

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

Report of Independent Auditors on
Financial Statements
For the Years Ended December 31, 2013 and 2012



Independent Auditor's Report

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 positions as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flow for the years 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 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ADRA at December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

July 25, 2014

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 27,294,246	\$17,485,566
Investments	18,512,645	23,967,702
Amount due from affiliates	1,502,073	1,458,839
Amount due from government agency	744,288	3,092,393
Other receivables	378,922	485,712
Loans to other	4,615	14,246
Contributions receivable	259,416	199,663
Inventories	353,757	520,443
Prepaid expenses	95,052	96,565
Furniture and equipment, net of accumulated depreciation	215,217	203,158
Contributions receivable - long-term	1,534,176	1,296,686
Loans to other - long-term	<u>-</u>	<u>4,615</u>
 Total assets	 <u>\$ 50,894,407</u>	 <u>\$48,825,588</u>

LIABILITIES

Accounts payable	\$ 397,299	\$ 316,234
Accrued expenses	878,714	833,845
Amount due to affiliates	755,206	868,675
Amount due to government agency	1,059,388	6,269,089
Amount due to other	<u>159,399</u>	<u>10,987</u>
 Total liabilities	 <u>3,250,006</u>	 <u>8,298,830</u>

NET ASSETS

Unrestricted	34,251,845	28,334,713
Temporarily restricted	<u>13,392,556</u>	<u>12,192,045</u>
 Total net assets	 <u>47,644,401</u>	 <u>40,526,758</u>
 Total liabilities and net assets	 <u>\$ 50,894,407</u>	 <u>\$48,825,588</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, 2013
(with summarized financial information as of December 31, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 2,806,813	\$ -	\$ 2,806,813	\$ 2,282,418
Ocean and inland freight	940,084	-	940,084	7,045,057
Grants - direct	16,756,575	-	16,756,575	29,218,205
Grants - subrecipient	9,884,353	-	9,884,353	10,628,206
Contracts	-	-	-	1,069,120
Public support:				
Seventh-day Adventist Church	5,848,489	-	5,848,489	6,271,265
Contributions	10,536,562	5,103,683	15,640,245	14,049,754
Donated materials	474,640	8,062,171	8,536,811	10,788,781
Grants - other	169,380	-	169,380	15,622
Freight and handling fees reimbursement	3,680	-	3,680	9,294
Investment and other revenue	1,509,696	150,964	1,660,660	861,259
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>12,116,307</u>	<u>(12,116,307)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>\$ 61,046,579</u>	<u>\$ 1,200,511</u>	<u>\$ 62,247,090</u>	<u>\$ 82,238,981</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, 2013
(with summarized financial information as of December 31, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Expenses:				
Programs	\$ 49,374,662	\$ -	\$ 49,374,662	\$ 72,274,368
Fundraising	1,511,293	-	1,511,293	1,966,513
Public relations	613,327	-	613,327	650,982
Management and general	5,743,656	-	5,743,656	2,676,374
Total expenses	57,242,938	-	57,242,938	77,568,237
Net Increase (decrease) from operations	3,803,641	1,200,511	5,004,152	4,670,744
Nonoperating activity:				
Unrealized gain on investment and other	2,113,491	-	2,113,491	2,089,741
Change in net assets	5,917,132	1,200,511	7,117,643	6,760,485
Net assets, at beginning of year	28,334,713	12,192,045	40,526,758	33,766,273
Net assets, at end of year	\$ 34,251,845	\$ 13,392,556	\$ 47,644,401	\$ 40,526,758

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, 2013
(with summarized financial information as of December 31, 2012)

