



RUNNING STRONG
FOR AMERICAN INDIAN YOUTH[®]

**AMERICAN INDIAN YOUTH RUNNING
STRONG, INC.**

Financial Statements

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)



and

Report Thereon



AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Indian Youth Running Strong, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of American Indian Youth Running Strong, Inc. (the Organization), an affiliate of Christian Relief Services Charities, Inc., as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated October 14, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
October 26, 2012

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 112,543	\$ 262,424
Grants and contributions receivable, net	161,795	138,337
Accounts receivable	-	753
Inventory	19,819	19,781
Prepaid expenses	7,463	5,056
Investments	1,082,770	1,095,365
Property and equipment, net	<u>38,631</u>	<u>11,652</u>
TOTAL ASSETS	<u><u>\$ 1,423,021</u></u>	<u><u>\$ 1,533,368</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 32,062	\$ 60,574
Due to affiliates	199,362	3,414
Deferred revenue	<u>23,294</u>	<u>16,998</u>
TOTAL LIABILITIES	<u>254,718</u>	<u>80,986</u>
Net Assets		
Unrestricted	1,012,640	1,223,450
Temporarily restricted	<u>155,663</u>	<u>228,932</u>
TOTAL NET ASSETS	<u>1,168,303</u>	<u>1,452,382</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,423,021</u></u>	<u><u>\$ 1,533,368</u></u>

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

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Noncash contributions from affiliate	\$ 1,904,120	\$ -	\$ 1,904,120	\$ 1,756,975
Noncash contributions	195,289	-	195,289	-
Foundation grants and cash contributions	136,350	237,461	373,811	356,923
Cash contributions from affiliates	-	334,718	334,718	623,177
Wills and bequests	320,059	-	320,059	2,033,845
Workplace campaign contributions	-	180,402	180,402	172,269
Investment income	27,983	-	27,983	16,881
Grants from government agencies	26,069	-	26,069	228,067
Special events	12,588	-	12,588	19,217
Other income	2,032	-	2,032	4,290
Net assets released from restrictions:				
Satisfaction of time restrictions	169,636	(169,636)	-	-
Satisfaction of purpose restrictions	656,214	(656,214)	-	-
TOTAL SUPPORT AND REVENUE	3,450,340	(73,269)	3,377,071	5,211,644
EXPENSES				
Program Services:				
American Indian programs	3,566,020	-	3,566,020	4,543,302
Total Program Services	3,566,020	-	3,566,020	4,543,302
Supporting Services:				
Management and general	85,921	-	85,921	75,538
Development and fundraising	9,209	-	9,209	7,086
Total Supporting Services	95,130	-	95,130	82,624
TOTAL EXPENSES	3,661,150	-	3,661,150	4,625,926
CHANGE IN NET ASSETS	(210,810)	(73,269)	(284,079)	585,718
NET ASSETS, BEGINNING OF YEAR	1,223,450	228,932	1,452,382	866,664
NET ASSETS, END OF YEAR	\$ 1,012,640	\$ 155,663	\$ 1,168,303	\$ 1,452,382

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

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	2012			2011	
	American Indian Programs	Management and General	Fundraising	Total	Total
Donated relief materials	\$ 2,099,409	\$ -	\$ -	\$ 2,099,409	\$ 1,743,954
Cash grants	737,464	-	-	737,464	631,113
Wages and fringe benefits	340,499	803	-	341,302	370,730
Contract services	86,294	-	-	86,294	75,718
Procurement fees	67,629	-	-	67,629	263,428
Field Operations					
New York/Nebraska/South Dakota	77,365	-	-	77,365	109,567
Provision for doubtful accounts	-	33,833	-	33,833	20,860
Cash grants - affiliates	31,249	-	-	31,249	1,254,053
Office supplies, dues and subscriptions	21,109	5,261	2,419	28,789	23,425
Payroll taxes	25,809	142	-	25,951	25,270
Meetings and travel	19,598	3,826	169	23,593	21,230
Shipping	16,591	882	-	17,473	22,656
Rent	-	17,413	-	17,413	17,015
Repairs and maintenance	12,985	1,471	-	14,456	2,194
Professional and consulting	800	13,630	-	14,430	19,300
Depreciation and amortization	10,119	-	-	10,119	3,951
General insurance	8,742	-	-	8,742	6,065
Printing and production	6,063	-	372	6,435	5,140
Bank charges	-	6,320	-	6,320	2,897
Advertising	-	-	6,046	6,046	350
Telephone	1,385	1,234	-	2,619	2,703
Miscellaneous	1,888	-	-	1,888	2,218
Postage	957	-	203	1,160	53
Data processing services and supplies	-	598	-	598	885
Equipment rental	-	508	-	508	457
Other fees	65	-	-	65	56
Utilities	-	-	-	-	638
TOTAL EXPENSES	\$ 3,566,020	\$ 85,921	\$ 9,209	\$ 3,661,150	\$ 4,625,926

