

National Relief Charities, Inc.

Auditor's Report and Financial Statements

December 31, 2012 and 2011

National Relief Charities, Inc.
December 31, 2012 and 2011

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Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Directors
National Relief Charities, Inc.
Sherman, Texas

We have audited the accompanying financial statements of National Relief Charities, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

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 National Relief Charities, Inc. as of December 31, 2012 and 2011, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Change in Net Assets is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

BKD, LLP

BKD, LLP
Dallas, Texas
April 3, 2013

National Relief Charities, Inc.
Statements of Financial Position
December 31, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 4,597,809	\$ 2,765,760
Bequests receivable	16,494	24,121
Inventories	7,887,285	11,208,058
Short-term investments	206,537	173,411
Prepaid expenses and other assets	<u>316,285</u>	<u>193,685</u>
Total current assets	13,024,410	14,365,035
Property and equipment, net	<u>7,563,151</u>	<u>9,313,667</u>
Total assets	<u><u>\$ 20,587,561</u></u>	<u><u>\$ 23,678,702</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 1,055,952	\$ 1,151,074
Accrued salaries, benefits and vacation	367,952	361,675
Line of credit	-	1,468,594
Current portion of long-term debt	<u>194,028</u>	<u>165,768</u>
Total current liabilities	1,617,932	3,147,111
Annuities payable	33,801	-
Long-term debt	<u>1,259,022</u>	<u>1,758,267</u>
Total liabilities	2,910,755	4,905,378
Net Assets		
Unrestricted	16,888,334	18,708,324
Temporarily restricted	723,472	-
Permanently restricted	<u>65,000</u>	<u>65,000</u>
Total net assets	<u>17,676,806</u>	<u>18,773,324</u>
Total liabilities and net assets	<u><u>\$ 20,587,561</u></u>	<u><u>\$ 23,678,702</u></u>

National Relief Charities, Inc.
Statements of Activities
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets		
Unrestricted Revenues, Gains, and Other Support		
Direct contributions	\$ 24,749,017	\$ 23,481,562
In-kind donations	17,723,194	22,263,531
Other income	453,352	205,897
Gain (loss) on sale of asset	176,943	-
Net assets released from restrictions	<u>126,186</u>	<u>39,100</u>
Total revenue and support	<u>43,228,692</u>	<u>45,990,090</u>
Expenses and Losses		
Program services		
South Dakota Indian Services	16,134,273	17,244,491
Southwest Indian Services	14,728,246	15,418,962
American Indian Education Foundation	1,496,949	1,407,880
Other programs	<u>93,348</u>	<u>118,652</u>
Total program services	<u>32,452,816</u>	<u>34,189,985</u>
Supporting services		
Management and general	629,822	841,734
Fundraising	<u>11,966,044</u>	<u>12,526,192</u>
Total supporting services	<u>12,595,866</u>	<u>13,367,926</u>
Total expenses	<u>45,048,682</u>	<u>47,557,911</u>
Decrease in Unrestricted Net Assets	<u>(1,819,990)</u>	<u>(1,567,821)</u>
Changes in Temporarily Restricted Net Assets		
Direct contributions	849,658	39,100
Net assets released from restrictions	<u>(126,186)</u>	<u>(39,100)</u>
Increase in Temporarily Restricted Net Assets	<u>723,472</u>	<u>-</u>
Change in Net Assets	(1,096,518)	(1,567,821)
Net Assets, Beginning of Year	<u>18,773,324</u>	<u>20,341,145</u>
Net Assets, End of Year	<u>\$ 17,676,806</u>	<u>\$ 18,773,324</u>

National Relief Charities, Inc.
Statements of Functional Expenses
Years Ended December 31, 2012 and 2011

