



CHRISTIAN  
FINANCIAL  
RESOURCES  
INC.

# Offering Circular

2011-2012



**CHRISTIAN FINANCIAL RESOURCES, INC.**

**773 Stirling Center Place**

**Lake Mary, FL 32746**

**Telephone: 800-881-3863**

**OFFERING CIRCULAR**

The date of this offering circular is July 1, 2011. Incorporated under the Not-For-Profit Corporation Law of the state of Florida, this is an offering of up to \$150,000,000 in certificates as follows:

- ***Demand Certificates:*** Ready Cash investments are payable on demand. They earn variable interest rate determined quarterly. The minimum investment is \$5,000. IRA's can also be invested in these certificates.
- ***Timed Certificates:*** Certificates in terms of 5 months to 5 years with a minimum investment of \$10,000. Interest rate varies based on dollar amount invested and years until maturity. IRA's can also be invested in these certificates.

*For current interest rates please call 1-800-881-3863 or visit the CFR website at [www.cfrministry.org](http://www.cfrministry.org)*

**THESE SECURITIES ARE NOT BANK DEPOSITS OR OBLIGATIONS AND ARE NOT INSURED BY THE FDIC OR SIPC OR ANY OTHER FEDERAL OR STATE AGENCY.**

**THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES DEPARTMENTS OF THOSE STATES WHICH HAVE LAWS EXEMPTING SECURITIES OF CERTAIN RELIGIOUS, CHARITABLE AND EDUCATIONAL ORGANIZATIONS; AND NO OBJECTION HAS BEEN EXPRESSED TO THE ISSUER RELYING ON THE EXEMPTIONS FROM REGISTRATION. HOWEVER, THOSE SECURITIES DEPARTMENTS HAVE NOT IN ANY WAY PASSED UPON THE MERITS OF THE QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED OR PASSED UPON THE ACCURACY OF THE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNAUTHORIZED.**

**THE FOREGOING STATEMENT AND CERTAIN OTHER PORTIONS OF THIS OFFERING CIRCULAR ARE USED BECAUSE STATE LAW REQUIRES SUCH OF ALL ISSUERS OF SECURITIES.**

## **LIMITED CLASS OF INVESTORS**

We may sell our Certificates in this offering only to investors who we determine are, before receiving this Offering Circular, members of, contributors to (including previous investors), or participants in an Eligible Ministry, CFR, or in any program, activity or organization which constitutes a part of an Eligible Ministry or CFR, or in other religious organizations that have a relationship with an Eligible Ministry or CFR. We, in our sole discretion, will determine whether a potential investor is in the Limited Class of Investors. We reserve the right to refuse to offer or sell any Certificate to any person or entity.

## **FLORIDA**

These securities have not been registered with the Florida Division of Securities and Investor Protection. These securities are being offered and sold pursuant to the exemption in section 517.051(9) of the Florida Securities and Investor Protection Act. We are registered to sell our own securities as an issuer/dealer in Florida and these securities will be offered solely through our corporate officers and employees who are registered in Florida as associated persons.

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## **THE HISTORY**

Christian Financial Resources, Inc. originally incorporated as Church Development Fund of Florida, Inc. (hereinafter called "CFR") is a not-for-profit religious organization incorporated in the state of Florida, July 3, 1980. The purpose of its loan ministry is to fund ministry projects by receiving funds through the sale of certificates to assist the independent Christian Churches and their associated ministries. These projects may include land acquisition, construction and improvement of church buildings, parsonages, church schools and other facilities operated by these congregations. CFR also helps to start new churches by providing grants. The physical address of the home office is: 773 Stirling Center Place, Lake Mary, Florida 32746. Mailing address is: PO Box 951719 Lake Mary, Florida 32795-1719.

The need for a ministry such as CFR was discussed at a meeting of interested ministers and members of the Christian Churches held at the Lakeview Christian

Church (now named Journey Christian Church), Apopka, Florida, February 12, 1980. As a result of the affirmative decision of those present, the decision was made to proceed with the planning of such a ministry. Based on the recommendation of the ministers present, ten men were invited to serve as a steering committee. The first organizational meeting of the steering committee was held March 25, 1980. At the time of incorporation on July 3, 1980 the members of the steering committee became the members of the board of directors.