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

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (284,079)	\$ 585,718
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	33,833	20,860
Depreciation	10,119	3,951
Donated stock	-	(13,021)
Unrealized gains on investments	(2,716)	(48,820)
Realized losses on investments	1,507	44,984
Changes in assets and liabilities:		
Grants and contributions receivable	(57,291)	42,730
Accounts receivable	753	30,116
Due from affiliates	-	203,276
Inventory	(38)	(1,163)
Prepaid expenses	(2,407)	(335)
Accounts payable and accrued expenses	(28,512)	16,682
Due to affiliates	195,948	2,271
Deferred revenue	6,296	(807)
	<u>(126,587)</u>	<u>886,442</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>(126,587)</u>	<u>886,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(674,663)	(1,889,568)
Sales of investments	688,467	989,843
Purchases of property and equipment	(37,098)	(12,492)
	<u>(23,294)</u>	<u>(912,217)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(23,294)</u>	<u>(912,217)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(149,881)	(25,775)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>262,424</u>	<u>288,199</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 112,543</u>	<u>\$ 262,424</u>
SUPPLEMENTAL DISCLOSURES		
Donated stock	<u>\$ -</u>	<u>\$ 13,021</u>

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

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

American Indian Youth Running Strong, Inc. (the Organization), also doing business as Running Strong for American Indian Youth, was incorporated in 1990 and is an affiliate under the group exemption of Christian Relief Services Charities, Inc. (CRSC), a nonprofit 501(c)(3) organization. The Organization's mission is to help American Indian people meet their immediate survival needs – food, water and shelter – while implementing and supporting programs designed to create opportunities for self-sufficiency and self-esteem, particularly for Native American youth. The Organization includes three field operations, which are located in Nebraska, New York and South Dakota. The field operations are in proximity to American Indian reservations and urban communities. These field efforts identify new reservation needs and resources; troubleshoot and provide technical assistance to local programs; and establish an on-site, interactive organizational presence.

The Organization received approximately 67% of its support and revenue from Christian Relief Services, Inc. (CRSI), an affiliate of CRSC, and the remaining 33% from the public through cash contributions, foundation grants, wills and bequests and participation in workplace campaigns.

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market funds and all highly liquid investments with initial maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market, as determined by the last-in, first out (LIFO) method.

Investments

Investments are recorded in the accompanying statement of financial position at fair value. 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.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of and for the year ended June 30, 2012, only the Organization's investments, as described in Note 5 of these financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation

Property and equipment are recorded at cost. Depreciation on computers, office equipment and vehicles is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expenses in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The net assets of the Organization are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

Revenue Recognition

Gifts and grants of cash and other assets are recognized as revenue at their net realizable value when an unconditional promise to give is received by the Organization. The Organization reports gifts and grants of cash and other assets as unrestricted support and available for general operations, unless specifically restricted by the donor.

Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying statement of activities.

Revenue recognized on grants and contributions that have been committed to the Organization but have not been received is reflected as grants and contributions receivable in the accompanying statement of financial position. Grants and contributions receivable are reported net of an allowance for doubtful accounts. The allowance is based on historical collection experience and a review of the current status of the grants and contributions receivable. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Deposits received for the Running Strong Tour of the Pine Ridge and Cheyenne River Sioux Indian Reservations are recorded as revenue when the tour occurs. Deposits received in advance of the tour are recorded as deferred revenue in the accompanying statement of financial position.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Wills and bequests are recognized at the time an unassailable right to the gift has been established, the proceeds are measurable and the Organization accepts the gift.