	2013					2012
	Programs	Fundraising	Public Relations	Management and General	Total	Total
Overseas program costs:						
U.S. Government grants:						
Federal assistance:						
Commodities - distributed	\$ 2,806,813	\$ -	\$ -	\$ -	\$ 2,806,813	\$ 2,365,163
Ocean and inland freight	940,084	-	-	-	940,084	7,045,057
Grants - direct	16,756,575	-	-	-	16,756,575	29,218,205
Grants - subrecipient	9,884,353	-	-	-	9,884,353	10,628,206
Contracts	-	-	-	-	-	1,069,120
ADRA funding	1,188,735	-	-	-	1,188,735	1,836,580
ADRA funding - in kind	109,799	-	-	-	109,799	473,382
Donated materials	8,609,808	-	-	-	8,609,808	9,883,903
Development and relief projects						
and disaster assistance	8,799,550	-	-	-	8,799,550	9,644,306
Grants - other	210,399	-	-	-	210,399	8,834
Freight and handling fees	3,480	-	-	-	3,480	8,294
General and administrative costs:						
Personnel and related costs	1,110,655	171,248	294,323	6,403,016	7,979,242	7,400,074
Travel	191,882	8,582	30,905	527,698	759,067	833,296
Rent	64,789	22,891	40,672	672,075	800,427	1,055,614
Depreciation	277	1,464	3,867	77,582	83,190	66,114
Other (see note 17)	-	1,307,108	243,560	2,721,300	4,271,968	4,310,821
Salary and travel allocation	(1,302,537)	-	-	(2,641)	(1,305,178)	(1,209,621)
Overhead allocated to grants	-	-	-	(4,655,374)	(4,655,374)	(7,069,111)
Total expenses	<u>\$ 49,374,662</u>	<u>\$ 1,511,293</u>	<u>\$ 613,327</u>	<u>\$ 5,743,656</u>	<u>\$ 57,242,938</u>	<u>\$ 77,568,237</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, 2013 and December 31, 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 7,117,643	\$ 6,760,485
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 83,190	\$ 66,114
(Gain) loss on sale of fixed assets	(50)	(1,006)
Dividends reinvested	(367,774)	(523,410)
Realized/Unrealized (gain) loss on securities	(3,178,664)	(2,313,107)
Receipt of contributed securities	(69,828)	(194,877)
Sale of contributed securities	71,323	191,633
(Increase) decrease in net amounts due from affiliates	(43,234)	(377,912)
(Increase) decrease in amounts due from government agency	2,348,105	(1,116,368)
(Increase) decrease in other receivables	106,790	543,723
(Increase) decrease in contributions receivable	(59,753)	750,679
(Increase) decrease in inventories	166,686	(333,252)
(Increase) decrease in prepaid expenses	1,513	(1,879)
(Increase) decrease in contributions receivable - long term	(237,490)	(47,441)
Increase (decrease) in accounts payable	81,065	(40,675)
Increase (decrease) in accrued expenses	44,869	(1,732,338)
Increase (decrease) in amounts due to affiliates	(113,469)	460,049
Increase (decrease) in amounts due to government agency	(5,209,701)	763,987
Increase (decrease) in amounts due to other	148,412	-
Total adjustments	(6,228,010)	(3,906,080)
Net cash flow provided by operating activities:	\$ 889,633	\$ 2,854,405
Cash flows from investing activities:		
Purchase of securities	\$ -	\$ (2,000,000)
Sales of securities	9,000,000	2,000,000
New loans to other	-	(4,000)
Payments from other	14,246	20,523
Purchases of furniture and equipment	(95,249)	(77,267)
Proceeds from sale of fixed assets	50	1,915
Net cash flows provided by/used for investing activities:	\$ 8,919,047	\$ (58,829)
Net increase in cash and cash equivalents	9,808,680	2,795,576
Cash and cash equivalents, at beginning of year	17,485,566	14,689,990
Cash and cash equivalents, at end of year	\$ 27,294,246	\$ 17,485,566
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ 69,828	\$ 194,877
Reinvested dividends and interest	\$ 367,774	\$ 523,410

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, 2012, 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.

Reclassifications

Certain prior year financial information has been reclassified to conform to the current year presentation.

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. ADRA classifies cash 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 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 July 25, 2014, 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 2013 and 2012 respectively, ADRA received 33% and 47% of its total revenue from USAID directly, and 16% and 14% 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, 2013 and 2012, domestic deposits of \$25,302,959 and \$13,212,909, respectively, were in excess of FDIC insurance. In addition, as of December 31, 2013 and 2012, deposits of \$176,539 and \$1,992,817, 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, 2013, by level within the fair value hierarchy, as defined in Note 2.

	2013			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 22,628,901	\$ -	\$ 22,628,901
Investments (<i>see note 6</i>)	1,750	18,510,895	-	18,512,645
Split-interest ²	-	-	1,287,047	1,287,047
Total assets measured at fair value	<u>\$ 1,750</u>	<u>\$ 41,139,796</u>	<u>\$ 1,287,047</u>	<u>\$ 42,428,593</u>

	2012			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 6,204,684	\$ -	\$ 6,204,684
Investments (<i>see note 6</i>)	3,245	23,964,457	-	23,967,702
Split-interest ²	-	-	1,139,448	1,139,448
Total assets measured at fair value	<u>\$ 3,245</u>	<u>\$ 30,169,141</u>	<u>\$ 1,139,448</u>	<u>\$ 31,311,834</u>