	2012								
	Program Services				Supporting Services				
	South Dakota Indian Services	Southwest Indian Services	American Indian Education Foundation	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Cost of goods distributed	\$ 10,831,918	\$ 10,542,159	\$ -	\$ -	\$ 21,374,077	\$ 6,792	\$ -	\$ 6,792	\$ 21,380,869
Grants	8,732	10,000	462,898	-	481,630	-	-	-	481,630
Advertising and list rentals	1,455	1,086	1,559	-	4,100	606	1,024,472	1,025,078	1,029,178
Mailing and shipping	3,359,823	2,818,317	752,057	12	6,930,209	3,651	911,790	915,441	7,845,650
Meetings and travel	30,147	21,595	15,641	248	67,631	21,120	45,544	66,664	134,295
Office supplies	269,671	63,820	539	775	334,805	13,977	97,929	111,906	446,711
Payroll and benefits	1,231,853	780,748	237,336	85,404	2,335,341	329,750	4,053,776	4,383,526	6,718,867
Printing	1,407	2,220	626	-	4,253	755	3,417,044	3,417,799	3,422,052
Professional fees	13,845	55,746	50	1,110	70,751	127,445	236,787	364,232	434,983
Rent and utilities	62,146	53,731	794	16	116,687	6,256	1,123,730	1,129,986	1,246,673
Computers and technology	7,166	13,406	1,045	693	22,310	23,123	354,708	377,831	400,141
Miscellaneous	144,455	208,170	20,204	890	373,719	52,159	319,396	371,555	745,274
Depreciation	171,655	74,166	4,200	4,200	254,221	10,780	361,499	372,279	626,500
Interest	-	83,082	-	-	83,082	33,408	19,369	52,777	135,859
Total	\$ 16,134,273	\$ 14,728,246	\$ 1,496,949	\$ 93,348	\$ 32,452,816	\$ 629,822	\$ 11,966,044	\$ 12,595,866	\$ 45,048,682

National Relief Charities, Inc.
Statements of Functional Expenses
Years Ended December 31, 2012 and 2011

	2011								
	Program Services				Supporting Services				
	South Dakota Indian Services	Southwest Indian Services	American Indian Education Foundation	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Cost of goods distributed	\$ 12,076,422	\$ 10,982,406	\$ 9,102	\$ -	\$ 23,067,930	\$ 581	\$ 50,230	\$ 50,811	\$ 23,118,741
Grants	10,330	-	603,893	-	614,223	-	-	-	614,223
Advertising and list rentals	5,262	1,086	2,915	-	9,263	45	330,385	330,430	339,693
Mailing and shipping	3,315,306	3,023,657	496,321	69	6,835,353	10,809	1,430,830	1,441,639	8,276,992
Meetings and travel	55,465	31,158	26,848	1,460	114,931	29,703	62,132	91,835	206,766
Office supplies	21,016	30,778	5,504	1,057	58,355	29,424	153,770	183,194	241,549
Payroll and benefits	1,334,279	862,490	230,998	98,124	2,525,891	419,706	3,984,730	4,404,436	6,930,327
Printing	5,541	3,622	4,203	300	13,666	1,254	3,764,989	3,766,243	3,779,909
Professional fees	29,137	34,412	6,469	6,943	76,961	204,185	616,127	820,312	897,273
Rent and utilities	64,617	39,419	742	128	104,906	12,495	990,495	1,002,990	1,107,896
Computers and technology	37,653	29,134	4,970	1,914	73,671	65,607	504,264	569,871	643,542
Miscellaneous	119,663	182,695	11,715	4,457	318,530	4,501	494,206	498,707	817,237
Depreciation	169,800	161,259	4,200	4,200	339,459	29,749	119,520	149,269	488,728
Interest	-	36,846	-	-	36,846	33,675	24,514	58,189	95,035
Total	\$ 17,244,491	\$ 15,418,962	\$ 1,407,880	\$ 118,652	\$ 34,189,985	\$ 841,734	\$ 12,526,192	\$ 13,367,926	\$ 47,557,911

