

CHURCH WORLD SERVICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

CHURCH WORLD SERVICE, INC.

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Independent Auditor's Report

The Board of Directors
Church World Service, Inc.
New York City, New York

We have audited the accompanying financial statements of Church World Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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.



Church World Service, Inc.

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 Church World Service, Inc. as of June 30, 2014 and 2013, 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.

Crosslin + Associates, P.C.

October 1, 2014

Nashville, Tennessee

CHURCH WORLD SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 1,349,374	\$ 1,316,865
Contributions receivable, less allowances for uncollectible contributions (\$5,000 in 2014 and 2013)	612,148	1,181,606
Government grants receivable	8,473,531	7,668,398
Due from government agency	7,702	–
Prepaid expenses and other assets	2,501,242	1,700,680
Inventories	4,229,247	3,574,070
Investments	3,512,024	3,008,657
Investments held by others	6,748,344	6,041,735
Split-interest agreement receivables	3,372,233	3,318,973
Land, building, and equipment, net	118,673	138,328
Total assets	\$ 30,924,518	\$ 27,949,312
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 7,319,106	\$ 5,993,280
Grants payable	4,807,557	3,786,432
Accrued liabilities:		
Due to other U.S. voluntary agencies	2,078,091	1,911,456
Other	935,592	1,089,393
Due to government agency	–	8,475
Debt obligations	471,537	1,100,733
Postretirement benefit liability	5,113,124	4,768,968
Total liabilities	20,725,007	18,658,737
Net assets:		
Unrestricted	640,276	290,165
Temporarily restricted	6,647,552	6,303,060
Permanently restricted	2,911,683	2,697,350
Total net assets	10,199,511	9,290,575
Total liabilities and net assets	\$ 30,924,518	\$ 27,949,312

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues, gains and other income				
Support:				
Contributions – member communions and related organizations	\$ 5,731,881	\$ 1,521,381	\$ –	\$ 7,253,262
Contributions – public and community appeals	20,788,462	740,596	–	21,529,058
Government programs	45,385,667	–	–	45,385,667
Donated materials	3,124,612	–	–	3,124,612
Revenues and gains:				
Service fees	1,591,349	–	–	1,591,349
Interest and dividend income	133,437	–	–	133,437
Other income	593,565	–	–	593,565
Net assets released from restrictions	1,917,485	(1,917,485)	–	–
Total support, revenues, gains and other income	79,266,458	344,492	–	79,610,950
Expenses				
Program services:				
Global hunger and development	10,303,376	–	–	10,303,376
Disaster and emergency response	11,375,157	–	–	11,375,157
Refugee services	45,042,475	–	–	45,042,475
Advocacy and relationships	2,069,583	–	–	2,069,583
Total program services	68,790,591	–	–	68,790,591
Supporting services:				
Management and general	3,300,413	–	–	3,300,413
Fund-raising	7,728,260	–	–	7,728,260
Total supporting services	11,028,673	–	–	11,028,673
Total expenses	79,819,264	–	–	79,819,264
Change in net assets from operations	(552,806)	344,492	–	(208,314)
Nonoperating activities				
Net realized and unrealized gain on investments	902,917	–	–	902,917
Endowment contributions	–	–	214,333	214,333
Change in net assets	350,111	344,492	214,333	908,936
Net assets at beginning of year	290,165	6,303,060	2,697,350	9,290,575
Net assets at end of year	\$ 640,276	\$ 6,647,552	\$ 2,911,683	\$ 10,199,511

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues, gains and other income				
Support:				
Contributions – member communions and related organizations	\$ 3,553,638	\$ 1,681,960	\$ –	\$ 5,235,598
Contributions – public and community appeals	20,980,712	743,361	–	21,724,073
Government programs	43,999,257	–	–	43,999,257
Donated materials	2,203,741	–	–	2,203,741
Revenues and gains:				
Service fees	1,432,524	–	–	1,432,524
Interest and dividend income	131,469	–	–	131,469
Other income	520,182	–	–	520,182
Net assets released from restrictions	3,103,809	(3,103,809)	–	–
Total support, revenues, gains and other income	75,925,332	(678,488)	–	75,246,844
Expenses				
Program services:				
Global hunger and development	9,675,784	–	–	9,675,784
Disaster and emergency response	9,711,140	–	–	9,711,140
Refugee services	44,300,134	–	–	44,300,134
Advocacy and relationships	2,499,907	–	–	2,499,907
Total program services	66,186,965	–	–	66,186,965
Supporting services:				
Management and general	3,168,154	–	–	3,168,154
Fund-raising	7,552,387	–	–	7,552,387
Total supporting services	10,720,541	–	–	10,720,541
Total expenses	76,907,506	–	–	76,907,506
Change in net assets from operations	(982,174)	(678,488)	–	(1,660,662)
Nonoperating activities				
Net realized and unrealized gain on investments	657,920	–	–	657,920
Endowment contributions	–	–	938,930	938,930
Change in net assets	(324,254)	(678,488)	938,930	(63,812)
Net assets at beginning of year	614,419	6,981,548	1,758,420	9,354,387
Net assets at end of year	\$ 290,165	\$ 6,303,060	\$ 2,697,350	\$ 9,290,575

