

# **ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**

Report of Independent Auditors on  
Financial Statements  
For the Years Ended December 31, 2015 and 2014



## **Report of Independent Auditors**

To the Board of Directors  
Adventist Development and Relief Agency International

We have audited the accompanying financial statements of Adventist Development and Relief Agency International ("ADRA"), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and functional expenses for the year ended December 31, 2015 and of cash flows for the years ended December 31, 2015 and 2014.

### ***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.

### ***Auditors Responsibility***

Our responsibility is to express an opinion on the 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 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 the 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 the 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 Adventist Development and Relief Agency International as of December 31, 2015 and 2014 and the changes in its net assets for the year ended December 31, 2015 and its cash flows for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

We previously audited the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended (not presented herein), and in our report dated June 30, 2015 we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of December 31, 2014 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

June 30, 2016

**ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**as of December 31, 2015 and 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 9,445,938	\$ 6,292,095
Investments	38,309,453	39,034,126
Amount due from affiliates	684,654	947,854
Amount due from government agency	1,224,656	1,830,136
Other receivables	121,745	181,450
Contributions receivable	237,092	360,272
Inventories	712,126	136,961
Prepaid expenses	199,989	108,902
Furniture and equipment, net of accumulated depreciation	199,903	206,312
Contributions receivable - long-term	<u>1,068,424</u>	<u>1,582,363</u>
 Total assets	 <u>\$ 52,203,980</u>	 <u>\$50,680,471</u>

LIABILITIES

Accounts payable	\$ 1,036,428	\$ 417,848
Accrued expenses	1,991,576	1,399,512
Amount due to affiliates	1,523,357	557,850
Amount due to government agency	559,399	1,260,333
Amount due to other	<u>122,227</u>	<u>148,257</u>
 Total liabilities	 <u>5,232,987</u>	 <u>3,783,800</u>

NET ASSETS

Unrestricted	31,642,241	33,520,490
Temporarily restricted	<u>15,328,752</u>	<u>13,376,181</u>
 Total net assets	 <u>46,970,993</u>	 <u>46,896,671</u>
 Total liabilities and net assets	 <u>\$ 52,203,980</u>	 <u>\$50,680,471</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, 2015**  
**(with summarized financial information as of December 31, 2014)**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 1,632,490	\$ -	\$ 1,632,490	\$ 914,871
Ocean and inland freight	697,198	-	697,198	849,083
Grants - direct	17,341,385	-	17,341,385	17,229,329
Grants - subrecipient	4,369,314	-	4,369,314	6,065,841
Public support:				
Seventh-day Adventist Church	5,296,528	189,246	5,485,774	6,092,413
Contributions	10,236,481	5,168,659	15,405,140	12,402,299
Donated materials	195,092	6,399,792	6,594,884	10,762,645
Grants - other	745,630	-	745,630	282,368
Freight and handling fees reimbursement	7,162	-	7,162	4,060
Investment and other revenue	818,598	(362,108)	456,490	783,613
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>9,443,018</u>	<u>(9,443,018)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>\$ 50,782,896</u>	<u>\$ 1,952,571</u>	<u>\$ 52,735,467</u>	<u>\$ 55,386,522</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, 2015**  
**(with summarized financial information as of December 31, 2014)**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Expenses:				
Programs	\$ 41,262,753	\$ -	\$ 41,262,753	\$ 47,023,814
Fundraising	1,243,405	-	1,243,405	1,601,124
Public relations	1,290,669	-	1,290,669	1,145,817
Management and general	<u>7,455,782</u>	<u>-</u>	<u>7,455,782</u>	<u>6,370,518</u>
Total expenses	<u>51,252,609</u>	<u>-</u>	<u>51,252,609</u>	<u>56,141,273</u>
Net Increase (decrease) from operations	(469,713)	1,952,571	1,482,858	(754,751)
Nonoperating activity:				
Realized/unrealized gain/(loss) on investment and other	(1,408,536)	-	(1,408,536)	7,021
Change in net assets	(1,878,249)	1,952,571	74,322	(747,730)
Net assets, at beginning of year	<u>33,520,490</u>	<u>13,376,181</u>	<u>46,896,671</u>	<u>47,644,401</u>
Net assets, at end of year	<u>\$ 31,642,241</u>	<u>\$ 15,328,752</u>	<u>\$ 46,970,993</u>	<u>\$ 46,896,671</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, 2015**  
**(with summarized financial information as of December 31, 2014)**