National Relief Charities, Inc.
Statements of Cash Flows
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Change in net assets	\$ (1,096,518)	\$ (1,567,821)
Items not requiring (providing) operating cash		
Depreciation	626,500	488,728
(Gain) loss on sale of property and equipment	(176,943)	-
Net realized and unrealized loss on investments	(21,039)	26,711
Changes in		
Bequests receivable	7,627	(14,907)
Accounts payable and accrued expenses	(88,845)	124,895
Annuities payable	33,801	-
Inventories	3,320,773	267,115
Other current assets and liabilities	(122,600)	505,223
	<u>2,482,756</u>	<u>(170,056)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Net proceeds from sale of investments	-	221,000
Sale of property and equipment	1,405,093	-
Purchases of property and equipment	(104,134)	(844,550)
Purchases of available for sale securities	(12,087)	-
	<u>1,288,872</u>	<u>(623,550)</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Payments/proceeds on line of credit, net	(1,468,594)	468,594
Proceeds from notes payable	-	1,570,000
Principal payments on long-term debt	(470,985)	(899,286)
	<u>(1,939,579)</u>	<u>1,139,308</u>
Net cash provided by (used in) financing activities		
Increase in Cash and Cash Equivalents	1,832,049	345,702
Cash and Cash Equivalents, Beginning of Year	<u>2,765,760</u>	<u>2,420,058</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,597,809</u>	<u>\$ 2,765,760</u>
Supplemental Cash Flows Information		
Interest paid	\$ 135,859	\$ 95,035

National Relief Charities, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

National Relief Charities, Inc. (NRC) is a not-for-profit organization which was incorporated in North Carolina in 1989 whose mission and principal activities are to assist impoverished Native Americans with various forms of humanitarian support and to educate the public about the plight of the American Indian in today's society.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

NRC considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At December 31, 2012, NRC's cash accounts exceeded federally insured limits by approximately \$1,000,000.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Investments and Investment Return

Investments in mutual funds having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Foreign Currency Transactions

Assets and liabilities of operations that transact in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the statement of financial position date, with the resulting translation adjustments directly recorded to a separate component of *Other Income*. Income and expense accounts are translated at average exchange rates during the year. Re-measurement adjustments are also recorded in *Other Income*.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	39 years
Computers and software	3 – 5 years
Machinery and equipment	5 – 7 years
Furniture and fixtures	5 – 7 years
Motor vehicles	5 years

Long-lived Asset Impairment

NRC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2012 and 2011.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by NRC has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by NRC in perpetuity.

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

In-kind Contributions

In addition to receiving cash contributions, NRC receives in-kind contributions of clothing, medical supplies, toiletries, food, educational products and other items from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2012 and 2011, \$17,723,194 and \$22,263,531, respectively, was received in in-kind contributions.

Inventory

Inventories consist of donated and purchased supplies and are usually acquired through major retailer donations.

- **Donated Supplies Other Than Food** – Donated supplies are recorded at their fair value based upon the estimated price paid by the donor. NRC values items by identifying the gross profit margin of the retailer and researching the average retailer price for the item via retailer websites. Once the average price is determined, it is reduced by a percentage equal to the gross profit margin of the retailer. This values the donated item at the approximate price paid by the retailer.
- **Donated Food** – NRC values food items at the average wholesale price per pound of food as determined by a price study commissioned by Feeding America, the largest food charity in the U.S. This rate applies to all food regardless of type or packaging. For the years ended December 31, 2012 and 2011, \$1.66 and \$1.58, respectively, was the average wholesale price per pound of food.

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Shipping and Handling Costs

Shipping and handling costs of \$7,845,650 and \$8,276,992 for 2012 and 2011, respectively, are included in program services and supporting services expenses.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on direct salaries and other methods.

Fundraising Expenses

All costs attributable to the production, printing, and mailing of literature to the public that have both educational and fundraising appeal, have been allocated between fundraising and program expenses in the financial statements as they meet the requirements for the allocation of joint costs as provided by ASC Topic 958-720-50, *Accounting for Costs of Activities that Include Fundraising*.