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

² 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, 2012	\$ 1,464,686
Net realized/unrealized gains (losses)	132,036
Maturities	(490,603)
New Gifts	33,329
Balance at December 31, 2012	<u>\$ 1,139,448</u>
Net realized/unrealized gains (losses)	265,518
Maturities	(155,693)
New Gifts	37,774
Balance at December 31, 2013	<u><u>\$ 1,287,047</u></u>

Realized/unrealized gains(losses) included in changes in net assets for the years ended December 31, 2013 and 2012 respectively are reported in support and revenue as follows:

	<u>Investment and other</u>	
	2013	2012
Total gains (losses) included in changes in net assets	\$ 265,518	\$ 132,036
Change in unrealized gains relating to assets still held at year end	\$ 154,663	\$ 43,610

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments as of December 31, 2013 and 2012, 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 2013 investments is based on the net asset values of the unitized funds, which is a level 2 input as per Note 2.

	<u>2013</u>			<u>2012</u>		
	Cost	Fair Value	Unrealized Appreciation (Decline)	Cost	Fair Value	Unrealized Appreciation (Decline)
Unitized GC Large Cap/U.S Equity Fund	\$ 5,724,227	\$ 6,831,296	1,107,069	\$ 5,626,478	\$ 5,099,642	(526,836)
Unitized GC International fund	4,369,860	1,726,741	(2,643,119)	7,081,266	4,179,828	(2,901,438)
Unitized GC Small Cap/US Equity Fund	1,206,182	1,183,716	(22,466)	5,306,869	5,001,944	(304,925)
Unitized GC Emerging Markets Fund	1,092,419	542,607	(549,812)	2,150,956	1,606,649	(544,307)
Unitized GC Income Fund	5,162,606	5,062,646	(99,960)	5,043,966	4,860,319	(183,647)
Unitized GC Bond Fund	3,212,446	3,163,889	(48,557)	3,125,258	3,216,075	90,817
Donated Stock	1,750	1,750	-	3,245	3,245	-
	<u>\$ 20,769,490</u>	<u>\$ 18,512,645</u>	<u>\$ (2,256,845)</u>	<u>\$ 28,338,038</u>	<u>\$ 23,967,702</u>	<u>\$ (4,370,336)</u>

Investment income for the years ended December 31, 2013 and 2012 is summarized below.

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 367,774	\$ 523,584
Net realized gain (loss) in sale of investments	1,065,173	223,366
Net unrealized gain (loss) in value of investments	2,113,491	2,089,741
Total investment income (loss)	<u>\$ 3,546,438</u>	<u>\$ 2,836,691</u>

Investment management fees for 2013 and 2012 were \$67,565 and \$88,962 respectively.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

7 Transactions With Affiliated Entities:

Amounts due from (to) affiliates at December 31, 2013 and 2012 consist of the following:

	2013	2012
Net amounts due from affiliates:		
ADRA – Azerbaijan	\$ 138	\$ 138
ADRA – Canada	508	-
ADRA – Chad	3,393	10,264
ADRA – Congo East	-	1,533
ADRA – Ethiopia	167,413	218,700
ADRA – ESD	-	163
ADRA – Ghana	195,676	190,349
ADRA – Honduras	-	270
ADRA – India	77,455	92,108
ADRA – Madagascar	4,282	5,932
ADRA – Mozambique	-	6,674
ADRA – Nicaragua	200	94
ADRA – South Sudan	-	20,905
ADRA – Sudan	-	290,918
ADRA – Yemen	11,414	7,510
ADRA – Zimbabwe	-	1,177
General Conference	-	425,136
North American Division	328,997	186,968
Other Affiliated Organizations	712,597	-
	\$ 1,502,073	\$ 1,458,839
Amounts due to affiliates		
ADRA – Africa Regional Office	\$ 85,487	\$ 225,000
ADRA – Asia	5,231	127,136
ADRA – Australia	-	13,861
ADRA – Bolivia	10	10
ADRA – Congo East	33,731	-
ADRA – Mozambique	23,028	-
ADRA – Somalia	-	71
ADRA – South Sudan	333,760	-
ADRA – Sudan	888	-
General Conference	214,277	-
Other Affiliated Organizations	58,794	502,597
	\$ 755,206	\$ 868,675