In 2003, CFR acquired Central Florida New Church Evangelism, Inc. which solicits funds from individuals and churches for the purpose of starting new churches. CFR changed the name of the organization to Florida Church Planters, Inc. and is now doing business as Florida Church Partners. It is a 501(c)(3) ministry and the financial statements of the organization have been consolidated with CFR since it is a wholly controlled subsidiary. This organization provides grants to start new Christian Churches.

### **PURPOSE OF THIS DISCLOSURE OFFERING CIRCULAR**

CFR proposes to issue "securities" by way of its certificates. A "security", within the meaning of both federal and state statutes, includes any evidence of indebtedness, note or certificate of interest or participation. This offering circular attempts to disclose the plans and operation of CFR so that potential participants in its investment programs will be aware of risks and potentials of these certificates. The "securities" involved in the CFR plan are generally described as certificates.

### **USE OF PROCEEDS**

CFR intends to use a portion of proceeds from certificates to finance primarily first and second mortgage loans to independent Christian Churches and their associated para-church ministries. The proceeds, which at any given time are not invested in such loans, will be invested in government securities, money market funds, bank deposits, bond funds, mutual funds, and other investments. Interest proceeds from such investments that exceed interest owed and payable to investors may be used for operation expenses. CFR has adopted a formal policy establishing the liquidity ratio of at least 8% (2% can be used from the undisbursed bank line of credit). Refer to "INHERENT RISK AND OTHER IMPORTANT FACTORS" of this offering circular for a description of certain risks inherent in this program.

### **OPERATING FUND**

On January 1, 1981, the program for raising operating funds began. Those funds were raised through contributions, all of which were nonparticipating. The

current membership of CFR is made up of the board of directors whom all receive one vote on corporate matters.

## **DESCRIPTION OF CERTIFICATES AND INTEREST RATES**

Each investor will receive a certificate statement and is entitled under the conditions and upon the terms specified therein to participate to that extent in the assets held for the benefit of the holders of certificates.

These certificates fall into four general categories (current interest listed on rate card): to wit,

- (A) **TIMED CERTIFICATES:** \$10,000 minimum, 5 month to 5 year term. For early redemption the investor will forfeit 3 months interest on certificates with initial terms less than 30 months and 6 months interest on all other certificates.
- (B) **READY CASH INVESTMENTS** require a minimum investment of \$5,000. This investment is payable on demand.
- (C) **QUALIFIED INDIVIDUAL RETIREMENT INVESTMENTS (IRA's)** are available through an IRS approved trustee to invest in our certificates. CFR is currently using the custodial services of Reliance Trust Company of Atlanta, Georgia as trustee. CFR pays the annual fee up to \$40 per account. However, Reliance Trust Company may charge a fee in the event of termination of the account, which is the responsibility of the investor. We may impose early redemption fee for early redemptions of principal for a Retirement Certificate that is a Timed Certificate.
- (D) **FLEXIBLE CERTIFICATES:** requires \$250,000 minimum, 5 month to 5 year term. Redemption penalty is typically 3 months interest on certificates with initial terms less than 30 months and 6 months interest on all other certificates.

There may be limitations on your right to withdraw funds as more fully described in the section entitled "Loan Fund and Loan Management" of the offering circular.

## **METHOD OF OFFERING**

These certificates are offered only by CFR, only at their face value, and prohibit their assignment to other than residents of those states in which CFR can operate by virtue of: (i) having registered to do business, and (ii) having representatives or employees of the ministry licensed by those states or (iii) states that CFR is exempt from registering its securities in.

This offering represents an update of prior offerings dated 1981-2010. CFR will act without compensation as sole distributor of the certificates. No officer or member of

CFR will receive any fee or pecuniary profit from CFR's operation, save reasonable compensation for services actually rendered in performing his or her regular duties, and no fees of any kind will be paid to any underwriter, broker or independent salesman.

