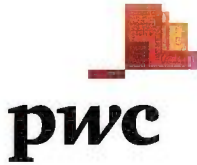


# **ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**

Report of Independent Auditors on  
Financial Statements  
For the Years Ended December 31, 2012 and 2011



## Independent Auditor's Report

To the Board of Directors  
Adventist Development and Relief Agency International

We have audited the accompanying financial statements of the Adventist Development and Relief Agency International (ADRA) which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, cash flows, and functional expenses for the year then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to ADRA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ADRA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ADRA at December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

We have previously audited ADRA's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 3, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PricewaterhouseCoopers LLP*

August 1, 2013

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
as of December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 17,485,566	\$14,689,990
Investments	23,967,702	21,127,940
Amount due from affiliates	1,458,839	1,080,927
Amount due from government grants	3,092,393	1,976,025
Other receivables	485,712	1,029,435
Loans to other	14,246	18,369
Contributions receivable	199,663	950,342
Inventories	520,443	187,191
Prepaid expenses	96,565	94,686
Furniture and equipment, net of accumulated depreciation	203,158	192,914
Contributions receivable - long-term	1,296,686	1,249,245
Loans to other - long-term	<u>4,615</u>	<u>17,016</u>
 Total assets	 <u>\$ 48,825,588</u>	 <u>\$42,614,080</u>

LIABILITIES

Accounts payable	\$ 316,234	\$ 356,909
Accrued expenses	833,845	2,566,183
Amount due to affiliates	868,675	408,626
Amount due to government agency	6,269,089	5,505,102
Amount due to other	<u>10,987</u>	<u>10,987</u>
 Total liabilities	 <u>8,298,830</u>	 <u>8,847,807</u>

NET ASSETS

Unrestricted	28,334,713	20,589,290
Temporarily restricted	<u>12,192,045</u>	<u>13,176,983</u>
 Total net assets	 <u>40,526,758</u>	 <u>33,766,273</u>
 Total liabilities and net assets	 <u>\$ 48,825,588</u>	 <u>\$42,614,080</u>

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

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES**  
**for the year ended December 31, 2012**  
**(with summarized financial information as of December 31, 2011)**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 2,282,418	\$ -	\$ 2,282,418	\$ 2,058,293
Ocean and inland freight	7,045,057	-	7,045,057	2,352,208
Grants - direct	29,218,205	-	29,218,205	20,204,737
Grants - subrecipient	10,628,206	-	10,628,206	8,008,576
Contracts	1,069,120	-	1,069,120	2,160,350
Public support:				
Seventh-day Adventist Church	6,271,265	-	6,271,265	6,570,312
Contributions	8,270,486	5,779,268	14,049,754	16,551,017
Donated materials	1,542,423	9,246,358	10,788,781	9,145,807
Grants - other	15,622	-	15,622	-
Fee for service contracts	-	-	-	39,880
Freight and handling fees reimbursement	9,294	-	9,294	6,453
Investment and other revenue	(676,552)	61,196	(615,356)	712,588
Net assets released from restrictions:				
Satisfaction of program restrictions	16,071,760	(16,071,760)	-	-
<b>Total support and revenue</b>	<b><u>\$ 81,747,304</u></b>	<b><u>\$ (984,938)</u></b>	<b><u>\$ 80,762,366</u></b>	<b><u>\$ 67,810,221</u></b>

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

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES**  
**for the year ended December 31, 2012**  
**(with summarized financial information as of December 31, 2011)**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Expenses:				
Programs	\$ 72,274,368	\$ -	\$ 72,274,368	\$ 59,800,647
Fundraising	1,966,513	-	1,966,513	1,815,907
Public relations	650,982	-	650,982	462,882
Management and general	<u>2,676,374</u>	<u>-</u>	<u>2,676,374</u>	<u>4,663,747</u>
Total expenses	<u>77,568,237</u>	<u>-</u>	<u>77,568,237</u>	<u>66,743,183</u>
Net Increase (decrease) from operations	4,179,067	(984,938)	3,194,129	1,067,038
Nonoperating activity:				
Unrealized gain/(loss) on investment and other	3,566,356	-	3,566,356	(1,304,861)
Change in net assets	7,745,423	(984,938)	6,760,485	(237,823)
Net assets, at beginning of year	<u>20,589,290</u>	<u>13,176,983</u>	<u>33,766,273</u>	<u>34,004,096</u>
Net assets, at end of year	<u>\$ 28,334,713</u>	<u>\$ 12,192,045</u>	<u>\$ 40,526,758</u>	<u>\$ 33,766,273</u>

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

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**for the year ended December 31, 2012**  
**(with summarized financial information as of December 31, 2011)**