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2014	2013
Operating activities		
Change in net assets	\$ 908,936	\$ (63,812)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,655	24,988
Contributions restricted for long-term investment	(214,333)	(938,930)
Net realized and unrealized gain on investments	(902,917)	(657,920)
Changes in operating assets and liabilities:		
Contributions receivable	569,458	(547,900)
Split-interest agreement receivables	(53,260)	607,237
Government grants receivable	(805,133)	(609,723)
Prepaid expenses and other assets	(800,562)	(147,324)
Inventories	(655,177)	750,663
Accounts payable	1,325,826	(271,948)
Grants payable	1,021,125	212,228
Accrued liabilities	12,834	748,645
Postretirement benefit liability	344,156	(868,504)
Due to government agency	(16,177)	—
Net cash provided by (used in) operating activities	754,431	(1,762,300)
Investing activities		
(Purchases) sale of investments, net	(307,059)	1,079,554
Net cash (used in) provided by investing activities	(307,059)	1,079,554
Financing activities		
Contributions restricted for long-term investment	214,333	938,930
Proceeds from debt obligations	—	500,000
Repayment of debt obligations	(629,196)	(426,859)
Net cash (used in) provided by financing activities	(414,863)	1,012,071
Net increase in cash and cash equivalents	32,509	329,325
Cash and cash equivalents at beginning of year	1,316,865	987,540
Cash and cash equivalents at end of year	\$ 1,349,374	\$ 1,316,865
Supplemental information		
Interest paid	\$ 61,687	\$ 81,070

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

Type of Expense	Global Hunger and Development	Disaster and Emergency Response	Refugee Services	Advocacy and Relationships	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total 2014 Expenses
Direct program expenses	\$ 7,370,324	\$ 6,880,647	\$ 28,651,607	\$ 11,600	\$ 42,914,178	\$ -	\$ -	\$ -	\$ 42,914,178
Designated expenditures for other									
U.S. voluntary agencies	733,245	2,509,329	-	16,294	3,258,868	-	-	-	3,258,868
	8,103,569	9,389,976	28,651,607	27,894	46,173,046	-	-	-	46,173,046
Salaries and related costs	1,745,480	1,312,470	13,987,784	1,217,836	18,263,570	1,213,033	5,327,895	6,540,928	24,804,498
Professional fees	167,418	291,794	477,878	126,836	1,063,926	1,326,602	537,702	1,864,304	2,928,230
Rent and occupancy	117,398	110,032	705,805	122,498	1,055,733	141,337	258,282	399,619	1,455,352
Office supplies and equipment	3,367	5,111	279,668	43,869	332,015	153,640	126,158	279,798	611,813
Communications	10,925	78,936	266,810	116,002	472,673	207,168	773,707	980,875	1,453,548
Travel and meetings	137,671	180,976	605,272	290,600	1,214,519	128,362	597,827	726,189	1,940,708
Depreciation	-	-	-	-	-	19,655	-	19,655	19,655
Interest	-	-	-	-	-	61,687	-	61,687	61,687
Miscellaneous	17,548	5,862	67,651	124,048	215,109	48,929	106,689	155,618	370,727
Total expenses	\$ 10,303,376	\$ 11,375,157	\$ 45,042,475	\$ 2,069,583	\$ 68,790,591	\$ 3,300,413	\$ 7,728,260	\$ 11,028,673	\$ 79,819,264