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2012	2011
Dodge & Cox Int'l Stock Fund (DODFX)	\$ 1,996	\$ 1,649
Pear Tree Polaris Foreign Value Fund (QFVOX)	67,428	53,127
CGM Focus Fund (CGMFX)	6,870	6,014
American Century Target Mat 2015 (BTFTX)	2,740	2,701
Vanguard Inflation-protected (VIPSX)	62,170	58,157
Certificates of deposit	65,333	51,763
	<u>\$ 206,537</u>	<u>\$ 173,411</u>

National Relief Charities, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Total investment return, recorded in Other Income, is comprised of the following:

	2012	2011
Net realized and unrealized gain(loss) on investments reported at fair value	\$ 17,555	\$ (30,130)
Interest and dividends, net of management fee	3,484	3,419
	\$ 21,039	\$ (26,711)

Note 3: Property and Equipment

Property and equipment at December 31 consists of:

	2012	2011
Land	\$ 1,186,255	\$ 1,450,840
Buildings	6,894,842	8,171,102
Leasehold improvements	454,538	385,947
Vehicles	1,093,757	1,123,371
Furniture and equipment	1,659,016	1,653,387
	11,288,408	12,784,647
Less: Accumulated depreciation and amortization	3,725,257	3,470,980
	\$ 7,563,151	\$ 9,313,667

Note 4: Note Payable to Bank

NRC has a \$1,000,000 revolving bank line of credit expiring March 20, 2013. At December 31, 2012 and 2011, there was \$0 and \$1,468,594, respectively, borrowed against this line. The line is collateralized by NRC's South Dakota property. Interest on the line of credit was 5.45% and 5.5% on December 31, 2012 and 2011, respectively, and is payable monthly.

National Relief Charities, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 5: Long-term Debt

	2012	2011
Note payable, Great Western Bank (A)	\$ 286,167	\$ 382,790
Note payable, JPMorgan Chase Bank, NA (B)	1,166,883	1,541,245
	1,453,050	1,924,035
Less: Current maturities	194,028	165,768
	\$ 1,259,022	\$ 1,758,267

- (A) Due August 20, 2015; payable \$115,760 annually with interest payable monthly at 5.6% fixed interest rate; secured by South Dakota real estate
- (B) Due August 10, 2026; \$157,440 payable annually with interest payable monthly at 5.8% fixed interest rate; secured by Arizona real estate.

Aggregate annual maturities of long-term debt at December 31, 2012, are:

Years Ending	Principal	Interest	Total
2013	\$ 194,028	\$ 79,172	\$ 273,200
2014	205,370	67,830	273,200
2015	178,552	56,061	234,613
2016	109,071	48,369	157,440
2017	115,568	41,872	157,440
Thereafter	650,461	123,619	774,080
Total	\$ 1,453,050	\$ 416,923	\$ 1,869,973

Note 6: Annuities Payable

NRC has been the recipient of two gift annuities which require future payments to the donor. The assets received from the donor are recorded at fair value. NRC has recorded a liability at December 31, 2012 and 2011, of \$33,801 and \$0, which represents the present value of the future annuity obligations. The liability has been determined using discount rates between 1.2 and 1.0%.

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

	2012	2011
Scholarships	\$ 702,000	\$ -
Other	21,472	-
	\$ 723,472	\$ -

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

	2012	2011
Investment in perpetuity, the income of which is expendable to support NRC operations	\$ 65,000	\$ 65,000

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2012	2011
Healthy living	\$ 20,467	\$ 10,000
Scholarship and education	34,550	13,100
School supplies	3,500	16,000
Food and water	10,350	-
Special programs	56,369	-
Other programs	950	-
	\$ 126,186	\$ 39,100

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8: Operating Leases

NRC has an operating lease agreement for office space in the Philippines for the 26-month period ending July 30, 2013. 2012 rent expense was approximately \$167,000. The lease is cancellable by either party with 6 months written notice.

Future minimum lease payments under operating leases are:

2013	\$ 102,913
Total minimum lease payments	<u>\$ 102,913</u>

Note 9: Postretirement Benefit Plans

401(k) Plan

NRC has a 401(k) plan covering substantially all employees. NRC's contributions to the plan are 3% of annual compensation of all eligible employees. Contributions to the plan were \$87,199 and \$102,459 for 2012 and 2011, respectively.