	2012					2011
	Programs	Fundraising	Public Relations	Management and General	Total	Total
Overseas program costs:						
U.S. Government grants:						
Federal assistance:						
Commodities - distributed	\$ 2,365,163	\$ -	\$ -	\$ -	\$ 2,365,163	\$ 2,132,189
Ocean and inland freight	7,045,057	-	-	-	7,045,057	2,352,208
Grants - direct	29,218,205	-	-	-	29,218,205	20,204,737
Grants - subrecipient	10,628,206	-	-	-	10,628,206	8,008,576
Contracts	1,069,120	-	-	-	1,069,120	1,838,994
ADRA funding	1,836,580	-	-	-	1,836,580	1,836,653
ADRA funding - in kind	473,382	-	-	-	473,382	262,078
Donated materials	9,883,903	-	-	-	9,883,903	8,883,729
Development and relief projects and disaster assistance	9,644,306	-	-	-	9,644,306	14,146,810
Grants - other	8,834	-	-	-	8,834	-
Freight and handling fees	8,294	-	-	-	8,294	5,853
General and administrative costs:						
Personnel and related costs	985,217	284,478	218,447	5,911,932	7,400,074	8,238,315
Travel	224,404	32,167	57,674	519,051	833,296	816,122
Rent	93,204	49,399	33,624	879,387	1,055,614	1,057,729
Depreciation	114	2,019	1,388	62,593	66,114	56,221
Other (see note 16)	-	1,598,450	339,849	2,372,522	4,310,821	3,459,531
Salary and travel allocation	(1,209,621)	-	-	-	(1,209,621)	(1,520,148)
Overhead allocated to grants	-	-	-	(7,069,111)	(7,069,111)	(5,036,414)
Total expenses	<u>\$ 72,274,368</u>	<u>\$ 1,966,513</u>	<u>\$ 650,982</u>	<u>\$ 2,676,374</u>	<u>\$ 77,568,237</u>	<u>\$ 66,743,183</u>

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

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
**as of December 31, 2012 and December 31, 2011**

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 6,760,485	\$ (237,823)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 66,114	\$ 56,221
(Gain) loss on sale of fixed assets	(1,006)	(2,109)
Realized/Unrealized (gain) loss on securities	(2,836,517)	812,240
Donated securities	(194,877)	(32,942)
(Increase) decrease in net amounts due from affiliates	(377,912)	(11,042)
(Increase) decrease in amounts due from government grants	(1,116,368)	457,812
(Increase) decrease in other receivables	543,723	(725,442)
(Increase) decrease in contributions receivable	750,679	(527,899)
(Increase) decrease in inventories	(333,252)	78,520
(Increase) decrease in prepaid expenses	(1,879)	25,232
(Increase) decrease in agency funds - asset	-	3,194
(Increase) decrease in contributions receivable - long term	(47,441)	462,917
Increase (decrease) in accounts payable	(40,675)	(150,413)
Increase (decrease) in accrued expenses	(1,732,338)	296,958
Increase (decrease) in amounts due to affiliates	460,049	213,796
Increase (decrease) in amounts due to government agency	763,987	1,344,442
Increase (decrease) in agency funds - liability	-	(3,194)
Total adjustments	(4,097,713)	2,298,291
Net cash flow provided by operating activities:	\$ 2,662,772	\$ 2,060,468
Cash flows from investing activities:		
Purchase of securities	\$ (2,000,000)	\$ -
Sales of securities	2,191,633	32,942
New loans to other	(4,000)	(47,000)
Payments from other	20,523	16,614
Purchases of furniture and equipment	(77,267)	(146,995)
Proceeds from sale of fixed assets	1,915	3,751
Net cash flows provided (used in) by investing activities:	\$ 132,804	\$ (140,688)
Net decrease in cash and cash equivalents	2,795,576	1,919,780
Cash and cash equivalents, at beginning of year	14,689,990	12,770,210
Cash and cash equivalents, at end of year	\$ 17,485,566	\$ 14,689,990
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ 194,877	\$ 32,942
Reinvested dividends and interest	\$ 523,410	\$ 492,621

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

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Purpose

The Adventist Development and Relief Agency International (ADRA) is a not-for-profit corporation organized under the District of Columbia law. ADRA was established by the Seventh-day Adventist Church for the purpose of providing aid to charitable, educational and developmental endeavors throughout the world, without regard to race, gender, political or religious affiliation. ADRA maintains an active relationship with the General Conference of Seventh-day Adventist, which is the headquarters for the Seventh-day Adventist Church. Activity with the General Conference and its other church related entities are classified as affiliates and disclosed in note 7.

### 2. Summary of Significant Accounting Policies

#### **Basis of Accounting**

ADRA's accounting system is maintained in accordance with the generally accepted accounting principles (GAAP) in the United States of America.