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

Type of Expense	Global Hunger and Development	Disaster and Emergency Response	Refugee Services	Advocacy and Relationships	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total 2013 Expenses
Direct program expenses	\$ 7,153,564	\$ 4,970,897	\$ 29,059,755	\$ 58,775	\$ 41,242,991	\$ -	\$ -	\$ -	\$ 41,242,991
Designated expenditures for other									
U.S. voluntary agencies	669,325	2,579,350	-	16,325	3,265,000	-	-	-	3,265,000
	7,822,889	7,550,247	29,059,755	75,100	44,507,991	-	-	-	44,507,991
Salaries and related costs	1,447,946	1,420,250	12,765,642	1,376,592	17,010,430	1,051,817	5,328,487	6,380,304	23,390,734
Professional fees	156,888	304,668	378,969	290,127	1,130,652	1,492,896	522,631	2,015,527	3,146,179
Rent and occupancy	111,123	100,501	678,814	127,678	1,018,116	144,494	287,384	431,878	1,449,994
Office supplies and equipment	1,325	4,590	279,794	47,727	333,436	182,857	64,699	247,556	580,992
Communications	9,025	121,095	302,499	122,190	554,809	155,508	783,641	939,149	1,493,958
Travel and meetings	125,508	204,192	739,279	299,409	1,368,388	25,437	435,279	460,716	1,829,104
Depreciation	-	-	-	-	-	24,988	-	24,988	24,988
Interest	-	-	-	-	-	81,070	-	81,070	81,070
Miscellaneous	1,080	5,597	95,382	161,084	263,143	9,087	130,266	139,353	402,496
Total expenses	\$ 9,675,784	\$ 9,711,140	\$ 44,300,134	\$ 2,499,907	\$ 66,186,965	\$ 3,168,154	\$ 7,552,387	\$ 10,720,541	\$ 76,907,506

See accompanying notes to the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. ORGANIZATION

Church World Service, Inc. (“CWS”) is a not-for-profit, private voluntary organization. CWS works with partners to eradicate hunger and poverty and to promote peace and justice around the world. CWS supports global hunger and development, disaster relief, and refugee assistance; works to educate and advocate on hunger-related issues; provides resources; and facilitates action and communication at the grassroots level.

In May 2000, the Executive Board of the National Council of the Churches of Christ in the U.S.A. (the “Council”) authorized the separation of the financial and operating management of the Council and CWS effective July 1, 2000. The Executive Board of the Council acted to delegate CWS’s legal and fiduciary responsibility to the Board of Directors of CWS and the Executive Committee of CWS. The membership of both bodies remains with the General Assembly of the Council and CWS with governance for each respectively provided by the Governing Board of the Council and the Board of Directors of CWS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classifications

CWS classifies its support, revenues, expenses, gains and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of CWS and changes therein are classified as follows:

Unrestricted Net Assets - Reflect unrestricted board-designated, trustee, and other resources available to CWS for its operating activities.

Temporarily Restricted Net Assets - Reflect contributed assets whose use by CWS has been limited by donors for a specified time or purpose.

Permanently Restricted Net Assets - Reflect contributions with donor-imposed restrictions that do not expire and that typically allow for the income earned thereon to be expended consistent with donor intent.

Cash and Cash Equivalents

For the purpose of these financial statements, CWS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments and Investment Income

CWS records all investments at fair value based on the fair value measurements described in Note 14.

The fair values of equity and debt securities are based on quoted market prices on the last business day of the fiscal year. The fair values of mutual funds are based on published unit values on the last business day of the fiscal year. Investment income, including realized and unrealized gains and losses, is recorded in the appropriate net asset classification based on donor restrictions or the absence thereof.

Concentrations

CWS maintains cash deposits and investments in accounts which, at times, may exceed federally insured limits. Credit risk is managed by maintaining all deposits in financial institutions which management believes are high quality financial institutions and by maintaining diversification of investments, including those held in various securities. Such funds are subject to inherent market fluctuations, which at times, may be significant.

Land, Building, and Equipment

Land, building and equipment are recorded at acquisition cost. Donated property is recorded at estimated fair value at date of donation. Expenditures for normal maintenance and repairs are expensed as incurred. Depreciation of the building is on the straight-line basis over its estimated useful life of 30 years. Depreciation of furniture, equipment, and vehicles is provided on the straight-line basis over their estimated useful lives of five to ten years. Amortization of leasehold improvements is provided over the lives of the respective leases, or the estimated useful lives of the improvements, whichever is shorter.

Contributions

Contributions are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled. Upon the expiration of donor stipulations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same accounting period are classified as unrestricted support. Unconditional contributions receivable at June 30, 2014, are expected to be collected within one year. An allowance for uncollectible contributions is recorded to reduce contributions receivable to their net realizable value and is determined based on a review of specific risk factors and historical experience.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Split-Interest Agreements

CWS is the beneficiary of various split-interest agreements from donors. The related assets are controlled and invested by independent third parties. CWS records a receivable and the related contribution income for its share of the assets when formal written or other verifiable documentation is received. CWS's share of the assets is based on the present value of the estimated future distributions to be received by CWS over the term of the agreement.