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 \$486,749 and \$743,997, resulting in a net payable of \$ 214,277 and net receivable of \$ 425,136 for the years ended December 31, 2013 and 2012, 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 \$313,623 and \$311,617 for the years ended December 31, 2013 and 2012, respectively.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2013 and 2012 was \$20,807 and \$13,944 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, 2013 and 2012 totaling \$22,628,901 and \$6,204,684, 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, 2013 and 2012 was \$367,774 and \$523,410 respectively, which is included in investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2013 and 2012 totaling \$18,510,895 and \$23,964,457, 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, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Disaster and famine relief offering	\$ 2,308,045	\$ 2,138,603
Tithe	211,439	207,293
Non tithe	486,749	743,997
Rent	313,623	311,617
Appropriations for field offices	<u>2,528,633</u>	<u>2,869,755</u>
	<u>\$ 5,848,489</u>	<u>\$ 6,271,265</u>

As of December 31, 2013 and 2012, ADRA passed through \$25,281,342 and \$42,283,545 out of \$31,071,043 and \$50,325,751, respectively, of U.S. government grants to affiliate implementing partners as subrecipients of their federal awards. Additionally, ADRA incurred contract expense totaling \$1,069,120 as of December 31, 2012, relating to federal sub-contracts. The amount of \$799,640, as of December 31, 2012, was used to reimburse the affiliate implementing partners for administering the contracts.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

8. Other Receivables

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

	<u>2013</u>	<u>2012</u>
Contracts	\$ -	\$ 368,106
Miscellaneous	<u>378,922</u>	<u>117,606</u>
	<u>\$ 378,922</u>	<u>\$ 485,712</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>2013</u>	<u>2012</u>
Contributions receivable		
<u>Less than one year</u>		
Estates and installments	\$ 251,916	\$ 179,877
Split-interest agreements	7,500	19,786
	<u>\$ 259,416</u>	<u>\$ 199,663</u>
 Contributions receivable –long term, net		
<u>One to five years</u>		
Estates and installments	\$ 252,472	\$ 174,868
Split-interest agreements	1,279,547	1,119,661
<u>More than five years</u>		
Estates and installments	2,157	2,157
	<u>\$ 1,534,176</u>	<u>\$ 1,296,686</u>
 Total contributions receivable	<u>\$ 1,793,592</u>	<u>\$ 1,496,349</u>
 Present value discounts	\$ 23,021	\$ 4,783
Allowance for uncollectible pledged contributions	\$ (292,180)	\$ (166,323)

In 2013, ADRA received a cash distribution of \$28,857. This distribution is conditional pending final expenses, and is recorded in the Statement of Financial Position as an amount due to affiliates. 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 and was recognized in the Statement of Activities in 2013.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

10. Inventories

Inventories at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Purchased	\$ 92,690	\$ 76,579
Donated	<u>261,067</u>	<u>443,864</u>
	<u>\$ 353,757</u>	<u>\$ 520,443</u>

11. Furniture and Equipment

Furniture and equipment at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 836,652	\$ 763,905
Less accumulated depreciation	<u>(621,435)</u>	<u>(560,747)</u>
	<u>\$ 215,217</u>	<u>\$ 203,158</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

12. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Africa	\$ 1,481,227	\$ 1,951,460
Asia	1,661,812	2,259,230
Central America	474,860	539,893
Europe	32,402	75,555
North America	192,464	333,332
South America	94,245	99,940
South Pacific	2,020	1,995
Children	2,021,581	1,623,837
Emergency - disaster	1,489,908	81,590
Economic development	6,502	13,350
Education	-	5,572
Food	3,329,558	3,127,269
Health	58,907	8,037
Restricted as to time	1,793,592	1,488,849
Term endowment	112,730	112,566
Other	640,748	469,570
	<u>\$ 13,392,556</u>	<u>\$ 12,192,045</u>

Temporarily restricted net assets were released during the years ended December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Satisfaction of program restriction	\$ 12,060,239	\$ 15,258,783
Satisfaction of time restriction	56,068	812,977
	<u>\$ 12,116,307</u>	<u>\$ 16,071,760</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, 2013 and 2012 retirement expense of the Retirement Plan contributions consist of the following:

	<u>2013</u>	<u>2012</u>
Retirement	\$ 344,799	\$ 383,026
Health Care	<u>178,784</u>	<u>182,808</u>
	<u>\$ 523,583</u>	<u>565,834</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 \$324,394 and \$287,703, for 2013 and 2012, 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 2012 and has been given new provisional rates for the

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

years 2013 and 2014 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 2013, 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, 2013 and 2012 was \$1,626,099 and \$1,927,113 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, 2013 and 2012, gifts in kind were received from other non-profit organizations of \$8,536,811 and \$10,788,781, respectively. For the years ended December 31, 2013 and 2012, gifts in kind were distributed to affiliate implementing partners of \$8,719,607 and \$10,357,285, respectively.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