The accompanying financial statements do not include the revenue, expenses, assets, liabilities, and net assets of ADRA's affiliate implementing partners. ADRA's implementing partners include some subrecipient non-government organizations and ADRA affiliate implementing partners operating outside of the United States. This subset of ADRA's implementing partners, referred to herein as affiliate implementing partners although related to the Seventh-day Adventist Church, are not under the control of ADRA and therefore are not consolidated.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ADRA's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

#### **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 certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The amounts ADRA will ultimately realize could differ from the estimates in the near term. Significant estimates include assessing the fair value of investments, contributions receivables, gifts-in-kind, inventory related to commodities, liability accrual for questioned cost, and functional allocation of benefits, rent and depreciation.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include checking account balances in various banks and money market funds invested in the General Conference (GC) Money Fund. Investment in the GC Money Fund can be readily converted to cash within thirty days. Cash equivalents held in the GC Money fund



# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

are classified as level 1 under the Financial Accounting Standards Board Financial Accounting Standards Codification Topic 820 Fair Value Measurement (ASC 820) fair value hierarchy.

### **Fair Value of Financial Instruments**

The value of all financial instruments on the Statement of Financial Position is approximated at fair value, including in-kind donations of stock.

ASC 820 requires additional disclosure about the sources of information used to determine the fair values of assets and liabilities, and expands disclosure about fair value measurements. ASC 820 also establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace. The following describes the hierarchy of methodologies used to measure fair value:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active;
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

### **Investments**

The fair values of the investments in the General Conference Corporation of the Seventh-day Adventist Church (General Conference) unitized funds are based on the unit value of each fund and the number of units owned. Unit values are calculated each month by the Investment Office of the General Conference, based on portfolio values provided by the funds' custodian, the net asset value of other assets and the total number of units held by the participants. The General Conference is the trustee of the unitized funds. The fair value of investment in the GC Unitized funds is assessed on a recurring basis and the inputs utilized in determining fair value are summarized in the additional disclosure presented in Note 6.

### **Split-interest Agreements**

Contributions receivable representing split-interest agreements where ADRA is a beneficiary of a charitable gift annuity or trust held by a third party are initially recorded at fair value and re-measured annually based on valuations provided by the third party administrator which factor in net present value of future cash flows. Split interest agreements are classified as level 3, as presented in Note 5.

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

### **Inventories**

Purchased inventory is carried at original cost by applying the specific identification method except for premiums inventory which is valued using the weighted average cost method. Other donated materials are valued at estimated fair value at the date of receipt through reference to available fair values for similar items. Donation of food commodities received for monetization programs is reported at fair value. Valuation of donated food commodities from the U.S. Government for distribution is provided by the Commodity Credit Corporation (CCC).

### **Furniture and Equipment**

Furniture and equipment are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years. Grant related fixed asset procurements are expensed in the year of acquisition. The donor, at its discretion, determines whether furniture and equipment procured using grant funds are to be returned or retained by ADRA for use in similar programs upon grant conclusion.

### **Public Support**

Unrestricted and temporarily restricted donations are recognized as support when received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor for either purpose or time. The unrestricted net assets are used to account for resources over which ADRA's Board of Directors has discretionary control for use within the limitations imposed by its charter and bylaws.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

ADRA reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, ADRA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### **Government Support and Related Project Costs**

Government grants are recognized as unrestricted support when received, and the related project costs are recorded as expenses when incurred. Grant expenses are incurred when grant funds are disbursed to implementing partners. Freight for monetized and distributed commodities are deemed expended when the commodities are on board.

Commodities to be distributed that were donated by the U.S. Government are recorded as U.S. Government support and expensed at amounts representing the fair value of commodities as determined by CCC. For distributed commodities at sea on December 31, revenue is recognized

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

and the commodities are recorded as inventory over year end. Expense is recorded when the commodities arrive at the destination port.

Commodities received for monetization programs are recorded as assets and liabilities at their fair value at the time of transfer of title, and the valuation is adjusted as necessary subsequent to the sale of such commodities (monetization). Assets are first recognized as inventory at the time of transfer of ownership from the U.S. Government until title is transferred to the buyer. At this point the inventory is converted to other receivables, and is held as such until actual cash collection. When another organization controls the commodities, as in consortium arrangements, assets and liabilities are recorded when proceeds are received from the sale of such commodities. The proceeds from the sale are controlled by ADRA for disbursement to the implementing partners as needed. Expenses are recorded consistent with the recognition of all other cash grants, as the proceeds from sale are disbursed for program expenditures.

Indirect cost recovery from such grants and agreements is recorded as support when the related direct costs are incurred.

### **Donated Materials**

ADRA receives donations of food commodities, educational material, medical equipment and supplies, clothing, and other commodities for use in relief and development programs.

ADRA accounts for donated materials in accordance with generally accepted accounting principles and also applies the industry standards developed by an interagency taskforce appointed by the Association of Evangelical Relief and Development Organization (AERDO), the Interagency Gifts In Kind Standards. ADRA only records the value of gifts-in-kind for which ADRA was either the original recipient of the gift, was involved in partnership with another end-user agency organization for distribution internationally, or if gifts-in-kind are used in ADRA programs.