Contributed Goods and Services

Contributed goods, consisting primarily of kits, food and medical supplies are valued at their estimated fair value at the date of receipt, and are recognized as donated materials in the accompanying statements of activities. Donated materials are expensed from inventory when distributed.

Contributed services are recognized as revenue at their fair value if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and typically would have been purchased if not provided by contribution. Contributed services and promises to contribute that do not meet these criteria are not recognized as revenues and are not reported in the accompanying financial statements.

U.S. Government Support

Support from U.S. government programs is generally recognized in the period in which expenses are incurred, except for the U.S. Reception and Placement program, which are recognized based on the number of authorized refugees resettled. Government grants receivable reflected in the accompanying statements of financial position represent amounts receivable from various government agencies under resettlement and other programmatic contracts.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on time allocation factors determined by management.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Direct Program Expenses

Direct expenses of CWS programs include grants in support of globally affiliated agencies' programs and projects, shipments of donated materials, purchase and land transportation of relief commodities and materials, and costs of refugee resettlement. Resettlement costs include housing, food, transportation, and social services for resettled refugees.

Federal Income Taxes

The Internal Revenue Service has ruled that CWS is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

CWS accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for CWS include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, CWS has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that such estimates have been made based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Fair Value Measurements

Assets and liabilities recorded at fair value on a recurring basis in the accompanying statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CWS's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

3. SPLIT-INTEREST AGREEMENTS

CWS is the beneficiary of various split-interest agreements, which are administered by the United Methodist Foundation of the Northern Illinois Conference, Inc., the Presbyterian Foundation and the Mennonite Foundation, Inc. Included in the accompanying statements of financial position as split-interest agreement receivables is the fair value of the receivables based on the present value of CWS's interests in these agreements as follows:

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Market Value</u>	<u>Present Value</u>	<u>Market Value</u>	<u>Present Value</u>
United Methodist Foundation:				
Charitable gift annuities	\$2,884,131	\$2,626,122	\$2,903,260	\$2,651,502
Charitable remainder unitrusts	1,199,479	666,936	1,110,225	602,979
Pooled income funds	38,192	28,160	35,081	25,464
Interest-free loan fund	<u>2,421</u>	<u>2,000</u>	<u>2,114</u>	<u>2,000</u>
	<u>4,124,223</u>	<u>3,323,218</u>	<u>4,050,680</u>	<u>3,281,945</u>
Presbyterian Foundation:				
Charitable gift annuities	111,889	9,645	140,782	360
Pooled income funds	<u>4,053</u>	<u>2,545</u>	<u>4,061</u>	<u>2,478</u>
	<u>115,942</u>	<u>12,190</u>	<u>144,843</u>	<u>2,838</u>
Mennonite Foundation, Inc.:				
Unitrust	<u>93,119</u>	<u>36,825</u>	<u>89,162</u>	<u>34,190</u>
Total	<u>\$4,333,284</u>	<u>\$3,372,233</u>	<u>\$4,284,685</u>	<u>\$3,318,973</u>

The discount rate and expected return on investment assumptions used in determining the present value of the charitable gift annuities shown above were 2.5% and 5.7%, respectively for both 2014 and 2013.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

4. INVESTMENTS AND INVESTMENTS HELD BY OTHERS

CWS's investment portfolio, at fair value, consists of:

	June 30,	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 80,486	\$ 122,523
Corporate bonds	560,242	343,386
U.S. government obligations	102,936	177,518
Equity securities	2,572,802	2,060,350
Other equities	<u>195,558</u>	<u>304,880</u>
	<u>\$3,512,024</u>	<u>\$3,008,657</u>

Investments held by others are held by the United Methodist Foundation of the Northern Illinois Conference, Inc. (UMF), Presbyterian Foundation, Ecumenical Trust, Elkhart Co. Community Foundation and the Board of Church Extension of Disciples of Christ, Inc. (BCE).

Investments held by others, at fair value, consist of:

	June 30,	
	<u>2014</u>	<u>2013</u>
UMF - Moderate Funds	\$2,207,712	\$1,924,031
UMF - Aggressive Funds	1,464,919	1,243,407
UMF - Other	115,196	126,731
Elkhart Co. Community Foundation Funds	131,700	-
Ecumenical Trust - New Covenant Growth Fund	105,623	94,559
Presbyterian Foundation Funds	81,955	67,621
BCE - Certificate of deposit	<u>2,641,239</u>	<u>2,585,386</u>
	<u>\$6,748,344</u>	<u>\$6,041,735</u>

The investments held by others are invested by those organizations in mutual funds, U.S. and international equity securities, corporate and international bonds, U.S. government obligations and real assets. The UMF - Moderate Fund consist of approximately 60% equities and 40% fixed income and other. The UMF - Aggressive Fund consists of approximately 75% equities and 25% fixed income and other.