Noncash Contributions

Noncash contributions include donations from an affiliate as well as noncash contributions donated directly to the Organizations. The majority of the noncash contributions represent contributions of food, school supplies, coats, shoes, blankets and hygiene products that were made to Christian Relief Services, Inc. (CRSI), an affiliate of the Organization, a portion of which was then donated to the Organization for its programs helping American Indian families. The donated items are recorded as revenue and expense at their estimated fair value at the date of donation. The Organization's programs are also furthered by a substantial number of nonprofessional volunteers who have contributed their services to the Organization. The value of these services is not reflected in the accompanying financial statements because the contributed services do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Costs directly related to a program and/or supporting services are charged to that functional area. Expenses related to more than one function are allocated among the program and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at their net realizable value. All receivables are expected to be collected within one year. The Organization has recorded an allowance for doubtful accounts of \$66,267.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

3. Investments

As of June 30, 2012, the Organization's investments, at fair value, amounted to \$1,082,770. Investments consist entirely of exchange-traded funds.

A summary of investment income is as follows for the year ended June 30, 2012:

Interest and dividends	\$ 26,774
Realized losses	(1,507)
Unrealized gains	<u>2,716</u>
Total Investment Income	<u>\$ 27,983</u>

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2012:

Vehicles	\$ 37,099
Office and computer equipment	<u>23,265</u>
Total Property and Equipment	60,364
Less: Accumulated Depreciation	<u>(21,733)</u>
Net Property and Equipment	<u>\$ 38,631</u>

Depreciation expense was \$10,119 for the year ended June 30, 2012.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

5. Fair Value Measurements

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2012, aggregated by the fair value hierarchy level with which those measurements were made:

	Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Exchange-traded funds				
Government bond funds	\$ 257,919	\$ 257,919	\$ -	\$ -
Intermediate-term bonds funds	231,792	231,792	-	-
Large blend funds	152,066	152,066	-	-
Inflation-protected bond funds	107,491	107,491	-	-
Foreign large blend funds	66,796	66,796	-	-
Mid-cap blend funds	55,275	55,275	-	-
High yield bond funds	55,126	55,126	-	-
Large value funds	34,588	34,588	-	-
Small blend funds	33,686	33,686	-	-
Commodities funds	27,202	27,202	-	-
Real estate investments				
Trust (REIT) funds	24,078	24,078	-	-
Foreign small/mid-blend funds	18,144	18,144	-	-
Diversified emerging markets	<u>18,607</u>	<u>18,607</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,082,770</u>	<u>\$ 1,082,770</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Exchange-traded funds – Valued at quoted market prices for identical assets in active markets.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

6. Temporarily Restricted Net Assets

As of June 30, 2012, net assets are restricted for use in future periods or in the following programs:

Time restrictions	\$ 149,103
Athletic/recreation support	<u>6,560</u>
Total Temporarily Restricted Net Assets	<u>\$ 155,663</u>

7. Transactions with Affiliates

The Organization is an affiliate of CRSC and CRSI. A majority of the Organization's Board overlaps with CRSC's and CRSI's board members. CRSI acts as the fundraising arm for CRSC and its affiliates. CRSI raises both cash and noncash contributions for CRSC and its affiliates and the contributions are distributed to the entities based on program objectives and need. During the year ended June 30, 2012, CRSI made cash contributions to the Organization of \$330,936 and noncash contributions of \$1,904,120. These contributions from affiliates represent 67% of the Organization's support and revenue for the year ended June 30, 2012, and are dependent on support from the general public. As of June 30, 2012, the Organization owed \$119,067 and \$80,295 to CRSC and CRSI, respectively, both of which are shown as due to affiliates in the accompanying statement of financial position.

The Organization also made cash contributions of \$31,249 to Cheyenne River Youth Project, Inc. (CRYP) and received cash contributions from CRYP of \$3,782. Effective December 31, 2011, CRYP is no longer an affiliate of the Organization.

8. Risks and Contingencies - Deposits

The Organization has special events, such as a marathon team fundraiser and an annual tour for supporters to view its programs and conditions on the Pine Ridge and Cheyenne River Sioux Indian Reservations in South Dakota, Nebraska and surrounding areas. Tour deposits can be refunded if the tour is cancelled and, therefore, are recognized as revenue when the event occurs. As of June 30, 2012, deposits of \$23,294 were received in advance of the tour and marathon and are reflected as deferred revenue in the accompanying statement of financial position.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

9. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. The Organization may make matching contributions up to 3% of each participant's salary. Employees are vested in employer contributions after five years of service. Effective November 1, 2011, the Organization started making an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2012, retirement expense related to the plan was \$9,329.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2012, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2012, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2012, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

11. Prior Year Summarized Financial Information

The accompanying 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.