	2015					2014
	Programs	Fundraising	Public Relations	Management and General	Total	Total
Overseas program costs:						
U.S. Government grants:						
Federal assistance:						
Commodities - distributed	\$ 1,192,313	\$ -	\$ -	\$ -	\$ 1,192,313	\$ 914,871
Ocean and inland freight	697,198	-	-	-	697,198	849,083
Grants - direct	17,341,385	-	-	-	17,341,385	17,229,329
Grants - subrecipient	4,369,314	-	-	-	4,369,314	6,065,841
ADRA funding	947,915	-	-	-	947,915	765,293
Donated materials	6,639,583	-	-	-	6,639,583	10,979,013
Development and relief projects and disaster assistance	9,226,247	-	-	-	9,226,247	9,943,640
Grants - other	753,330	-	-	-	753,330	202,589
Freight and handling fees	7,162	-	-	-	7,162	4,060
General and administrative costs:						
Personnel and related costs	1,481,424	372,787	552,521	7,531,980	9,938,712	8,435,136
Travel	170,751	49,176	81,903	562,760	864,590	749,645
Rent	88,130	43,746	62,239	648,811	842,926	741,845
Depreciation	176	2,792	4,528	74,888	82,384	82,099
Other ( <i>see note 17</i> )	-	774,904	589,478	2,673,169	4,037,551	4,345,076
Salary and travel allocation	(1,652,175)	-	-	-	(1,652,175)	(1,257,018)
Overhead allocated to grants	-	-	-	(4,035,826)	(4,035,826)	(3,909,229)
Total expenses	<u>\$ 41,262,753</u>	<u>\$ 1,243,405</u>	<u>\$ 1,290,669</u>	<u>\$ 7,455,782</u>	<u>\$ 51,252,609</u>	<u>\$ 56,141,273</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, 2015 and December 31, 2014**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 74,322	\$ (747,730)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 82,384	\$ 82,099
(Gain) loss on sale of fixed assets	(318)	-
Dividends reinvested	(681,272)	(716,209)
Realized/Unrealized (gain) loss on securities	1,408,536	(7,017)
Receipt of contributed securities	(50,845)	(27,745)
Sale of contributed securities	48,254	29,490
(Increase) decrease in net amounts due from affiliates	263,200	554,219
(Increase) decrease in amounts due from government grants	605,480	(1,085,848)
(Increase) decrease in other receivables	59,705	197,472
(Increase) decrease in contributions receivable	123,180	(100,856)
(Increase) decrease in inventories	(575,165)	216,796
(Increase) decrease in prepaid expenses	(91,087)	(13,850)
(Increase) decrease in contributions receivable - long term	513,939	(48,187)
Increase (decrease) in accounts payable	618,580	20,549
Increase (decrease) in accrued expenses	592,064	520,798
Increase (decrease) in amounts due to affiliates	965,507	(197,356)
Increase (decrease) in amounts due to government agency	(700,934)	200,945
Increase (decrease) in amounts due to other	(26,030)	(11,142)
Total adjustments	3,155,178	(385,842)
Net cash flow provided by operating activities:	\$ 3,229,500	\$ (1,133,572)
Cash flows from investing activities:		
Purchase of securities	\$ -	\$ (19,800,000)
Payments from other	-	4,615
Purchases of furniture and equipment	(75,975)	(73,194)
Proceeds from sale of fixed assets	318	-
Net cash flows provided (used in) by investing activities:	\$ (75,657)	\$ (19,868,579)
Net decrease in cash and cash equivalents	3,153,843	(21,002,151)
Cash and cash equivalents, at beginning of year	6,292,095	27,294,246
Cash and cash equivalents, at end of year	\$ 9,445,938	\$ 6,292,095
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	50,845	\$ 27,745
Reinvested dividends and interest	681,272	\$ 716,209

*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 financial statements have been prepared on the accrual basis of accounting 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, 2014, 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 and liability accrual for questioned cost.