CWS's investments are exposed to various risks including market, interest and credit risk. Due to volatility in the markets for investments, there is a reasonable possibility of changes in fair value and additional gains or losses in the near term and that such changes could materially affect the amounts reported in the financial statements.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

5. INVENTORIES

Inventories consist of:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Donated materials	\$4,163,610	\$3,545,808
Other materials and supplies	<u>65,637</u>	<u>28,262</u>
	<u>\$4,229,247</u>	<u>\$3,574,070</u>

Donated materials consist of various items, many of which are generated through the CWS Kit Program, including hygiene, school, cleanup, and baby kits. CWS distributes these donated materials to disaster relief sites or other areas in need. The donated material inventory is valued based upon an average cost of the donated item.

Other inventory consists of purchased items, including blankets and toothpaste, which are recorded at the lower of cost or market using the first-in, first-out method.

6. LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment, net, consist of:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 4,721,003	\$ 4,721,003
Building and leasehold improvements	1,789,838	1,789,838
Land	<u>7,137</u>	<u>7,137</u>
	6,517,978	6,517,978
Less accumulated depreciation	<u>(6,399,305)</u>	<u>(6,379,650)</u>
Land, building, and equipment, net	<u>\$ 118,673</u>	<u>\$ 138,328</u>

7. DUE TO OTHER U.S. VOLUNTARY AGENCIES

CWS, through CROP Hunger events, can elect to allocate a percentage of the funds raised to support agencies and activities directly involved in local hunger programs. CROP Hunger event donors can also designate funds for other U.S. agencies involved in international development work. CWS recognizes grant expenses for these programs when the related grants or designations are approved.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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8. DEBT OBLIGATIONS

At June 30, 2014 and 2013, the total unpaid balance of the notes payable to the Board of Church Extension of Disciples of Christ, Inc. ("BCE") was \$471,537 and \$1,100,733, respectively. As of June 30, 2013, this balance consisted of two notes from the BCE. The first note had a balance of \$385,521 at an adjustable interest rate of 5.50%, and the second note had a balance of \$715,212 at an adjustable interest rate of 4.99%. As of June 30, 2014, the first note was repaid by CWS; only the second note remains, which now retains a balance of \$471,537 and an adjustable interest rate of 4.25%. The note remaining as of June 30, 2014 is collateralized by certain investment balances maintained at the BCE totaling approximately \$2,640,000.

CWS also has a line-of-credit with a financial institution, which is renewed annually and terminates on December 31, 2014. Interest is payable on the amount outstanding at a variable rate equal to market interest rate plus 1% (4.25% for years ending June 30, 2014, and 2013). The line-of-credit is secured by substantially all assets, excluding real estate and restricted net assets. The availability under the line-of-credit was \$2,000,000 during fiscal years 2014 and 2013. There were no amounts outstanding on the line-of-credit at June 30, 2014 or 2013.

Principal maturities due on CWS's debt obligations as of June 30, 2014, are as follows:

2015	\$ 251,796
2016	<u>219,741</u>
	<u>\$471,537</u>

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS

CWS provides certain healthcare benefits for retired employees. Employees hired prior to January 1, 2000, with at least five years of participation in CWS's health retirement plan are eligible for postretirement benefits upon reaching a normal retirement age of 62. Employees between the ages of 55 and 62 who were granted early retirement, have completed 15 consecutive years of service, and have at least 5 years of participation in CWS's health insurance program are also eligible for postretirement benefits. Employees hired on January 1, 2000, and thereafter are not eligible for postretirement healthcare benefits.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

The status of the postretirement healthcare plan at June 30, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,768,968	\$ 5,637,472
Service cost	8,311	7,618
Interest cost	174,346	204,693
Actuarial losses (gains)	571,819	(560,665)
Actual benefit disbursements	<u>(410,320)</u>	<u>(520,150)</u>
Benefit obligation at the end of year	<u>\$ 5,113,124</u>	<u>\$ 4,768,968</u>
Change in plan assets:		
Fair value of plan asset at beginning of year	\$ -	\$ -
Contributions	410,320	520,150
Actual benefit disbursements	<u>(410,320)</u>	<u>(520,150)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Benefit obligation	<u>\$5,113,124</u>	<u>\$4,768,968</u>
Net postretirement benefit liability recognized in statement of financial position	<u>\$5,113,124</u>	<u>\$4,768,968</u>

The net periodic postretirement benefit costs represent the actuarial present value of projected future benefits attributable to employee service rendered during the years ended June 30, 2014 and 2013, respectively