ADRA retains final discretion over their ultimate disposition. Contributions of donated materials are recognized as support when received, expensed when disbursed to programs, and are recorded at their estimated fair value.

### **Functional Expenses**

ADRA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are charged directly according to their natural expenditure classification.

### **Income Taxes**

ADRA is a not-for-profit corporation whose revenue is derived from contributions and other fundraising activities, and is exempt from federal and state income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code.

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

### Advertising

Expenses for advertising to promote ADRA's image is recognized in the period incurred and recorded in the Statement of Functional Expense under Public Relations. Further details of such activity are provided in Note 17.

### Subsequent Events

Subsequent events have been evaluated through August 1, 2013, which is the date the financial statements were issued.

### **3. U.S. Government Grants**

ADRA receives various grants from agencies of the U.S. Government for the purpose of furthering its development and relief efforts in various countries throughout the world. These grants are principally received from the U.S. Agency for International Development (USAID) and typically have performance periods of multiple years. As a significant portion of the revenue for ADRA is derived from one source, USAID, there exists concentration risk for ADRA. During 2012 and 2011 respectively, ADRA received 47% and 36% of its total revenue from USAID directly, and 14% and 12% from sub-awards revenue whose source of funding is USAID. The grants are administered by ADRA, which generally disburses funds or renders commodities received to affiliate implementing partners, which are under the direction of the local division of the Seventh-day Adventist Church. The implementing partners are responsible to ADRA for fulfillment of the grant requirements and for reporting and control of related expenditures.

### **4. Concentration of Credit Risk**

Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States (domestic) and foreign countries. Significant portions of the domestic cash are held with the General Conference unitized investment funds and with the General Conference money market fund as detailed in Notes 6 and 7, respectively. The total deposits at institutions in the United States at times exceed FDIC insurance limits, while those accounts held at institutions outside the United States are not covered by insurance. As of December 31, 2012 and 2011, domestic deposits of \$13,212,909 and \$9,149,668, respectively, were in excess of FDIC insurance. In addition, as of December 31, 2012 and 2011, deposits of \$1,992,817 and \$3,443,515, respectively were held in foreign accounts as referenced above. ADRA has not experienced a loss due to concentration of credit risk, and does not expect such a loss to occur.

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**5. Fair Value**

ADRA has adopted FASB guidance on fair value measurements and disclosures. This standard establishes a framework for measuring fair value, establishes a fair value hierarchy described in Note 2, and expands disclosure requirements for fair value measurements. As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Items subject to fair value measurements include the General Conference Money Fund - a cash equivalent, Investments - includes various unitized funds for which the General Conference is trustee and donated stock, and split-interest agreements held by a third party.

For the General Conference Money Fund and investments the valuations are calculated by the investment manager based on the number of units owned in each fund. Valuation techniques take into account each fund's underlying assets and include traditional valuation methods such as cost and market approaches. Investment funds that are valued and redeemable at Net Asset Value, require no adjustments to the valuation provided by the General Conference and have no redemption restrictions, are classified as level 2. Donated stock are publicly traded and are classified as level 1.

Split-interest agreements held by a third party are valued at the present value of future cash flows. Charitable gift annuities valuations are performed by the third party administrator who factors in net present value of future cash flows expected to be received over the term of the agreement. ADRA relies on the valuations presented by the third party that are independently audited. Change in value of split-interest are recorded annually, with the exception of maturities that are recorded when they occur. ADRA monitors that new gifts reflect its percentage of the remainder, and distributions occur in accordance with the activity voted by the Trust Service Committee of the General Conference, of which ADRA has representation. Since the valuation requires judgment and estimates, ADRA's interest in these agreements are included in level 3.

The methods described above may produce fair value calculations that may not be indicative of net realizable or reflective of future fair values. Furthermore, while ADRA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

The following table presents the financial instruments carried at fair value as of December 31, 2012, by level within the fair value hierarchy, as defined in Note 2.

	2012			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund <sup>1</sup>	\$ 6,204,684	\$ -	\$ -	\$ 6,204,684
Investments ( <i>see note 6</i> )	3,245	23,964,457	-	23,967,702
Split-interest <sup>2</sup>	-	-	1,139,448	1,139,448
Total assets measured at fair value	<u>\$ 6,207,929</u>	<u>\$ 23,964,457</u>	<u>\$ 1,139,448</u>	<u>\$ 31,311,834</u>

	2011			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund <sup>1</sup>	\$ 5,982,817	\$ -	\$ -	\$ 5,982,817
Investments ( <i>see note 6</i> )	-	21,127,940	-	21,127,940
Split-interest <sup>2</sup>	-	-	1,464,686	1,464,686
Total assets measured at fair value	<u>\$ 5,982,817</u>	<u>\$ 21,127,940</u>	<u>\$ 1,464,686</u>	<u>\$ 28,575,443</u>

<sup>1</sup> General Conference Money Fund is included in cash and cash equivalents in the Statement of Financial Position, and further described in Note 7.