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

### **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 with original maturities of ninety days or less. Cash equivalents held in the GC Money fund are classified as level 2 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, which includes pre-positioned 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. Generally grant expenses are incurred when grant funds are disbursed to implementing partners and adjusted for unexpended amount at the period end.

## ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS

Ocean freight for monetized and distributed commodities are recognized as unrestricted support when received and deemed expended when the commodities are on board. Inland freight for distributed commodities are recognized as unrestricted support and expensed when incurred.

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

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.

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

### **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.

### **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 June 30, 2016, which is the date the financial statements were available to be 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 2015 and 2014 respectively, ADRA received 36% and 34% of its total revenue from USAID directly, and 8% and 11% from sub-awards revenue whose source of funding is USAID. The grants are administered by ADRA, which generally disburses funds or 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 in a money market fund as detailed in Note 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, 2015 and 2014, domestic deposits of \$7,121,832 and \$4,370,895, respectively, were in excess of FDIC insurance. In addition, as of December 31, 2015 and 2014, deposits of \$0 and \$51,878, 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 that are publicly traded 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, 2015 and 2014, by level within the fair value hierarchy, as defined in Note 2.

	2015			
	Level 1	Level 2	Level 3	Total
General Conference Money Fund <sup>1</sup>	\$ -	\$ 6,070,861	\$ -	\$ 6,070,861
Investments ( <i>see note 6</i> )	-	38,309,453	-	38,309,453
Split-interest <sup>2</sup>	-	-	949,587	949,587
Total assets measured at fair value	<u>\$ -</u>	<u>\$ 44,380,314</u>	<u>\$ 949,587</u>	<u>\$ 45,329,901</u>

  

	2014			
	Level 1	Level 2	Level 3	Total
General Conference Money Fund <sup>1</sup>	\$ -	\$ 2,487,311	\$ -	\$ 2,487,311
Investments ( <i>see note 6</i> )	-	39,034,126	-	39,034,126
Split-interest <sup>2</sup>	-	-	1,339,986	1,339,986
Total assets measured at fair value	<u>\$ -</u>	<u>\$ 41,521,437</u>	<u>\$ 1,339,986</u>	<u>\$ 42,861,423</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.

	<u>Split-interest</u>
Balance at January 1, 2014	\$ 1,287,047
Net realized/unrealized gains (losses)	40,693
Maturities	(56,742)
New Gifts	68,988
Balance at December 31, 2014	<u>\$ 1,339,986</u>
Net realized/unrealized gains (losses)	(271,178)
Maturities	(150,043)
New Gifts	30,822
Balance at December 31, 2015	<u>\$ 949,587</u>

Realized/unrealized gains (losses) included in changes in net assets for the years ended December 31, 2015 and 2014 respectively are reported in support and revenue as follows:

	<u>Investment and other</u>	
	2015	2014
Total gains (losses) included in changes in net assets	\$ (271,178)	\$ 40,693
Change in unrealized gains (losses) relating to assets still held at year end	\$ (357,442)	\$ 12,555

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

**6. Investments**

Investments as of December 31, 2015 and 2014, which consist of units held in various unitized funds for which the General Conference is the trustee, are summarized below. The fair value measurement of all 2015 investments is based on the net asset values of the unitized funds, which is a level 2 input as per Note 2.

	<b>2015</b>			<b>2014</b>		
	Cost	Fair Value	Unrealized Appreciation (Decline)	Cost	Fair Value	Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 7,502,675	\$ 9,316,519	1,813,844	\$ 7,353,620	\$ 9,391,554	\$ 2,037,934
Unitized GC International fund	9,425,330	5,882,783	(3,542,547)	9,269,487	5,928,745	(3,340,742)
Unitized GC Small Cap/US Equity Fund	2,284,921	2,242,810	(42,111)	2,252,224	2,285,490	33,266
Unitized GC Emerging Markets Fund	2,731,432	1,682,165	(1,049,267)	2,717,014	1,984,985	(732,029)
Unitized GC Income Fund	9,050,268	8,894,849	(155,419)	8,858,792	8,875,431	16,639
Unitized GC Bond Fund	4,406,474	4,364,043	(42,431)	4,306,185	4,316,871	10,686
Unitized Capital Preservation Fund	2,264,122	2,192,378	(71,744)	2,226,628	2,194,823	(31,805)
Unitized Global Opportunities Fund	4,300,000	3,731,271	(568,729)	4,300,000	4,056,227	(243,773)
Donated Stock	2,591	2,635	44	-	-	-
	<u>\$ 41,967,813</u>	<u>\$ 38,309,453</u>	<u>\$ (3,658,360)</u>	<u>\$ 41,283,950</u>	<u>\$ 39,034,126</u>	<u>\$ (2,249,824)</u>