There are no outstanding options or warrants in connection with this offering to any party. Likewise, no warrants or options on any security herein described are held or subscribed for any affiliates, promoters, underwriters, brokers or independent salesmen.

There is no minimum amount which is sought to be raised by the issuance of the certificates described in this offering circular. CFR has limited this offering to the amount of \$150,000,000 but no minimum amount must be raised. In the event that there is a demand for certificates in excess of \$150,000,000 the board of directors would then consider offering additional certificates. Of course, it is hoped that the interest in the work of CFR will result in the issuance of all certificates that would be allowed under this offering.

It is estimated the cost of this offering to be less than \$50,000 for attorney, accounting, printing, and postage costs.

## **INHERENT RISK AND OTHER IMPORTANT FACTORS**

The purchase of the certificates offered hereby entails certain risks which should be carefully evaluated by prospective purchasers. In addition to the factors set forth elsewhere in this offering circular, prospective purchasers should consider the factors outlined below.

***The certificates are not secured by collateral.*** Certificate holders will have no right, either individually or as a group, to foreclose mortgages given by defaulting borrowers, if any. CFR reserves the right to grant an extension of time for the repayment of any loan at the sole discretion of its board of directors.

***Our certificates may be subordinated to senior secured indebtedness.*** If CFR takes out a loan or line of credit against its assets that obligation has priority over these certificate holders. Christian Financial Resources does have a line of credit with a commercial bank (see audited financial statements).

***There is no public market for the securities described in this offering circular.***

***No charitable contribution deduction from taxable income is available to investors for the purchase of these securities and any and all interest accrued or paid on them is taxable currently as ordinary income under federal and state laws.*** These securities may also be taxable under estate or inheritance tax laws.

***The certificates are not guaranteed or insured by the FDIC or any other similar government agency.***

Since at any given time a substantial portion of CFR's assets are likely not to be liquid, ***CFR may not be able to repay all certificate holders seeking repayment if a substantial number of them seek repayment within a short period of time.*** There is no provision for a sinking fund requiring periodic deposits for application to redemption of certificates of participation or payment of interest as it becomes due. CFR will rely on its required liquidity and fund capital to meet these obligations.

***Timed certificates automatically renew at maturity if not redeemed.*** The interest rate could decrease at the time of maturity.

***We may require 60 days notice prior to any redemption request.*** If we exercised this right, funds from your certificate would not be immediately available to you.

***Neither Florida Church Planters, Inc. nor any other subsidiary or affiliate has guaranteed payment of our certificates.***

***You have no right to redeem a Timed or Flexible Certificate before it matures.*** CFR may at its discretion allow you to redeem all or a portion of your certificate prematurely and withhold a three to six month interest penalty.

***If your certificate drops below the minimum balance CFR may at its discretion close out the certificate and send you the balance.*** CFR may also reduce the interest rate to 0% or some other amount if it falls below the minimum amount.

***The nature of our borrowers could affect our ability to pay our certificates.*** The churches that are granted loans by the ministry will be primarily dependent upon contributions from those attending to meet the repayment of principal and interest on the loans. It should be understood that population shifts, changing economic conditions and other unpredictable factors may result in a situation where certain churches may not receive sufficient funds to meet their obligations to CFR at a given time. Property securing our loans is generally considered special purpose property and has a limited market.

***CFR's remedies against a defaulting borrower may be limited by the terms of the mortgage agreement relating to the mortgaged property.*** In normal course, neither trustees, elders, deacons, nor any other member of a church borrowing from CFR will be required to personally guarantee any mortgage loan from CFR.