17. Supporting Services:

Details of supporting services for the years ended December 31, 2013, and 2012 are as follows:

	Fundraising					
	2013				2012	
	Marketing	Administration	Programs	Total Fundraising	Total Fundraising	
General and administrative costs:						
Personnel and related costs	\$ 154,946	\$ 745	\$ 15,557	\$ 171,248	\$ 284,478	
Travel	8,582	-	-	8,582	32,167	
Rent	22,171	70	650	22,891	49,399	
Depreciation	1,462	2	-	1,464	2,019	
Other (<i>see additional detail</i>)	1,277,108	30,000	-	1,307,108	1,598,450	
Salary and travel allocation	-	-	-	-	-	
Total Fundraising	\$ 1,464,269	\$ 30,817	\$ 16,207	\$ 1,511,293	\$ 1,966,513	
	Public Relations					
	2013				2012	
	Marketing	Administration	Programs	Total Public Relations	Total Public Relations	
General and administrative costs:						
Personnel and related costs	\$ 286,467	\$ 4,737	\$ 3,119	\$ 294,323	\$ 218,447	
Travel	23,986	6,919	-	30,905	57,674	
Rent	39,745	797	130	40,672	33,624	
Depreciation	3,867	-	-	3,867	1,388	
Other (<i>see additional detail</i>)	117,755	125,805	-	243,560	339,849	
Salary and travel allocation	-	-	-	-	-	
Total Public Relations	\$ 471,820	\$ 138,258	\$ 3,249	\$ 613,327	\$ 650,982	
	Management and General					
	2013				2012	
	Marketing	Administration	Programs	Finance	Total Management and General	Total Management and General
General and administrative costs:						
Personnel and related costs	\$ 856,290	\$ 1,984,440	\$ 1,851,612	\$ 1,710,674	\$ 6,403,016	\$ 5,911,932
Travel	35,893	237,561	198,081	56,163	527,698	519,051
Rent	188,807	250,059	112,409	120,800	672,075	879,387
Depreciation	16,243	61,339	-	-	77,582	62,593
Other (<i>see additional detail</i>)	487,673	1,419,472	201,737	612,418	2,721,300	2,372,522
Salary and travel allocation	-	(2,641)	-	-	(2,641)	-
Overhead recovered from grants	-	-	(4,655,374)	-	(4,655,374)	(7,069,111)
Total Management and General	\$ 1,584,906	\$ 3,950,230	\$ (2,291,535)	\$ 2,500,055	\$ 5,743,656	\$ 2,676,374

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, 2013 and 2012 are as follows:

	2013			
	Fundraising	Public Relations	Management and General	Total
Maintenance and repairs	\$ -	\$ -	\$ 69,638	\$ 69,638
Management and administration	9,472	16,394	494,755	520,621
Materials and supplies	-	169	241,790	241,959
Postage and telecommunications	2,851	7,946	160,585	171,382
Professional services	41,559	5,430	1,575,499	1,622,488
Public education/awareness	-	-	3,295	3,295
Publication and printing	1,222,528	116	21,790	1,244,434
Transportation, handling and warehousing	-	-	85,981	85,981
Promotion/advertising	30,698	213,505	-	244,203
Entertainment	-	-	14,174	14,174
Miscellaneous	-	-	53,793	53,793
Total	\$ 1,307,108	\$ 243,560	\$ 2,721,300	\$ 4,271,968

	2012			
	Fundraising	Public Relations	Management and General	Total
Maintenance and repairs	\$ -	\$ -	\$ 75,881	\$ 75,881
Management and administration	11,767	-	438,939	450,706
Materials and supplies	-	9,167	186,823	195,990
Postage and telecommunications	1,045	6,386	212,651	220,082
Professional services	21,148	27,898	1,231,957	1,281,003
Public education/awareness	-	-	3,733	3,733
Publication and printing	1,535,459	179,215	78,165	1,792,839
Transportation, handling and warehousing	-	-	86,042	86,042
Promotion/advertising	29,031	117,183	-	146,214
Entertainment	-	-	26,234	26,234
Miscellaneous	-	-	32,097	32,097
Total	\$ 1,598,450	\$ 339,849	\$ 2,372,522	\$ 4,310,821

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

18. Joint Cost

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

	<u>2012</u>
Fundraising	\$ 80,335
Public relations	121,798
Management and general	<u>57,012</u>
	<u>\$ 259,145</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, 2013 and 2012 respectively, \$6,641,853 and \$6,094,099 of the commitment has been met.