



RUNNING STRONG
for American Indian Youth®

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

Financial Statements

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)



**and
Report Thereon**



AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

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For the Year Ended June 30, 2016

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Indian Youth Running Strong, Inc. (the Organization), an affiliate of Christian Relief Services Charities, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and in our report dated October 29, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
October 27, 2016

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With Summarized Financial Information as of June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 174,357	\$ 125,487
Grants and contributions receivable, net	84,708	127,097
Due from affiliate	36,347	-
Inventory	357,505	25,346
Prepaid expenses	15,185	4,314
Investments	1,311,265	1,294,166
Property and equipment, net	53,617	65,171
TOTAL ASSETS	\$ 2,032,984	\$ 1,641,581
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 58,839	\$ 94,586
Due to affiliates	86,893	102,896
Deferred revenue	7,388	12,253
TOTAL LIABILITIES	153,120	209,735
Net Assets		
Unrestricted	1,734,922	1,299,535
Temporarily restricted	144,942	132,311
TOTAL NET ASSETS	1,879,864	1,431,846
TOTAL LIABILITIES AND NET ASSETS	\$ 2,032,984	\$ 1,641,581

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, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Cash contributions from affiliates	\$ -	\$ 1,550,000	\$ 1,550,000	\$ 1,607,617
Noncash contributions	1,578,561	-	1,578,561	1,105,984
Noncash contributions from affiliate	750,579	-	750,579	644,565
Foundation grants and cash contributions	255,797	237,469	493,266	432,053
Workplace campaign contributions	-	135,624	135,624	122,142
Wills and bequests	9,215	1,000	10,215	108,781
Grants from government agencies	19,074	-	19,074	19,327
Investment income	13,776	-	13,776	15,755
Other income	6,425	-	6,425	7,740
Net assets released from restrictions:				
Satisfaction of time restrictions	138,705	(138,705)	-	-
Satisfaction of purpose restrictions	1,772,757	(1,772,757)	-	-
	4,544,889	12,631	4,557,520	4,063,964
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program Services:				
American Indian programs	4,027,602	-	4,027,602	3,857,344
	4,027,602	-	4,027,602	3,857,344
Total Program Services				
Supporting Services:				
Management and general	42,260	-	42,260	35,288
Development and fundraising	39,640	-	39,640	8,467
	81,900	-	81,900	43,755
Total Supporting Services				
	4,109,502	-	4,109,502	3,901,099
TOTAL EXPENSES				
CHANGE IN NET ASSETS	435,387	12,631	448,018	162,865
NET ASSETS, BEGINNING OF YEAR	1,299,535	132,311	1,431,846	1,268,981
NET ASSETS, END OF YEAR	\$ 1,734,922	\$ 144,942	\$ 1,879,864	\$ 1,431,846

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, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016				2015
	American Indian Programs	Management and General	Development and Fundraising	Total	Total
Donated relief materials	\$ 1,969,329	\$ -	\$ -	\$ 1,969,329	\$ 1,750,549
Cash grants	778,507	-	-	778,507	691,519
Procurement fees	381,575	-	-	381,575	403,258
Wages and fringe benefits	285,374	-	-	285,374	287,449
Contract services	217,895	3,705	30,000	251,600	289,831
Provision for doubtful accounts	98,704	-	-	98,704	47,744
Meetings and travel	88,483	1,216	30	89,729	132,551
Shipping	58,965	647	-	59,612	30,783
Office supplies, dues and subscriptions	34,611	4,458	7,906	46,975	124,713
Loss on write-off of inventory	34,044	-	-	34,044	-
Payroll taxes	22,040	-	-	22,040	22,319
Professional and consulting	-	20,059	-	20,059	20,075
Repairs and maintenance	15,217	630	-	15,847	11,945
Depreciation and amortization	11,554	-	-	11,554	12,652
Field operations – South Dakota	9,264	-	-	9,264	20,178
Postage	7,516	-	492	8,008	5,819
General insurance	7,249	-	-	7,249	13,324
Bank charges	-	4,759	-	4,759	6,899
Rent	-	4,653	-	4,653	3,490
Telephone	1,811	1,546	-	3,357	5,131
Printing and production	2,426	195	662	3,283	11,446
Miscellaneous	2,033	-	-	2,033	4,716
Utilities	727	392	-	1,119	4,186
Advertising	278	-	550	828	522
TOTAL EXPENSES	\$ 4,027,602	\$ 42,260	\$ 39,640	\$ 4,109,502	\$ 3,901,099