Components of the net periodic postretirement benefit cost are as follows:

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Service cost	\$ 8,311	\$ 7,618
Interest cost	174,346	204,693
Amortization of transition obligation	170,000	170,000
Amortization of net gain	(8,043)	-
Amortization of prior service cost	<u>(441,815)</u>	<u>(441,815)</u>
	<u>\$ (97,201)</u>	<u>\$ (59,504)</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

Expected benefit payments for the five fiscal years after fiscal 2014 and the subsequent five fiscal years in aggregate are as follows:

<u>Year Ended</u>	<u>Amounts</u>
2015	424,995
2016	410,320
2017	399,651
2018	399,868
2019	391,410
2020 - 2024	1,725,281

No contributions to fund future benefits payable under the retiree healthcare plan are expected in fiscal 2015. CWS expects to continue to pay postretirement benefits under the plan as they are incurred.

The following significant actuarial methods and assumptions were used in the June 30, 2014 actuarial valuation, the most recent valuation date:

Actuarial valuation method	Projected unit credit method
Discount rate	3.55%
Healthcare cost trend rate	6.5% graded down uniformly to 4% over 5 years
Mortality	RP-2000 Fully Generational Combined Mortality Table
Retirement rates	Varying rates beginning with 2% at age 55 to 100% retirement at age 70

The effect of a 1% increase in the healthcare cost trend rate would increase the postretirement benefit obligation to \$5,303,973 as of June 30, 2014.

Pension Plan

CWS sponsors a defined-contribution retirement plan covering substantially all employees. Through December 31, 2012, the retirement plan required the employer to deposit with the plan custodian an amount equivalent to: (a) 9% of the employee's annual compensation for certain eligible employees, (b) 11% of the employee's annual compensation for certain eligible union employees and (c) 16.65% of annual compensation for ordained employees who are considered self-employed, as defined in Article IV of the Federal Social Security Act.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. POSTRETIREMENT BENEFIT LIABILITY AND PENSION BENEFITS - Continued

In October of 2012, the Board of Directors approved a resolution to amend the level of contribution rates as a percentage of salary from 9% to 5% for employees and from 16.65% to 12.65% for ordained employees, effective January 1, 2013. Employees who are covered under the collective bargaining agreements are not affected by this resolution.

In April of 2013, the Board of Directors approved a resolution to amend the level of contribution rates of employees covered under collective bargaining hired after April 1, 2011 from 11% to 9% (18.65% to 16.65% for ordained employees) for the first three years of employment increasing to 11% (18.65% of ordained employees) at the beginning of their fourth year of employment.

In October 2013, the Board of Directors approved a resolution that was effective January 1, 2014, for the retirement plan to require the employer to deposit with the plan custodian an amount of the employee's annual compensation equivalent to:

For union employees and ordained employees who have opted out of Social Security:

- (a) 5% with less than 5 years of service
- (b) 7% with 5 years to less than 15 years of service
- (c) 9% with 15 or more years of service
- (d) 11% for all current union employees with 15 or more years of service and union employees over the age of 60 with less than 15 years of service

For ordained employees who are considered self-employed as defined in Article IV of the Federal Social Security Act:

- (e) 12.65% with less than 5 years of service
- (f) 14.65% with 5 years to less than 15 years of service
- (g) 16.65% with more than 15 years of service

For non-union employee:

- (h) 5% regardless of years of service

In addition, all union employees were granted an additional 2% back pay on contributions from April 1, 2013 to December 31, 2013. Contributions to the retirement plan during the years ended June 30, 2014 and 2013, were \$1,009,297 and \$1,186,806 respectively.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

10. LEASES

CWS rents space for 43 offices under various operating leases. The related lease terms range from one to ten years. The following is a schedule of the future annual minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014:

<u>Year Ending June 30,</u>	
2015	\$1,121,213
2016	656,813
2017	<u>31,032</u>
	<u>\$1,809,058</u>

Rent and occupancy expense was approximately \$1,300,000 for each of the years ended June 30, 2014 and 2013.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Split-interest agreement and other receivables	\$3,372,233	\$3,372,725
Emergency response	2,769,716	2,788,335
Global hunger and development	396,850	142,000
Immigration and refugee	<u>108,753</u>	<u>-</u>
	<u>\$6,647,552</u>	<u>\$6,303,060</u>

Net assets of \$1,917,485 and \$3,103,809 were released from donor restrictions as expenses were incurred satisfying purposes specified by the donors for the years ended June 30, 2014 and 2013, respectively.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are to be held in perpetuity in accordance with donor intentions. Income from these net assets is either unrestricted or restricted by donors to be used primarily to offset the cost of operations of CWS (see Note 13).