Investment income for the years ended December 31, 2015 and 2014 is summarized below.

	<b>2015</b>	<b>2014</b>
Dividends and interest	\$ 681,272	\$ 716,209
Net realized gain (loss) in sale of investments	-	(5)
Net unrealized gain (loss) in value of investments	(1,408,536)	7,021
Total investment income (loss)	<u>\$ (727,264)</u>	<u>\$ 723,225</u>

Investment management fees for 2015 and 2014 were \$162,780 and \$150,035 respectively.



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**7. Transactions With Affiliated Entities:**

Amounts due from (to) affiliates at December 31, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Net amounts due from affiliates:		
ADRA – Azerbaijan	\$ -	\$ 264
ADRA – Canada	1,941	2,601
ADRA – Euro-Asia Division	-	2,711
ADRA – Ghana	-	108,852
ADRA – Honduras	210	90
ADRA – India	23,603	246,072
ADRA – Madagascar	-	4,065
ADRA – Middle East North Africa Regional Office	583	7,132
ADRA – Sudan	1,919	-
ADRA – Yemen	325	3,965
General Conference	297,979	49,921
North American Division	174,378	303,642
Other affiliated organizations	183,716	218,539
	\$ 684,654	\$ 947,854
Amounts due to affiliates:		
ADRA – Africa Regional Office	\$ 130,089	\$ 211,054
ADRA – Asia Regional Office	34,179	124,999
ADRA – Bolivia	-	50
ADRA – Democratic Republic of Congo (East)	2,278	42,914
ADRA – Ethiopia	-	22
ADRA – Jamaica	107	-
ADRA – Madagascar	8,255	-
ADRA – Mozambique	29,195	42,119
ADRA – Rwanda	-	555
ADRA – Somalia	-	10
ADRA – South Sudan	189,847	136,127
Other affiliated organizations	1,129,407	-
	\$ 1,523,357	\$ 557,850

# ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

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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 \$528,276 and \$435,307, resulting in a net receivable of \$297,979 and \$49,921 for the years ended December 31, 2015 and 2014, 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 \$314,650 and \$306,538 for the years ended December 31, 2015 and 2014, respectively.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2015 and 2014 was \$12,660 and \$18,378 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, 2015 and 2014 totaling \$6,070,861 and \$2,487,311, respectively, and which are reflected in the Statement of Financial Position as part of cash and cash equivalents.

Investment income earned on unitized funds for which the General Conference is trustee for the years ended December 31, 2015 and 2014 was \$681,272 and \$716,209 respectively, which is included in Investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2015 and 2014 totaling \$38,306,818 and \$39,034,126 respectively. See Note 6 for additional disclosures.

Contributions from the Seventh-day Adventist Church are reflected in the Statement of Activities for the years ended December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Disaster and famine relief offering	\$ 2,229,304	\$ 2,687,740
Tithe	219,981	215,668
Non tithe	528,276	435,307
Rent	314,650	306,538
Appropriations for field offices	<u>2,193,563</u>	<u>2,447,160</u>
	<u>\$ 5,485,774</u>	<u>\$ 6,092,413</u>

As of December 31, 2015 and 2014, ADRA passed through \$18,590,677 and \$19,729,089, respectively, of U.S. government grants to affiliate implementing partners as sub recipients of their federal awards.

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**8. Other Receivables**

Other receivables are primarily composed of accrued receivables, employee receivables, and advances.