<sup>2</sup> Split-interest are a part of contributions receivable, and contributions receivable-long term in the Statement of Financial Position.

**Changes in Level 3 Assets**

The following table is a roll forward of the statement of financial position amounts for financial instruments classified by ADRA within Level 3 of the fair value hierarchy as defined in Note 2.

	Split-interest
Balance at January 1, 2011	\$ 1,492,981
Net realized/unrealized gains (losses)	171,039
Maturities	(276,013)
New Gifts	76,679
Balance at December 31, 2011	<u>\$ 1,464,686</u>
Net realized/unrealized gains (losses)	132,036
Maturities	(490,603)
New Gifts	33,329
Balance at December 31, 2012	<u>\$ 1,139,448</u>

Realized/unrealized gains(losses) included in changes in net assets for the years ended December 31, 2012 and 2011 respectively are reported in support and revenue as follows:

	Investment and other	
	2012	2011
Total gains (losses) included in changes in net assets	\$ 132,036	\$ 171,039
Change in unrealized gains (losses) relating to assets still held at year end	\$ 43,610	\$ 25,642

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**6. Investments**

Investments as of December 31, 2012 and 2011, which consist of units held in various unitized funds for which the General Conference is the trustee and donated stock, are summarized below. As per Note 2, the fair value measurement of 2012 unitized funds is based on the net asset values of the unitized funds, which is a level 2 input, and the donated stock, which is publically traded is a level 1 input.

	2012			2011		
	Cost	Fair Value	Unrealized Appreciation (Decline)	Cost	Fair Value	Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 5,626,478	\$ 5,099,642	\$ (526,836)	\$ 5,531,003	\$ 4,372,189	\$ (1,158,814)
Unitized GC International fund	6,930,253	4,179,828	(2,750,425)	8,311,303	4,939,458	(3,371,845)
Unitized GC Small Cap/US Equity Fund	5,306,869	5,001,944	(304,925)	5,232,302	4,277,799	(954,503)
Unitized GC Emerging Markets Fund	2,078,603	1,606,649	(471,954)	2,559,722	1,754,924	(804,798)
Unitized GC Income Fund	5,043,966	4,860,319	(183,647)	2,923,297	2,694,919	(228,378)
Unitized GC Bond Fund	3,125,258	3,216,075	90,817	3,030,389	3,088,651	58,262
Donated Stock	3,245	3,245	-	-	-	-
	\$ 28,114,672	\$ 23,967,702	\$ (4,146,970)	\$ 27,588,016	\$ 21,127,940	\$ (6,460,076)

Investment income for the years ended December 31, 2012 and 2011 is summarized below.

	2012	2011
Dividends and interest	\$ 523,584	\$ 492,915
Net realized gain (loss) in sale of investments	(1,253,249)	-
Net unrealized gain (loss) in value of investments	3,566,356	(1,304,861)
Total investment income (loss)	\$ 2,836,691	\$ (811,946)

Investment management fees for 2012 and 2011 were \$88,961 and \$92,269 respectively.

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**7. Transactions With Affiliated Entities:**

Amounts due from (to) affiliates at December 31, 2012 and 2011 consist of the following:

	<b>2012</b>	<b>2011</b>
Net amounts due from affiliates:		
ADRA – Australia	\$ -	\$ 377
ADRA – Azerbaijan	138	-
ADRA – Bolivia	-	477
ADRA – Chad	10,264	297
ADRA – Congo East	1,533	38,004
ADRA – Ethiopia	218,700	339,054
ADRA – ESD	163	-
ADRA – Ghana	190,349	134,539
ADRA – Haiti	-	534
ADRA – Honduras	270	150
ADRA – India	92,108	145,248
ADRA – Madagascar	5,932	4,379
ADRA – Mozambique	6,674	145,900
ADRA – Nepal	-	20,927
ADRA – Nicaragua	94	-
ADRA – Rwanda	-	1,800
ADRA – Somalia	-	9,920
ADRA – South Sudan	20,905	-
ADRA – Sudan	290,918	-
ADRA – Yemen	7,510	431
ADRA – Zimbabwe	1,177	-
General Conference	425,136	-
North American Division	186,968	175,788
Other Affiliated Organizations	-	63,102
	\$ 1,458,839	\$ 1,080,927
Amounts due to affiliates		
ADRA – Africa Regional Office	\$ 225,000	\$ 201,483
ADRA – Asia	127,136	32,772
ADRA – Australia	13,861	-
ADRA – Bolivia	10	-
ADRA – ESD	-	12
ADRA – Kenya	-	1,380
ADRA – Peru	-	150
ADRA – Somalia	71	-
ADRA – South Sudan	-	11,731
ADRA – Sudan	-	655
ADRA – Tanzania	-	1,190
ADRA – Zimbabwe	-	34
General Conference	-	159,219
Other Affiliated Organizations	502,597	-
	\$ 868,675	\$ 408,626



# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

Amounts due from the General Conference, include direct and indirect public support collected by the General Conference for ADRA. The amount due from the General Conference is net of amounts due to the General Conference for services provided by the General Conference to ADRA, such as utilities, facility operation, and general services. Total amounts billed to ADRA for these services were \$743,997 and \$746,113, resulting in a net receivable of \$ 425,136 and a net payable of \$159,219 for the years ended December 31, 2012 and 2011, respectively.

ADRA has its principal office in the facility owned by the General Conference. The rental value of that facility has been recognized as an in-kind donation in the Statement of Activities and is included in the Seventh-day Adventist Church public support. The amount was \$311,617 for the years ended December 31, 2012 and 2011.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2012 and 2011 was \$13,944 and \$10,566 respectively, which is included in investment and other revenue, net in the Statement of Activities. These earnings were generated from the General Conference Money Fund ending balances as of December 31, 2012 and 2011 totaling \$6,204,684 and \$5,982,817, respectively, and which are reflected in the Statement of Financial Position as part of cash and cash equivalents. The General Conference Money Fund invests in high grade commercial paper, federal agencies issuances, and corporate bonds with an original maturity of less than one year. The underlying investments of the General Conference Money Fund can be readily converted to cash within 30 days.

Investment income earned on unitized funds for which the General Conference is trustee for the years ended December 31, 2012 and 2011 was \$523,410 and \$492,621 respectively, which is included in investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2012 and 2011 totaling \$23,967,702 and \$21,127,940, respectively. See Note 6 for additional disclosure.

Contributions from the Seventh-day Adventist Church are reflected in the Statement of Activities for the years ended December 31, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Disaster and famine relief offering	\$ 2,138,603	\$ 2,452,008
Tithe	207,293	203,228
Non tithe	743,997	746,113
Rent	311,617	311,617
Salaries paid to field staff	<u>2,869,755</u>	<u>2,857,346</u>
	<u>\$ 6,271,265</u>	<u>\$ 6,570,312</u>

As of December 31, 2012 and 2011, ADRA passed through \$42,283,545 and \$27,157,868 out of \$50,325,751 and \$32,697,710, respectively, of U.S. government grants to affiliate implementing

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS**

partners as subrecipients of their federal awards. Additionally, ADRA incurred contract expense totaling \$1,069,120 and \$1,838,994 as of December 31, 2012 and 2011, respectively, relating to federal sub-contracts. The amounts of \$799,640 and \$1,357,196, as of December 31, 2012 and 2011, respectively, were used to reimburse the affiliate implementing partners for administering the contracts.

**8. Other Receivables**

Contracts receivable is for fixed price contracts. Miscellaneous receivables are primarily composed of accrued receivables, employee receivables, and consultant advances.

	<u>2012</u>	<u>2011</u>
Contracts	\$ 368,106	\$ 972,243
Miscellaneous	<u>117,606</u>	<u>57,192</u>
	<u>\$ 485,712</u>	<u>\$ 1,029,435</u>

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS**

**9. Contributions Receivable**

Contributions receivable consist of estates, installment pledges, and irrevocable split-interest agreements including charitable gift annuities and trusts in which ADRA has either lead or remainder interest. These amounts are recorded at the present value of future cash flows, which is based on the actuarial calculations using fair market value of the assets, IRS life expectancy tables and industry standards for discount rates.

	<u>2012</u>	<u>2011</u>
Contributions receivable		
<u>Less than one year</u>		
Estates and installments	\$ 179,877	\$ 552,431
Split-interest agreements	19,786	397,911
	<u>\$ 199,663</u>	<u>\$ 950,342</u>
 Contributions receivable –long term, net		
<u>One to five years</u>		
Estates and installments	\$ 174,868	\$ 167,831
Split-interest agreements	1,119,661	1,066,775
<u>More than five years</u>		
Estates and installments	2,157	14,639
	<u>\$ 1,296,686</u>	<u>\$ 1,249,245</u>
 Total contributions receivable	<u>\$ 1,496,349</u>	<u>\$ 2,199,587</u>
 Present value discounts	\$ 4,783	\$ (22,600)
Allowance for uncollectible pledged contributions	\$ (166,323)	\$ (283,126)

In 2011, ADRA received a conditional pledge of \$463,950. This amount is reflected as an amount due to affiliates in the 2012 Statement of Financial Position. Recognition of the contribution is conditional pending litigation.