Note 10: Allocation of Joint Costs

NRC conducted activities that included requests for contributions, as well as program components. Those activities included direct mail, planned giving, and telemarketing campaigns. The costs of conducting those activities included a total of \$9,764,584 and \$9,574,040 in 2012 and 2011, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Fundraising	\$ 4,274,518	\$ 4,326,804
South Dakota Indian Services	2,535,534	2,403,263
Southwest Indian Services	2,208,379	2,350,136
American Indian Education Foundation	746,153	493,837
	<u>\$ 9,764,584</u>	<u>\$ 9,574,040</u>

National Relief Charities, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Note 11: Disclosures About Fair Value of Assets and Liabilities

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 must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds. Mutual funds, reported as Level 1, are valued by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

Fair Value of Financial Instruments

The following table presents estimated fair values of NRC's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011.

	2012		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Dodge & Cox Int'l Stock Fund (DODFX)	\$ 1,996	\$ -	\$ -
Pear Tree Polaris Foreign Value Fund (QFVOX)	67,428	-	-
CGM Focus Fund (CGMFX)	6,870	-	-
American Century Target Mat 2015 (BTFTX)	2,740	-	-
Vanguard Inflation-protected (VIPSX)	62,170	-	-
	<u>\$ 141,204</u>	<u>\$ -</u>	<u>\$ -</u>

National Relief Charities, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

	2011		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Dodge & Cox Int'l Stock Fund (DODFX)	\$ 1,649	\$ -	\$ -
Pear Tree Polaris Foreign Value Fund (QFVOX)	53,127	-	-
CGM Focus Fund (CGMFX)	6,014	-	-
American Century Target Mat 2015 (BTFTX)	2,701	-	-
Vanguard Inflation-protected (VIPSX)	58,157	-	-
	<u>\$ 121,648</u>	<u>\$ -</u>	<u>\$ -</u>

Note 12: Foreign Exchange Risk

NRC engages in activities that extend beyond the borders of the United States and are susceptible to adverse changes in the currency markets. As of December 31, 2012, NRC had approximately 5,600,000 Philippines Pesos worth approximately \$137,600. Annual gains or losses from foreign currency translations have been minimal.

Note 13: Subsequent Event

Subsequent events have been evaluated through April 3, 2013, which is the date the financial statements were available to be issued.

NRC renewed a revolving bank line of credit for \$1,500,000 expiring May 31, 2014. The line is collateralized by NRC's South Dakota property. Interest on the line of credit is variable based on the Wall Street Journal Prime Rate with a floor of 4.65%.

Supplementary Information

National Relief Charities, Inc.
Schedule of Change in Net Assets
Year Ended December 31, 2012

	2012					
	Other Unrestricted	In-kind Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support						
Direct contributions, net of assets released from restriction	\$ 24,875,203	\$ -	\$ 24,875,203	\$ 723,472	\$ -	\$ 25,598,675
In-kind donations	-	17,723,194	17,723,194	-	-	17,723,194
Other income	453,352	-	453,352	-	-	453,352
Gain on sale of asset	176,943	-	176,943	-	-	176,943
	<u>25,505,498</u>	<u>17,723,194</u>	<u>43,228,692</u>	<u>723,472</u>	<u>-</u>	<u>43,952,164</u>
Expenses						
Program services						
South Dakota Indian Services	5,612,186	10,522,087	16,134,273	-	-	16,134,273
Southwest Indian Services	4,444,168	10,284,078	14,728,246	-	-	14,728,246
American Indian Education Foundation	1,496,949	-	1,496,949	-	-	1,496,949
Other programs	93,348	-	93,348	-	-	93,348
	<u>11,646,651</u>	<u>20,806,165</u>	<u>32,452,816</u>	<u>-</u>	<u>-</u>	<u>32,452,816</u>
Supporting services						
Management and general	629,822	-	629,822	-	-	629,822
Fundraising	11,966,044	-	11,966,044	-	-	11,966,044
	<u>12,595,866</u>	<u>-</u>	<u>12,595,866</u>	<u>-</u>	<u>-</u>	<u>12,595,866</u>
Total expenses	<u>24,242,517</u>	<u>20,806,165</u>	<u>45,048,682</u>	<u>-</u>	<u>-</u>	<u>45,048,682</u>
Change in Net Assets	<u>\$ 1,262,981</u>	<u>\$ (3,082,971)</u>	<u>\$ (1,819,990)</u>	<u>\$ 723,472</u>	<u>\$ -</u>	<u>\$ (1,096,518)</u>