	2015	2014
Other receivables	\$ 121,745	\$ 191,541
Less Allowance for uncollectable receivables	-	(10,091)
	\$ 121,745	\$ 181,450

**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.

	2015	2014
<u>Less than one year</u>		
Estates and installments	\$ 222,092	\$ 345,272
Split-interest agreements	15,000	15,000
	\$ 237,092	\$ 360,272
 <u>One to five years</u>		
Estates and installments	\$ 133,837	\$ 255,220
Split-interest agreements	934,587	1,324,986
 <u>More than five years</u>		
Estates and installments	-	2,157
Contributions receivable – long term, net	\$ 1,068,424	\$ 1,582,363
	\$ 1,305,516	\$ 1,942,635
 Present value discounts	\$ 20,062	\$ 23,399
Allowance for uncollectible pledged contributions	\$ (195,048)	(309,366)

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In 2015 and 2014, ADRA received a cash distribution of \$40,040 and \$19,900, respectively. These distributions are conditional pending final expenses, and are recorded in the Statement of Financial Position as amounts due to affiliates and due to other, respectively.

**10. Inventories**

Inventories at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Purchased	\$ 271,949	\$ 92,262
Donated	<u>440,177</u>	<u>44,699</u>
	<u>\$ 712,126</u>	<u>\$ 136,961</u>

**11. Furniture and Equipment**

Furniture and equipment at December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 765,457	\$ 893,746
Less accumulated depreciation	<u>(565,554)</u>	<u>(687,434)</u>
	<u>\$ 199,903</u>	<u>\$ 206,312</u>

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**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Africa	\$ 1,023,103	\$ 1,083,162
Asia	1,057,576	627,082
Central America	84,857	445,776
Europe	2,080	6,868
North America	437,698	246,145
South America	11,282	11,390
South Pacific	96,660	1,995
Children	1,551,257	1,881,949
Economic development	3,785	5,675
Education	34,500	-
Emergency - disaster	2,870,932	2,076,486
Food	5,714,846	4,199,603
Health	684,565	244,185
Restricted as to time	1,290,516	2,007,715
Term endowment	97,520	97,338
Other	367,575	440,812
	<u>\$ 15,328,752</u>	<u>\$ 13,376,181</u>

Temporarily restricted net assets were released during the years ended December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Satisfaction of program restriction	\$ 9,206,086	\$ 14,372,538
Satisfaction of time restriction	236,932	62,260
	<u>\$ 9,443,018</u>	<u>\$ 14,434,798</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, 2015 and 2014 retirement expense of the Retirement Plan contributions consist of the following:

	<u>2015</u>	<u>2014</u>
Retirement	\$ 377,763	\$ 352,993
Health Care	<u>182,368</u>	<u>170,411</u>
	<u>\$ 560,131</u>	<u>\$ 523,404</u>

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 \$382,678 and \$313,576, for 2015 and 2014, 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 2014 and has been given new provisional rates for the

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### **NOTES TO FINANCIAL STATEMENTS**

years 2015 and 2016 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. 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, 2015 and 2014 was \$2,046,335 and \$1,454,649 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, 2015 and 2014, gifts in kind were received from other non-profit organizations of \$6,594,884 and \$10,762,645, respectively. For the years ended December 31, 2015 and 2014, gifts in kind were distributed to affiliate implementing partners of \$6,639,583 and \$10,979,013, respectively.

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**17. Supporting Services**

Details of supporting services for the years ended December 31, 2015, and 2014 are as follows:

	Fundraising					
	2015				2014	
	Marketing	Administration	Programs	Finance	Total Fundraising	Total Fundraising
General and administrative costs:						
Personnel and related costs	\$ 364,665	\$ 778	\$ 7,344	\$ -	\$ 372,787	\$ 285,028
Travel	44,274	4,902	-	-	49,176	17,266
Rent	43,081	52	613	-	43,746	38,454
Depreciation	2,792	-	-	-	2,792	2,972
Other (see additional detail)	763,653	170	10	11,071	774,904	1,257,404
Salary and travel allocation	-	-	-	-	-	-
<b>Total Fundraising</b>	<b>\$ 1,218,465</b>	<b>\$ 5,902</b>	<b>\$ 7,967</b>	<b>\$ 11,071</b>	<b>\$ 1,243,405</b>	<b>\$ 1,601,124</b>
	Public Relations					
	2015				2014	
	Marketing	Administration	Programs	Finance	Total Public Relations	Total Public Relations
General and administrative costs:						
Personnel and related costs	\$ 456,785	\$ 50,645	\$ 38,062	\$ 7,029	\$ 552,521	\$ 323,104
Travel	81,903	-	-	-	81,903	79,448
Rent	53,963	5,969	1,926	381	62,239	44,111
Depreciation	3,498	1,027	-	3	4,528	3,349
Other (see additional detail)	586,921	2,557	-	-	589,478	695,805
Salary and travel allocation	-	-	-	-	-	-
<b>Total Public Relations</b>	<b>\$ 1,183,070</b>	<b>\$ 60,198</b>	<b>\$ 39,988</b>	<b>\$ 7,413</b>	<b>\$ 1,290,669</b>	<b>\$ 1,145,817</b>
	Management and General					
	2015				2014	
	Marketing	Administration	Programs	Finance	Total Management and General	Total Management and General
General and administrative costs:						
Personnel and related costs	\$ 1,058,936	\$ 2,693,210	\$ 1,924,650	\$ 1,855,184	\$ 7,531,980	\$ 6,701,441
Travel	34,144	254,320	203,926	70,370	562,760	521,475
Rent	147,479	275,565	102,461	123,306	648,811	589,279
Depreciation	9,559	64,313	-	1,016	74,888	75,685
Other (see additional detail)	510,031	1,375,206	285,664	502,268	2,673,169	2,391,867
Salary and travel allocation	-	-	-	-	-	-
Overhead recovered from grants	-	-	(4,035,826)	-	(4,035,826)	(3,909,229)
<b>Total Management and General</b>	<b>\$ 1,760,149</b>	<b>\$ 4,662,614</b>	<b>\$ (1,519,125)</b>	<b>\$ 2,552,144</b>	<b>\$ 7,455,782</b>	<b>\$ 6,370,518</b>



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Further details of other fundraising and public relations expense during the years ended December 31, 2015 and 2014 are as follows:

2015

	Fundraising	Public Relations	Management and General	Total
Maintenance and repairs	\$ -	\$ -	\$ 123,190	\$ 123,190
Management and administration	11,071	15,829	690,018	716,918
Materials and supplies	1,066	6,597	184,119	191,782
Postage and telecommunications	3,035	7,507	186,479	197,021
Professional services	76,667	4,375	1,356,027	1,437,069
Public education/awareness	-	-	17,065	17,065
Publication and printing	680,295	923	23,367	704,585
Transportation, handling and warehousing	-	-	21,097	21,097
Promotion/advertising	2,770	554,247	-	557,017
Entertainment	-	-	24,796	24,796
Miscellaneous	-	-	47,011	47,011
<b>Total</b>	<b>\$ 774,904</b>	<b>\$ 589,478</b>	<b>\$ 2,673,169</b>	<b>\$ 4,037,551</b>

2014

	Fundraising	Public Relations	Management and General	Total
Maintenance and repairs	\$ -	\$ -	\$ 77,317	\$ 77,317
Management and administration	14,562	22,424	425,014	462,000
Materials and supplies	-	9,125	214,404	223,529
Postage and telecommunications	3,952	6,436	162,495	172,883
Professional services	223,371	2,361	1,281,488	1,507,220
Public education/awareness	-	-	6,284	6,284
Publication and printing	982,179	7,546	20,262	1,009,987
Transportation, handling and warehousing	-	-	50,304	50,304
Promotion/advertising	33,340	647,913	-	681,253
Entertainment	-	-	62,199	62,199
Miscellaneous	-	-	92,100	92,100
<b>Total</b>	<b>\$ 1,257,404</b>	<b>\$ 695,805</b>	<b>\$ 2,391,867</b>	<b>\$ 4,345,076</b>

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**18. 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, 2015 and 2014 respectively, \$7,572,628 and \$7,115,016 of the commitment has been met.