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**10. Inventories**

Inventories at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Purchased	\$ 76,579	\$ 92,079
Donated	<u>443,864</u>	<u>95,112</u>
	<u>\$ 520,443</u>	<u>\$ 187,191</u>

**11. Furniture and Equipment**

Furniture and equipment at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 763,905	\$ 721,218
Less accumulated depreciation	<u>(560,747)</u>	<u>(528,304)</u>
	<u>\$ 203,158</u>	<u>\$ 192,914</u>

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Africa	\$ 1,951,460	\$ 1,696,717
Asia	2,259,230	2,426,874
Central America	539,893	1,429,922
Europe	75,555	33,504
North America	333,332	330,163
South America	99,940	77,439
South Pacific	1,995	2,895
Children	1,623,837	1,470,445
Emergency - disaster	81,590	16,783
Economic development	13,350	33,738
Education	5,572	6,403
Food	3,127,269	2,803,545
Health	8,037	164,016
Matching grant	-	6,817
Restricted as to time	1,488,849	2,184,108
Term endowment	112,566	107,338
Other	469,570	386,276
	<u>\$ 12,192,045</u>	<u>\$ 13,176,983</u>

Temporarily restricted net assets were released during the years ended December 31, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Satisfaction of program restriction	\$ 15,258,783	\$ 18,434,848
Satisfaction of time restriction	812,977	346,383
	<u>\$ 16,071,760</u>	<u>\$ 18,781,231</u>

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**13. Retirement Plan**

Eligible ADRA employees are covered by the Seventh-day Adventist Retirement Plan of the North America Division. The Retirement Plan is a multi-employer, defined benefit retirement plan for employees of the General Conference and its affiliates. The Retirement Plan provides for assistance of eligible employees, their spouses, and dependent children, and the eligible spouses and children of deceased participants. Benefits of the Retirement Plan include retirement allowance for the employee and the qualifying spouse, health care assistance, and death benefits.

The Retirement Plan was active through 1999, and continues to be actively funded by contributions of the participating entities. The contributions are calculated as a percentage of audited remuneration data for the fiscal year ending two years prior to the billing period. ADRA's exposure is their share of the unfunded actuarial liability. Financial information of the Retirement Plan's underlying assets, contributions, and actuarial liability are unavailable for disclosure. The Retirement Plan is exempt from IRS filings.

For the years ending December 31, 2012 and 2011 retirement expense of the Retirement Plan contributions consist of the following:

	2012	2011
Retirement	\$ 383,026	\$ 388,980
Health Care	182,808	185,649
	\$ 565,834	\$ 574,629

ADRA also participates in a multi-employer defined contribution retirement plan. The basic employer contribution rate is 5% of eligible wages. In addition ADRA will match employee's contribution up to an additional 3%. Contributions to the defined contribution plan were \$287,703 and \$311,190, for 2012 and 2011, respectively.

**14. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These audits may result in a liability payable to the grantor. The amount of expenditures, if any, which may be potentially disallowed, cannot be determined at this time, although ADRA expects such amount to be immaterial.

In connection with its ongoing relationship with USAID and the regulatory provision for its Negotiated Indirect Cost Rate Agreement (NICRA), ADRA has been involved in a process to finalize provisional rates, settle any resulting adjustments as needed and close those grants affected. ADRA has finalized rates through 2011 and has been given new provisional rates for the

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

years 2012 and 2013 and onward until amended. ADRA is currently reviewing the closing process for the years finalized, and is analyzing the subsequent year in which only preliminary rates exist. While additional revenue or expense may result, ADRA does not believe the net amount will be material based on the current analysis.

ADRA had an arrangement with the General Conference to guarantee home loans for ADRA employees held by the General Conference under denominational policy. During 2012, ADRA dissolved this arrangement. Collateral for loans already established are held by the General Conference in the form of recorded first and second liens against the properties. The total amount of these loans as of December 31, 2012 and 2011 was \$1,927,113 and \$2,397,323 respectively. When a foreclosure arises, ADRA's exposure is limited to the difference between the outstanding loan balance and the value of the collateral as defined in the loan agreement.

### 15. Grant Compliance

Government grants and contracts are considered to be exchange transactions, the majority of which are cost-reimbursable grants. Revenue, including approved indirect cost recovery, is recognized when allowable costs have been incurred. ADRA's costs incurred under its government awards are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not have a material impact on the accompanying financial statements

### 16. Gifts in Kind

For the years ended December 31, 2012 and 2011, gifts in kind were received from:

	<u>2012</u>	<u>2011</u>
Other non-profit organizations	\$ 10,788,781	9,145,807

For the years ended December 31, 2012 and 2011, gifts in kind were distributed to:

	<u>2012</u>	<u>2011</u>
Affiliate implementing partners	\$ 10,357,285	\$ 9,145,807

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

**17. Supporting Services:**

Details of supporting services for the years ended December 31, 2012, and 2011 are as follows:

	Fundraising					
	2012		2011			
	Marketing	Programs	Total Fundraising	Total Fundraising		
General and administrative costs:						
Personnel and related costs	\$ 251,035	\$ 33,443	\$ 284,478	\$ 197,381		
Travel	32,167	-	32,167	34,094		
Rent	47,483	1,916	49,399	167,951		
Depreciation	2,019	-	2,019	1,252		
Other ( <i>see additional detail</i> )	1,598,450	-	1,598,450	1,415,229		
Salary and travel allocation	-	-	-	-		
<b>Total Fundraising</b>	<b>\$ 1,931,154</b>	<b>\$ 35,359</b>	<b>\$ 1,966,513</b>	<b>\$ 1,815,907</b>		
	Public Relations					
	2012			2011		
	Marketing	Administration	Programs	Total Public Relations	Total Public Relations	
General and administrative costs:						
Personnel and related costs	\$ 214,296	\$ -	\$ 4,151	\$ 218,447	\$ 167,722	
Travel	57,674	-	-	57,674	41,082	
Rent	33,386	-	238	33,624	37,913	
Depreciation	1,388	-	-	1,388	1,743	
Other ( <i>see additional detail</i> )	339,598	251	-	339,849	214,422	
Salary and travel allocation	-	-	-	-	-	
<b>Total Public Relations</b>	<b>\$ 646,342</b>	<b>\$ 251</b>	<b>\$ 4,389</b>	<b>\$ 650,982</b>	<b>\$ 462,882</b>	
	Management and General					
	2012				2011	
	Marketing	Administration	Programs	Finance	Total Management and General	Total Management and General
General and administrative costs:						
Personnel and related costs	\$ 751,936	\$ 2,135,369	\$ 1,672,408	\$ 1,352,219	\$ 5,911,932	\$ 6,661,438
Travel	56,476	235,166	198,745	28,664	519,051	436,943
Rent	259,236	300,198	189,953	130,000	879,387	726,659
Depreciation	12,409	49,824	2,005	(1,645)	62,593	49,612
Other ( <i>see additional detail</i> )	446,835	1,216,957	157,778	550,952	2,372,522	1,829,880
Salary and travel allocation	-	-	-	-	-	(4,371)
Overhead recovered from grants	-	-	(7,069,111)	-	(7,069,111)	(5,036,414)
<b>Total Management and General</b>	<b>\$ 1,526,892</b>	<b>\$ 3,937,514</b>	<b>\$ (4,848,222)</b>	<b>\$ 2,060,190</b>	<b>\$ 2,676,374</b>	<b>\$ 4,663,747</b>



**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**

Further details of other fundraising and public relations expense during the years ended December 31, 2012 and 2011 are as follows:

	2012			2011		
	Fundraising	Public Relations	Management and General	Fundraising	Public Relations	Management and General
Maintenance and repairs	\$ -	\$ -	\$ 75,881	\$ -	\$ -	\$ 82,122
Management and administration	11,767	-	438,939	34,656	-	431,320
Materials and supplies	-	9,167	186,823	-	833	187,389
Postage and telecommunications	1,045	6,386	212,651	253,026	135	174,902
Professional services	21,148	27,898	1,231,957	114,709	152,761	686,832
Public education/awareness	-	-	3,733	-	-	39,505
Publication and printing	1,535,459	179,215	78,165	1,011,901	36,167	60,679
Transportation, handling and warehousing	-	-	86,042	-	-	83,311
Promotion/advertising	29,031	117,183	-	937	24,526	-
Entertainment	-	-	26,234	-	-	52,870
Miscellaneous	-	-	32,097	-	-	30,950
<b>Total</b>	<b>\$ 1,598,450</b>	<b>\$ 339,849</b>	<b>\$ 2,372,522</b>	<b>\$ 1,415,229</b>	<b>\$ 214,422</b>	<b>\$ 1,829,880</b>

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS**

**18. Joint Cost**

ADRA conducts activities that include fundraising, public relations, and management and general components. These activities relate to the ADRA web-site publications. The cost of conducting these activities in 2012 and 2011 total \$259,145 and \$247,865 of joint cost respectively, which was not specifically attributable to the particular components of the activities. These joint costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Fundraising	\$ 80,335	\$ 81,796
Public relations	121,798	111,539
Management and general	<u>57,012</u>	<u>54,530</u>
	<u>\$ 259,145</u>	<u>\$ 247,865</u>

**19. ADRA Board Designated Funds**

During 2008 and 2007, the ADRA Board of Directors (the Board) adopted a multiyear plan to designate a total of \$8,000,000 for “Capacity Building and New Development”. The Board designated amounts are included in the Unrestricted Net Assets in the statement of Financial Position. As of December 31, 2012 and 2011 respectively, \$6,094,099 and \$5,657,325 of the commitment has been met.