***The value of property securing our loans could be less than we believe.***

Christian Financial Resources, Inc. has acquired six properties in the state of Florida:

- a) In January, 2006 Christian Financial Resources, Inc. purchased 773 Stirling Center Place in Lake Mary as its new corporate headquarters and occupied this property in May 2006.
- b) On April 1, 1997 property valued at \$21,108 in Fort McCoy was received in donation from Church Development Fund of Florida Foundation.
- c) In December 2008 CFR received a Deltona property with a deed in lieu of foreclosure and sold the property to a church in April 2011 for the amount it was on the CFR financial statements as of March 31, 2011.
- d) In March 2009 CFR was donated a church property in Longwood and is leasing this property to a Christian church.
- e) In March 2009 CFR was donated a church property in Debarry and is leasing the property to the donor church.
- f) In June 2010 CFR was given a deed in lieu of foreclosure on a church property in Dunnellon and is leasing this property to another church with a contract to sell the property to the leasing church by January 2012.

### ORIGINATION OF MORTGAGE LOANS

A congregation seeking to secure a loan from CFR may be required to submit various financial, property, and project information. CFR primarily considers four financial ratios:

***Loan to Value Ratio:*** Normally, we do not make loans in excess of 80% of the estimated value of the completed project. However, we may increase the ratio up to 90% if the church has recently completed a capital campaign or has demonstrated to our satisfaction why this would not be an unreasonable risk.

***Debt Ratio:*** Normally, we do not make loans where the loan payment would be in excess of 30% of a borrower's average monthly income from the current year. However, we may increase this percentage up to 50% if we determine such an increase would be reasonable due to projected growth patterns, capital campaign commitments, etc.

***Expense Coverage Ratio:*** CFR will need to see a plan of how increased debt will be paid for with income. This can include general fund income, capital income, rental income, external donations from individuals and organizations outside the church, etc.

***Debt per attendee:*** Normally, CFR does not loan more than \$6,000 per attendee to a church. However, if the church has performed a capital campaign, has excellent growth potential or other positive considerations; CFR may loan beyond this amount.

Other subjective factors are considered by CFR in the assessment such as growth potential, staff leadership, location, programming and elder leadership.

## **SUMMARY OF THE LOAN PROCESSING PROCEDURE**

CFR offers various options for standard ministry loans: property loans, lines of credit, and construction loans. The major steps in the processing of loan applications which are to be considered by CFR are summarized in the following process:

### **Step I**

The applicable ministry submits a loan application with financial statements attached. The completed application contains: Certain statistical, financial, and other information about the ministry and the proposed reason for the loan request.

### **Step II**

The loan committee determines whether to approve the loan based upon the Statement of Policy guidelines approved by the Board of Directors.

### **Step III**

If approved, the staff notifies the ministry of the decision with a proposal letter stipulating the terms of the loan.

## **OTHER TYPES OF LOANS**

CFR also offers a mini-loan program. The mini-loan is a short-term, low dollar amount secured loan by personal guarantors. The dual purpose served by this loan will be: (1) to put the money on hand at CFR at work in the churches rather than out in the financial market, and (2) to allow CFR to get a greater yield on funds that are not being used in standard church loans. The conditions of the mini-loan are as follows:

- 1) The maximum amount of such a loan will be \$100,000.
- 2) The mini-loan will be approved by the Chief Executive Officer up to \$100,000.
- 3) A maximum of 10% of all loaned money can be out in mini-loans.

## **LOAN FUND AND LOAN MANAGEMENT**

CFR's main source of loan funds will be from the investment program. CFR may, but is not required to, have a representative inspect properties to be mortgaged and

review cost estimates secured by committees. CFR may from time to time obtain independent appraisals of properties to be mortgaged, although it is not obligated to do so. Loans made by CFR will typically be secured by (a) first mortgage liens; or (b) second mortgage liens; or (c) personal guarantors.

## **MANAGEMENT**

The articles of incorporation of CFR vest the management of the organization in the board of directors who also serve as the members of the corporation. The articles of incorporation provide for as many as fifteen (15) directors or as few as three (3). Vacancies on the board of directors are filled by vote of the existing board of directors. Directors are elected for rotating 3-year terms with a limit of taking a year off before serving another term. At present, the CFR directors are:

ROSS MARTIN is a financial advisor for Ameriprise and serves as an elder at First Christian Church of Ft. Myers, FL. Mr. Martin began serving on the CFR board in 2011.