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, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 448,018	\$ 162,865
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	43,736	(14,646)
Depreciation	11,554	12,652
Unrealized losses on investments	17,721	104,877
Realized gains on investments	(455)	(95,618)
Loss from write-off of inventory	34,044	-
Changes in assets and liabilities:		
Grants and contributions receivable	(1,347)	56,658
Due from affiliate	(36,347)	-
Inventory	(366,203)	(4,904)
Prepaid expenses	(10,871)	2,446
Accounts payable and accrued expenses	(35,747)	47,941
Due to affiliates	(16,003)	(361,921)
Deferred revenue	(4,865)	(5,304)
	<u>83,235</u>	<u>(94,954)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(142,229)	(1,207,341)
Sales of investments	107,864	1,170,039
Purchases of property and equipment	-	(13,675)
	<u>(34,365)</u>	<u>(50,977)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,870	(145,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>125,487</u>	<u>271,418</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 174,357</u>	<u>\$ 125,487</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, 2016

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 one field operation, which is located on the Pine Ridge Reservation in South Dakota. The field operation is 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 50% of its support and revenue from Christian Relief Services, Inc. (CRSI), an affiliate of CRSC, and the remaining 50% from the public through cash and non-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 (GAAP). 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 first-in, first-out (FIFO) 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.

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

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Fair Value Measurements (continued)

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 June 30, 2016, 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 and are depreciated using the straight-line method over the estimated useful lives as follows, with no salvage value:

Building	40 years
Vehicles	5 years
Office and computer equipment	3-5 years

Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue and support or expenses.

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 to a particular 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.

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.

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Noncash Contributions

Noncash contributions include donations from an affiliate as well as noncash contributions donated directly to the Organization. Noncash contributions represent contributions of food and clothing that were made by 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 GAAP.

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 GAAP 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 \$86,397 as of June 30, 2016.

3. Inventory

The Organization's inventory consisted of the following as of June 30, 2016:

New clothing, winter boots and shoes	\$ 246,245
School supplies and other	<u>111,260</u>
Total Inventory	<u>\$ 357,505</u>

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

4. Investments

As of June 30, 2016, the Organization's investments, at fair value, amounted to \$1,311,265. Investments consist entirely of exchange-traded funds.

A summary of investment income is as follows for the year ended June 30, 2015:

Interest and dividends	\$ 31,042
Realized gains	455
Unrealized losses	<u>(17,721)</u>
Total Investment Income	<u>\$ 13,776</u>

5. Fair Value Measurements

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2016, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Exchange-traded funds:				
Mid-cap blend funds	\$ 551,428	\$ 551,428	\$ -	\$ -
Diversified emerging markets	231,761	231,761	-	-
Small blend funds	109,030	109,030	-	-
Intermediate-term bond funds	107,055	107,055	-	-
Government bond funds	78,335	78,335	-	-
Short-term bond funds	70,125	70,125	-	-
Real estate investments trust (REIT) funds	70,085	70,085	-	-
High yield bond funds	51,572	51,572	-	-
Commodities funds	<u>41,874</u>	<u>41,874</u>	-	-
Total	<u>\$ 1,311,265</u>	<u>\$ 1,311,265</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, 2016

6. Property and Equipment

Property and equipment consist of the following as of June 30, 2016:

Building and land	\$ 45,951
Vehicles	33,073
Office and computer equipment	<u>11,300</u>
Total Property and Equipment	90,324
Less: Accumulated Depreciation	<u>(36,707)</u>
Property and Equipment, Net	<u><u>\$ 53,617</u></u>

Depreciation expense was \$11,554 for the year ended June 30, 2016.

7. Temporarily Restricted Net Assets

As of June 30, 2016, net assets were restricted for use in future periods or for the following projects under the American Indian program:

Time restrictions	\$ 122,778
American Indian programs:	
Food and clothing support	11,742
School support	<u>10,422</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 144,942</u></u>

8. Transactions with Affiliates

The Organization is an affiliate of CRSC and CRSI. A majority of the Organization's board overlaps with CRSC 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, 2016, CRSI made cash contributions to the Organization of \$1,550,000 and noncash contributions of \$750,579.

As of June 30, 2016, the Organization owed \$86,893 to CRSC for salaries, benefits and other expenses, and this is shown as due to affiliate in the accompanying statement of financial position. As of June 30, 2016, CRSI owed the Organization \$36,347, which is shown as due from affiliate in the accompanying statement of financial position.

Continued

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. Under the terms of the defined contribution plan, eligible employees may elect to contribute up to the federal tax limitation. The plan has the following employee deferral and matching provisions:

<u>Elective Deferral</u>	<u>Employer Matching</u>
1%	150% of employee contribution
1% – 3%	100% of employee contribution
3% – 6%	50% of employee contribution

Employees are immediately vested in employer contributions. During the year ended June 30, 2016, retirement expense related to the plan was \$10,146.

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, 2016, 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 Financial Accounting Standards Board Accounting Standards Codification Topic 740, *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, 2016, 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, 2016, the statute of limitations for tax years ended June 30, 2013 through June 30, 2015 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

AMERICAN INDIAN YOUTH RUNNING STRONG, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.