13. ENDOWMENT

CWS's endowment consists of individual funds established generally to support the self-help development, emergency relief, refugee assistance and hunger relief programs of CWS. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CWS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

13. ENDOWMENT - Continued

2014

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 163,820	\$ -	\$2,911,683	\$3,075,503
Board-designated endowment funds	<u>1,257,851</u>	<u>-</u>	<u>-</u>	<u>1,257,851</u>
Total funds	<u>\$ 1,421,671</u>	<u>\$ -</u>	<u>\$2,911,683</u>	<u>\$4,333,354</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 1,357,116</u>	<u>\$ -</u>	<u>\$2,697,350</u>	<u>\$ 4,054,466</u>
Investment return:				
Investment income	133,437	-	-	133,437
Net depreciation (realized and unrealized)	<u>403,838</u>	<u>-</u>	<u>-</u>	<u>403,838</u>
Total investment return	<u>537,275</u>	<u>-</u>	<u>-</u>	<u>537,275</u>
Contributions	<u>-</u>	<u>-</u>	<u>214,333</u>	<u>214,333</u>
Appropriation of endowment assets for expenditure	<u>(472,720)</u>	<u>-</u>	<u>-</u>	<u>(472,720)</u>
Endowment net assets, end of year	<u>\$ 1,421,671</u>	<u>\$ -</u>	<u>\$2,911,683</u>	<u>\$ 4,333,354</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

13. ENDOWMENT - Continued

2013

Endowment Net Asset Composition by Type of Fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (89,169)	\$ -	\$2,697,350	\$2,608,181
Board-designated endowment funds	<u>1,446,285</u>	<u>-</u>	<u>-</u>	<u>1,446,285</u>
Total funds	<u>\$ 1,357,116</u>	<u>\$ -</u>	<u>\$2,697,350</u>	<u>\$4,054,466</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 2,773,703</u>	<u>\$ -</u>	<u>\$1,758,420</u>	<u>\$ 4,532,123</u>
Investment return:				
Investment income	131,468	-	-	131,468
Net depreciation (realized and unrealized)	<u>293,321</u>	<u>-</u>	<u>-</u>	<u>293,321</u>
Total investment return	<u>424,789</u>	<u>-</u>	<u>-</u>	<u>424,789</u>
Contributions	<u>-</u>	<u>-</u>	<u>938,930</u>	<u>938,930</u>
Appropriation of endowment assets for expenditure	<u>(1,841,376)</u>	<u>-</u>	<u>-</u>	<u>(1,841,376)</u>
Endowment net assets, end of year	<u>\$ 1,357,116</u>	<u>\$ -</u>	<u>\$2,697,350</u>	<u>\$ 4,054,466</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

13. ENDOWMENT - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires CWS to retain as a fund of perpetual duration. As of June 30, 2013, the market value of the donor restricted endowment funds was less than the permanently restricted amounts by \$89,169. Such amounts are reported within unrestricted net assets as of June 30, 2013. As of June 30, 2014, the market value of the donor restricted funds exceeded the permanently restricted amounts.

Return Objectives and Risk Parameters

CWS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CWS must hold in perpetuity as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are held by third parties who invest the assets in a manner that is intended to produce results that exceed the price and yield results of respective industry bench-marks while assuming a moderate level of investment risk. CWS expects its endowment funds, over time, to provide an average rate of return between 6 - 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CWS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CWS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CWS has no formal spending policy; however, CWS generally expends all investment earnings and realized gains it receives on program activities. The income earned from permanently restricted endowment funds can generally be used for the broad purposes of CWS's mission and is therefore, generally unrestricted. Distributions are made at the discretion of the Board of Directors when determining annual budget. CWS considers the long-term expected return on its endowment. Accordingly, over the long term, CWS expects the current spending policy to allow its endowment to grow at an average of between 1 - 3 percent annually. This is consistent with the CWS objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on CWS's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2014 and 2013 for the assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Assets Measured at <u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2014:</u>				
Split-interest agreement receivables	\$3,372,233	\$ -	\$ -	\$3,372,233
Investments:				
Common stock	\$1,719,606	\$1,719,606	\$ -	\$ -
Mid cap equity funds	243,484	243,484	-	-
International equity funds	609,712	609,712	-	-
Other equity funds	146,358	146,358	-	-
US government obligations	102,936	102,936	-	-
Corporate bonds	560,242	-	560,242	-
Hedge funds	49,200	-	-	49,200
Other	<u>80,486</u>	<u>80,486</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$3,512,024</u>	<u>\$2,902,582</u>	<u>\$560,242</u>	<u>\$ 49,200</u>
Investments held by others:				
Pooled funds:				
Equities	\$2,558,488	\$2,558,488	\$ -	\$ -
Real estate	553,201	-	553,201	-
Corporate bonds	404,982	-	404,982	-
US government obligations	301,836	301,836	-	-
Other	<u>282,467</u>	<u>282,467</u>	<u>-</u>	<u>-</u>
Total pooled funds	4,100,974	3,142,791	958,183	-
Certificate of deposit	<u>2,647,370</u>	<u>2,647,370</u>	<u>-</u>	<u>-</u>
Total investments held by others	<u>\$6,748,344</u>	<u>\$5,790,161</u>	<u>\$958,183</u>	<u>\$ -</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

14. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	Assets Measured at <u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2013:</u>				
Split-interest agreement receivables	\$3,318,973	\$ -	\$ -	\$3,318,973
Investments:				
Common stock	\$1,368,244	\$1,368,244	\$ -	\$ -
Mid cap equity funds	213,016	213,016	-	-
International equity funds	479,090	479,090	-	-
Other equity funds	304,880	304,880	-	-
US government obligations	177,518	177,518	-	-
Corporate bonds	343,386	-	343,386	-
Other	<u>122,523</u>	<u>122,523</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$3,008,657</u>	<u>\$2,665,271</u>	<u>\$343,386</u>	<u>\$ -</u>
Investments held by others:				
Pooled funds:				
Equities	\$2,193,391	\$2,193,391	\$ -	\$ -
Real estate	414,886	-	414,886	-
Corporate bonds	473,379	-	473,379	-
US government obligations	251,986	251,986	-	-
Other	<u>122,707</u>	<u>122,707</u>	<u>-</u>	<u>-</u>
Total pooled funds	3,456,349	2,568,084	888,265	-
Certificate of deposit	<u>2,585,386</u>	<u>2,585,386</u>	<u>-</u>	<u>-</u>
Total investments held by others	<u>\$6,041,735</u>	<u>\$5,153,470</u>	<u>\$888,265</u>	<u>\$ -</u>

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

14. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The fair value of split-interest agreement receivables is measured based on present value techniques. Significant assumptions used in the calculations as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Net return or investment assets:	5.7%	5.7%
Life expectancy:	2000 mortality tables	2000 mortality tables
Discount rate:	2.5%	2.5%

The following is a reconciliation of the beginning and ending balances for split-interest agreement receivables measured at fair value using Level 3 inputs during fiscal year 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$3,318,973	\$ 3,926,210
Contributions included in activities	27,587	28,620
Change in value included in activities	<u>25,673</u>	<u>(635,857)</u>
Ending balance	<u>\$3,372,233</u>	<u>\$ 3,318,973</u>

15. RELATED-PARTY TRANSACTIONS

The Council performs certain administrative functions for CWS for which CWS pays service fees. These fees are based on a fixed percentage of the prior year cumulative expenses of the Council and were approximately \$200,000 for each of the years ended June 30, 2014 and 2013. CWS and the Council also share certain direct expenses, which are charged to the respective entity as incurred. In addition, CWS and the Council receive funds from various entities on behalf of each other, which are subsequently transferred to the respective entity. These amounts are accounted for as due to and due from transactions in the accompanying financial statements. CWS had a net payable to the Council of \$0 and \$52,160 at June 30, 2014 and 2013, respectively.

CHURCH WORLD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

16. GOVERNMENT GRANTS

CWS receives funding under grants and contracts with governmental agencies. In accordance with the terms of certain government contracts, the records of CWS are subject to audit for varying periods after the final date of the contracts. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of CWS. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

17. COLLECTIVE BARGAINING AGREEMENT

CWS is party to a collective bargaining agreement and agrees to be bound by the terms of the labor union agreements with the employees to ensure a supply of labor for certain locations. If CWS and the unions representing the employees are unable to agree prior to expiration of the current contracts or does not comply with the union agreements, CWS's source of labor may be limited and not readily available, and a work stoppage may occur that could adversely affect operations.

At June 30, 2014, approximately 10% of the employees are under the collective bargaining agreement represented by the union with existing labor agreements. The current collective bargaining agreement expires on March 31, 2016.

18. CONTINGENCIES

CWS may become involved in litigation from time to time, in the normal course of operations. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, the resulting liability, if any, from these actions will not have a material adverse effect on the financial position of CWS.

19. SUBSEQUENT EVENTS

CWS has evaluated subsequent events through October 1, 2014, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.