J. PAUL MELTON is the mission director at Harborside Christian Church in Safety Harbor, FL. Mr. Melton previously worked for UBS and other financial firms and managed with a partner over \$350 million. Mr. Melton began serving on the CFR board in 2010.

CHARLES STRASSER is owner and President of Strasser Construction Company. He attends Tomoka Christian Church. Mr. Strasser began serving on the CFR board in 2011.

MIKE GEARHART is a retired executive from Embraer. He now owns and manages several locations of Liberty Tax Service. Mr. Gearhart is a member at Christian Church in the Wildwood in Weeki Wachee, FL. Mr. Gearhart began serving his existing term in 2010 but has served numerous terms in the past.

SHANE HARGRAVE is senior pastor of Legacy Christian Church in Lakeland, FL. Mr. Hargrave has a master's degree in ministry. He began serving on the CFR board in 2009.

### OFFICERS:

DARREN R. KEY serves as Chief Executive Officer of Christian Financial Resources, Inc. He holds a bachelor of Christian Service from Manhattan Christian College, a bachelor of Finance from Kansas State University and a MBA from the University of Louisville. Mr. Key has passed the series 63 securities exam. He is also a **CERTIFIED FINANCIAL PLANNER™** practitioner. He was ordained into the ministry at Southwest Christian Church in Topeka, KS in 1995. Mr. Key began working at CFR in 1997 and also serves as an officer of the wholly controlled

subsidiary Florida Church Partners. He is a member at Journey Christian Church in Apopka, FL.

MICHAEL D. KOCOLOWSKI serves as Vice President of Christian Financial Resources, Inc. He holds a bachelor in Business Administration from the University of South Florida and a MA in Theology from Reformed Theological Seminary and has taken course work toward a PhD in Organizational Leadership from Regent University. He was ordained into the ministry at Christian Church in the Wildwood in 2000. Mr. Kocolowski began working at CFR in 2005 and also serves as the part-time President of the wholly controlled subsidiary of Florida Church Partners. He is a member at Journey Christian Church in Apopka, FL.

JOSE M. MALDONADO serves as the Corporate Secretary of Christian Financial Resources, Inc. and the Loan Manager. He holds a bachelor degree in Business Administration from the University of Central Florida. Mr. Maldonado began working at CFR in 2005. He is a member at Lifepoint Christian Church in Lake Mary.

TIM P. STEPHENS serves as Vice President of Development of Christian Financial Resources. He is a native of Atlanta, is a graduate of Atlanta Christian College with an MBA from Georgia State University. He also did graduate work at Cincinnati Christian University. After a four year preaching ministry in Kentucky, he moved to Florida where he assisted with two church starts in West Palm Beach and Tampa. Mr. Stephens began work at CFR in 2010. He is a member at Christian Church Buckhead in Atlanta, GA.

## **DISSOLUTION**

In the event of CFR's dissolution, all of its assets remaining after the discharge of its valid obligations would be distributed among Christian Church entities in the state of Florida at the discretion of the Board of Directors.

## **TAX MATTERS**

The purchaser of a certificate does not qualify as a deductible charitable contribution under the federal income tax laws. Interest paid on certificates must be declared as income by each investor unless the holder-recipient is a tax exempt organization.

CFR has received a ruling from the Internal Revenue Service of the United States Treasury Department that CFR is exempt from federal income taxation.

## **OFFICER SALARIES**

CFR board members do not receive compensation for their services but are reimbursed for expenses incurred in attending board meetings. CFR has four paid

officers with salaries during the current fiscal year budgeted at less than \$415,000 in the aggregate not including benefits.

## **LITIGATION AND LEGAL MATTERS**

There is no litigation now pending or threatened against CFR, nor are there any claims pending against CFR.

## **AUDIT**

The financial statements contained in this offering circular have been audited by Holland and Reilly, Certified Public Accountants.

