



PART OF THE CRISTA FAMILY

Understanding Our Gift-in-Kind Valuation Changes World Concern / CRISTA Ministries

World Concern and CRISTA Ministries has reduced its per-pill valuation for deworming medication. In doing so, we join other similar organizations in the humanitarian community by adopting this new valuation methodology. Our goal in making this change is to use a valuation methodology that can be consistently applied, and to also continue to stay in line with industry and accounting standards.

In this document are questions and answers that provide background information on deworming medication, how it was previously valued by our organization, the valuation changes we're implementing and why we've chosen to do so. Also provided is a summary of information that CRISTA provided to Charity Navigator in 2013. CRISTA is grateful to Charity Navigator for reaching out to us and other organizations in recognition of recent valuation methodology changes regarding pharmaceuticals that impact financial statements.

What is "deworming" medication and what is the involvement of World Concern/CRISTA?

- Deworming medication is used to kill intestinal parasites. When not treated, these worms make kids ill, stunt growth and contribute to an array of developmental problems. The twice-annual treatment of deworming medication and vitamin A gives a child a better chance to grow and develop properly.

World Concern obtains millions of deworming pills each year, and because they are provided to us at below market prices, accounting standards state that the difference to market value be reflected in our financial statements as contributions. The deworming pills we obtain are distributed by our field workers to those affected in countries throughout Africa and Asia.

How did we establish valuation of de-worming pills before 2012?

- For several years, World Concern/CRISTA and many other organizations used medication values based on a published document called *Red Book*, which is a database of drugs that includes the average wholesale price of various medicines, including deworming medicine. This reference point has provided consistency in valuation over several years, and continues to be used by many organizations in the humanitarian world.

The wholesale values derived from *Red Book* place deworming medication at an average approximate value of \$5.00 per pill. That valuation methodology takes the wholesale value of a deworming pill in the United States, and applies it to the value of deworming medication distributed across the world. As an example, a pill with an average approximate value of \$5.00 in the United States would have the same value in Bangladesh.

How has our valuation of de-worming pills changed and why?

- World Concern/CRISTA has adopted a new source of valuation data that we believe better reflects the wholesale values of deworming pills in countries where the medication is distributed. We now use data from an independent organization which tracks wholesale values of medicine in countries throughout the world, including Africa and Asia where most of World Concern medicine is distributed. This data is used to estimate the wholesale values of deworming medication in the countries in which World Concern operates. We've implemented the change in an effort to use a consistent method and to allow us to stay in line with what we consider to be the most current industry standards.

What are the current values we use for these pills?

- The medication value now averages \$1.30 per pill. This is a decrease from the previous values estimated based on the industry values using the *Red Book* information (as described previously), which averaged \$5.00 per pill.

What effect will the new value of the pill have on World Concern/CRISTA?

- In our 2011 fiscal year, World Concern received and distributed nearly 12 million deworming pills. Using the valuation data used by most organizations as an industry standard at the time, these deworming pills were valued at approximately \$63 million (it should be noted that both revenues and expenses are the same – if deworming medicine was valued at \$63 million in revenues, \$63 million in expenses were also booked for a net impact of zero on income). In our 2012 fiscal year, with 4.4 million fewer pills distributed and with a revised methodology, the value of deworming pills received as Gifts-in-Kind is approximately \$9 million. If we had used the same methodology in 2011, instead of \$63 million, deworming medicine would have been valued at approximately \$16 million. While this is a significant numerical difference, the ongoing work in the field remains the same; the methodology for valuation has simply changed to keep in pace with industry practice.

Longstanding research in the global health community has shown that deworming medication is one of the most effective ways to help a child and fight poverty, and as such it remains an important method in which World Concern/CRISTA serve those in need around the world.

Information Provided to Charity Navigator in 2013

- In 2013, Charity Navigator reached out to CRISTA and other organizations in recognition that valuation methodologies used for deworming and other medicines have recently changed and that those changes may impact the organizations' financial statements. We appreciate Charity Navigator's recognition of this issue and CRISTA responded to Charity Navigator's request to submit financial information for four years prior to the year ending June 30, 2012, in order to make those years more comparable to recent years in which new valuation methods were applied. Charity Navigator calculates ratings based in part on financial results, including revenue and program expense growth over several years, and it noted that it was important to make comparisons on a like-kind basis. Therefore, CRISTA submitted information as approved by its Finance Committee to Charity Navigator in accordance with its guidelines that shows the impact on CRISTA financial results for the fiscal years ending June 30, 2008 through 2011 on a pro forma basis "as if" CRISTA had used the same valuation method for gift in kind pharmaceuticals as adopted for the year ending June 30, 2012. Following is a summary of results from such adjustments to provide comparability with the year ending June 30, 2012:

CRISTA Ministries (Fiscal Year End of June 30)

(\$'s in 000s)	2008	2009	2010	2011
Total Revenues				
As filed on IRS Form 990	\$138,791	\$132,988	\$138,661	\$144,867
Adjusted for Charity Navigator	\$101,462	\$92,314	\$88,810	\$97,205
Program Expenses				
As filed on IRS Form 990	\$127,026	\$127,145	\$130,637	\$138,476
Adjusted for Charity Navigator	\$89,697	\$86,471	\$80,786	\$90,815
Total Expenses				
As filed on IRS Form 990	\$133,867	\$134,782	\$138,060	\$146,814
Adjusted for Charity Navigator	\$96,538	\$94,108	\$88,208	\$99,151
Net Income				
As filed on IRS Form 990	\$4,924	(\$1,794)	\$601	(\$1,947)
Adjusted for Charity Navigator	\$4,924	(\$1,794)	\$601	(\$1,947)

These adjustments were provided for Charity Navigator's use in analyzing CRISTA Ministries' financial results and do not represent a restatement of CRISTA's actual financial statements for the years indicated.