term obligations	9,735								1,055	10,790	12,771
Refundable entry fees	7,843									7,843	8,251
Nonrefundable entry fees	9,383									9,383	10,201
Deposits	148									148	140
Planned giving program obligations									2,257	2,257	2,997
Total Liabilities	28,624	2,230	1,705	549	431	406	61	9	7,024	41,039	45,943
Net Assets:											
Unrestricted											
General	8,596	(6,959)	(1,195)	4,143	(2,387)	(466)	(201)	76	18,873	20,480	25,824
Represented by property and equipment owned by the organization	22,491	152	9,945	1,304	2,059		44	9	10,974	46,978	43,546
Temporarily restricted											
Restricted for program activities	220	5,627	590		56	1,542	51			8,086	9,270
Restricted for capital acquisitions	37		125				48			210	305
The organization's portion of irrevocable trust agreements									448	448	575
Restricted for endowment funds			829		283	742	364		750	2,968	4,065
Permanently restricted											
Endowment for student financial aid			1,239							1,239	1,239
Endowment for senior financial aid	1,103									1,103	1,103
Perpetual trust									1,141	1,141	1,474
Total Net Assets	32,447	(1,180)	11,533	5,447	11	1,818	306	85	32,186	82,653	87,401
Total Liabilities and Net Assets	\$ 61,071	\$ 1,050	\$ 13,238	\$ 5,996	\$ 442	\$ 2,224	\$ 367	\$ 94	\$ 39,210	\$ 123,692	\$ 133,344

See independent auditors' report.

CRISTA MINISTRIES

Combining Statement of Activities

Year Ended June 30, 2009

(With Comparative Totals for 2008)

(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</i>	<i>Inter- departmental Eliminations</i>	<i>Total 2009</i>	<i>Total 2008</i>
Change in Unrestricted Net Assets													
Revenues and Gains:													
Fees for services	\$ 30,834	\$ 12	\$ 15,504	\$ 11,241	\$ 1,830	\$ 48	\$ 21	\$ -	\$ 502	\$ 59,992	\$ -	\$ 59,992	\$ 60,852
Contributions	68	4,986	85	437	26	2,549	610	404	255	9,420	(341)	9,079	9,392
Contributions released from restrictions	284	10,468	1,164		75	1,088	46		38	13,163		13,163	12,544
Gifts-in-kind		53,224	253			105				53,582		53,582	54,192
Government grants		7,467								7,467		7,467	5,503
Other program revenue		794								794		794	687
Income on investments	244	11	9			18	11		922	1,215		1,215	2,289
Net realized and unrealized losses on investments	(725)	(281)	(529)		(11)	(343)	(36)		(3,007)	(4,932)		(4,932)	(1,453)
Miscellaneous income	257	73	256	250	16		11	(8)	40	895	(494)	401	1,748
Total Revenues and Gains	30,962	76,754	16,742	11,928	1,936	3,465	663	396	(1,250)	141,596	(835)	140,761	145,754
Expenses:													
Program -													
Long-term healthcare	20,476									20,476		20,476	19,692
Relief and development services		74,197				3,119				77,316	(19)	77,297	75,526
Mission and development education						65				65		65	65
Instruction and activities			13,200				516			13,716		13,716	12,817
Broadcast programming				2,828						2,828	(75)	2,753	3,176
Camping and conference program					1,595					1,595	(16)	1,579	1,887
Sales, marketing, and promotion	661		616	5,564	188					7,029		7,029	7,107
Maintenance and utilities	4,044		1,824	216	498	31			(103)	6,510		6,510	6,353
Depreciation and amortization	1,997	9	908	232	202		11	3	874	4,236		4,236	3,865
Interest	608	147	63		36		4		102	960	(382)	578	539
Other program								358	(243)	115	(343)	(228)	875
	27,786	74,353	16,611	8,840	2,519	3,215	531	361	630	134,846	(835)	134,011	131,902
Fundraising	137	2,372	356	139	64	544	131	26	10	3,779		3,779	3,551
Management and general	1,144	1,888	758	709	150	91	26	16	101	4,883		4,883	4,349
Total Expenses	29,067	78,613	17,725	9,688	2,733	3,850	688	403	741	143,508	(835)	142,673	139,802
Change in Unrestricted Net Assets	1,895	(1,859)	(983)	2,240	(797)	(385)	(25)	(7)	(1,991)	(1,912)		(1,912)	5,952
Change in Temporarily and Permanently Restricted Net Assets													
Contributions	169	9,672	869		48	1,046	58		69	11,931		11,931	11,919
Transfer between operating units		15				(15)							
Contributions released from restrictions	(284)	(10,468)	(1,164)		(75)	(1,088)	(46)		(38)	(13,163)		(13,163)	(12,544)
Income on investments	16	3	60		9	20			11	119		119	274
Net realized and unrealized losses on investments	(177)		(334)		(109)	(252)	(134)		(717)	(1,723)		(1,723)	(732)
Change in Temporarily and Permanently Restricted Net Assets	(276)	(778)	(569)		(127)	(289)	(122)	-	(675)	(2,836)	-	(2,836)	(1,083)
Change In Net Assets	\$ 1,619	\$ (2,637)	\$ (1,552)	\$ 2,240	\$ (924)	\$ (674)	\$ (147)	\$ (7)	\$ (2,666)	\$ (4,748)	\$ -	\$ (4,748)	\$ 4,869

See independent auditors' report.

CRISTA MINISTRIES**Combined Statement of Functional Expenses****Years Ending June 30, 2009 and 2008****(In Thousands)**

	2009				2008			
	<i>Program Services</i>	<i>Fundraising</i>	<i>Management and General</i>	<i>Total 2009</i>	<i>Program Services</i>	<i>Fundraising</i>	<i>Management and General</i>	<i>Total 2008</i>
Salaries	\$ 33,461	\$ 1,337	\$ 2,009	\$ 36,807	\$ 32,534	\$ 1,187	\$ 1,773	\$ 35,494
Payroll taxes	2,940	178	189	3,307	2,886	100	143	3,129
Employee benefits	5,864	181	271	6,316	5,396	179	240	5,815
Professional services	1,385	191	174	1,750	1,501	627	189	2,317
Advertising & promotion	868	8	11	887	1,015	26	36	1,077
Office expenses	1,883	211	150	2,244	2,040	208	162	2,410
Information technology	647	2	64	713	491	107	39	637
Occupancy	4,260	37	213	4,510	4,213	75	171	4,459
Travel	2,033	52	78	2,163	1,955	46	101	2,102
Conferences & training	1,774	54	64	1,892	2,222	191	104	2,517
Interest	578			578	539			539
Depreciation and amortization	4,236			4,236	3,865			3,865
Insurance	1,369		211	1,580	1,302		133	1,435
Dues & fees	532	2	61	595	509	9	60	578
Purchased services	1,346	1,077	1,114	3,537	1,772	725	1,015	3,512
Taxes	827	12		839	1,115	13		1,128
Grants	32			32	26			26
Program supplies	69,869	437	8	70,314	68,353	57	23	68,433
Other	107		266	373	168	1	160	329
	\$ 134,011	\$ 3,779	\$ 4,883	\$ 142,673	\$ 131,902	\$ 3,551	\$ 4,349	\$ 139,802

See independent auditors' report.