The statement of financial position as of March 31, 2011, and the statements of activities, functional expenses, and cash flows for the year ended March 31, 2011, appearing in this offering circular, have been included herein in reliance on the report of Holland and Reilly, Certified Public Accountants.

CHRISTIAN FINANCIAL RESOURCES, INC.  
AND AFFILIATE  
FLORIDA CHURCH PLANTERS, INC.

COMBINED FINANCIAL STATEMENTS  
(Audited)

For the years ended March 31, 2011 and 2010

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DAVID S. HOLLAND, CPA  
THOMAS F. REILLY, CPA

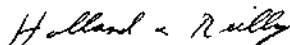
## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Christian Financial Resources, Inc.  
Lake Mary, Florida

We have audited the accompanying combined statements of financial position of Christian Financial Resources, Inc. (CFR) and its affiliate, Florida Church Planters, Inc. (FCP) as of March 31, 2011 and 2010 and the related combined statements of activities, and cash flows for the years ended March 31, 2011, 2010, and 2009. These combined financial statements are the responsibility of CFR's and FCP's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Christian Financial Resources, Inc. and affiliate as of March 31, 2011 and 2010 and the changes in their net assets and their cash flows for the years ended March 31, 2011, 2010, and 2009, in conformity with U.S. generally accepted accounting principles.



June 13, 2011  
Orlando, Florida

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2011 and 2010**

**ASSETS**

	2011	2010
Cash and temporary cash investments (Notes 2 and 15)	\$ 3,350,108	\$ 5,261,627
Marketable securities (Note 3)	3,272,242	1,334,506
Receivables:		
Mortgage notes, net (Notes 4 and 8)	78,234,823	57,300,435
Other notes (Note 4)	201,782	288,696
Other receivables	-	1,750
Accrued interest	462,752	347,766
Total receivables	78,899,357	57,938,647
Prepaid expenses	25,232	13,436
Assets whose use is limited (Note 9)	1,869,663	2,176,632
Land, property and equipment, net (Note 5)	1,294,672	1,319,603
Investment in property (Note 7)	3,242,668	3,211,958
Other assets	2,941	2,941
	<b>\$91,956,883</b>	<b>\$71,259,350</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	7,383	10,524
Investment certificates (Notes 4, 6 and 14)	84,750,626	65,410,683
Accrued expenses	19,599	10,761
Line of credit (Note 8)	-	-
Deferred revenue	12,615	5,000
Charitable gift annuities (Note 16)	146,001	178,001
Pooled income funds (Note 17)	124,667	52,282
Total liabilities	85,060,891	65,667,251
Commitments (Notes 8, 10 and 13)		
Net assets (Notes 9, 11 and 12):		
Unrestricted:		
Undesignated	5,005,224	3,415,467
Designated	1,636,972	1,784,625
Total unrestricted	6,642,196	5,200,092
Temporarily restricted (Notes 9, 11 and 12)	253,796	392,007
	<b>6,895,992</b>	<b>5,592,099</b>
	<b>\$91,956,883</b>	<b>\$71,259,350</b>

See accompanying notes.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF ACTIVITIES**  
for the years ended March 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Changes in unrestricted net assets:</b>			
<b>Revenue and other support:</b>			
Donations and gifts	\$ 150,336	\$ 322,830	\$ 109,413
Interest income	5,639,872	4,485,326	3,894,696
Loan processing fees	276,981	223,547	156,434
Miscellaneous income	59,102	25,437	-
Net assets released from restriction	<u>239,060</u>	<u>142,251</u>	<u>215,933</u>
	<u>6,365,351</u>	<u>5,199,391</u>	<u>4,376,476</u>
<b>Expenses:</b>			
<u>Program Services</u>			
Interest expense	3,156,516	2,882,052	2,476,777
Loan loss provision	200,000	100,000	300,000
Other church assistance	1,162,803	701,091	732,251
<u>Supporting Services</u>			
General and administrative	568,663	487,525	438,469
Fundraising	946	<u>2,267</u>	<u>30,814</u>
	<u>5,088,928</u>	<u>4,172,935</u>	<u>3,978,311</u>
Net operating income	1,276,423	1,026,456	398,165
<b>Realized and unrealized gain (loss) on investments</b>	418,790	492,042	( 789,147)
<b>Realized and unrealized gain (loss) on investment property</b>	( 253,109)	( 10,742)	-
<b>Contribution of investment property</b>	<u>-</u>	<u>-</u>	<u>1,738,590</u>
Increase in unrestricted net assets	<u>1,442,104</u>	<u>1,507,756</u>	<u>1,347,608</u>
<b>Changes in temporarily restricted net assets:</b>			
Donations and gifts	97,508	97,761	92,061
Interest income	3,341	4,235	4,048
Net assets released from restriction	<u>( 239,060)</u>	<u>( 142,251)</u>	<u>( 215,933)</u>
Decrease in temporarily restricted net assets	<u>( 138,211)</u>	<u>( 40,255)</u>	<u>( 119,824)</u>
Increase in net assets	1,303,893	1,467,501	1,227,784
<b>Net assets, beginning of year</b>	<u>5,592,099</u>	<u>4,124,598</u>	<u>2,896,814</u>
<b>Net assets, end of year</b>	<u>\$6,895,992</u>	<u>\$5,592,099</u>	<u>\$4,124,598</u>

See accompanying notes.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF CASH FLOWS**  
for the years ended March 31, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>			
Increase in net assets	\$ 1,303,893	\$ 1,467,501	\$ 1,227,784
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	69,379	65,105	67,653
(Gain) loss on investments	( 418,790)	( 492,043)	789,147
Loss on investment property	253,109	10,741	-
Proceeds from sale of investment property	451,611	-	-
Loan loss provision	200,000	100,000	300,000
Amortization of loan fees and loan discounts	( 65,238)	-	-
Loss on disposition of property and equipment	-	663	-
Proceeds from disposition of property and equipment	-	14,750	-
Donated assets	-	-	( 1,738,590)
<b>Other changes:</b>			
(Increase) in accrued interest receivable	( 114,986)	( 33,591)	( 18,735)
(Increase) decrease in other receivables	1,750	( 1,750)	-
(Increase) decrease in prepaid expenses	( 11,796)	( 4,358)	1,030
(Increase) decrease in assets whose use is limited	306,969	( 559,437)	( 91,632)
Increase (decrease) in accounts payable	( 3,141)	( 12,663)	9,049
Increase in accrued expenses	8,838	3,261	1,046
Increase in deferred revenue	<u>7,615</u>	<u>5,000</u>	<u>45,000</u>
Net cash provided by operating activities	<u>1,989,213</u>	<u>563,179</u>	<u>591,752</u>
<b>Cash flows from investing activities:</b>			
Issuance of mortgage notes receivable	( 25,316,368)	( 8,464,355)	( 16,744,348)
Payments received on mortgage notes receivable	3,319,421	1,581,266	11,783,330
Payments received for deferred loan fees	192,367	-	-
Issuance of other notes receivable	-	( 312,874)	( 268,169)
Payments received on other notes receivable	86,914	113,705	375,855
Purchase of furniture and equipment	( 44,448)	( 67,961)	( 6,192)
Investments in marketable securities	( 2,258,375)	-	( 1,120,836)
Proceeds from sales of marketable securities	739,429	224,965	-
Decrease in deposits	-	-	843
Investment in property	-	-	( 47,921)
Increase (decrease) in charitable gift annuities	( 32,000)	143,914	34,087
Increase in pooled income funds	<u>72,385</u>	<u>52,282</u>	<u>-</u>
Net cash used for investing activities	<u>( 23,240,675)</u>	<u>( 6,729,058)</u>	<u>( 5,993,351)</u>

See accompanying notes.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF CASH FLOWS - Continued**  
**for the years ended March 31, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from financing activities:</b>			
Net increase in investment certificates	19,339,943	16,605,342	3,351,149
Proceeds from line of credit	9,400,400	1,250,000	17,400,000
Payments on line of credit	( 9,400,400)	( 9,400,000)	( 12,750,000)
Net cash provided by financing activities	<u>19,339,943</u>	<u>8,455,342</u>	<u>8,001,149</u>
<b>Net increase (decrease) in cash and temporary cash investments</b>	( 1,911,519)	2,289,463	2,599,550
<b>Cash and temporary cash investments, beginning beginning of year</b>	<u>5,261,627</u>	<u>2,972,164</u>	<u>372,614</u>
<b>Cash and temporary cash investments, end of year</b>	<u>\$ 3,350,108</u>	<u>\$ 5,261,627</u>	<u>\$ 2,972,164</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for interest	<u>\$ 3,156,516</u>	<u>\$ 2,882,052</u>	<u>\$ 2,374,078</u>
<u>Non-cash transactions</u>			
Ownership assumption of investment property on release of mortgage notes receivable	\$ 735,430	\$ -	\$ 1,449,339
Discount received on purchase of mortgage loans	<u>\$ 409,622</u>	\$ -	\$ -
Investment property received by donation	\$ -	\$ -	<u>\$ 1,738,590</u>

See accompanying notes.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies:**

Following is a summary of significant accounting policies used in the preparation of the combined financial statements.

Entity – These combined financial statements include the accounts of Christian Financial Resources, Inc. (CFR) and its affiliate, Florida Church Planters, Inc. (FCP), d/b/a Florida Church Partners, formerly known as Central Florida New Church Evangelism, Inc. All significant intercompany accounts and transactions have been eliminated in combination. The accounts of CFR and FCP have been combined due to the economic interdependence between the two organizations; the presentation is more meaningful, and the organizations meet the criteria for combining affiliated organizations.

Organization and purpose – CFR is a nonprofit corporation formed in July 1980 for the purpose of assisting non-denominational Christian Churches and associated para-church ministries in Florida. CFR was established to make loans to such churches for the purchases of property and for construction and major improvements of churches, parsonages, church schools and other church buildings.

FCP is a nonprofit corporation formed in April 1965 for the purpose of establishing new non-denominational Christian Churches and associated para-church ministries in Florida and to assist in such establishment by supplying funds as needed.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. CFR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CFR and FCP have no permanently restricted net assets at March 31, 2011 and March 31, 2010.

Basis of accounting - The combined financial statements have been prepared on the accrual basis of accounting and in accordance with the accounting and reporting practices promulgated by the American Institute of Certified Public Accountants for non-profit organizations.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a 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.

Property received through donation is recorded at fair market value on the date of donation.

Revenue recognition - Membership fees from individuals and churches are generally recognized as revenue upon receipt since no significant services are to be provided in the future.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies - Continued:**

Mortgage notes receivable – Mortgage notes receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowances is based on past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. CFR's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Deferred loan fees – Loan administration fees collected at the inception of the mortgage notes receivable, net of the costs of originating the mortgage note, are deferred and amortized over the life of the loan as an adjustment of yield using the effective interest method. These loan administration fees are recorded as part of mortgage notes receivable, net in the accompanying combined statements of financial position. Net amortization of such deferred fees was \$7,659, \$0, and \$0 for the years ended March 31, 2011, 2010, and 2009, and was included in interest income in the accompanying combined statements of activities.

Income taxes – CFR and FCP are tax-exempt organizations under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying combined financial statements. Unrelated business income, if any, is taxable.

Property and equipment – Building, land, furniture, fixtures and equipment purchased are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. CFR's policy is to capitalize property and equipment, the cost of which is greater than \$1,000 and \$500 for the years ended March 31, 2011 and 2010, respectively.

Marketable securities – Marketable securities are stated at fair value, based on quoted prices in active markets.

Functional expenses – The costs of providing program services and other activities are summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs are allocated among the program services and supporting services benefited.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents - For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be temporary cash investments.

Reclassifications - Certain amounts in the 2010 and 2009 combined financial statements have been reclassified to conform to the 2011 presentation.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies - Continued:**

Fair value of financial instruments - CFR's financial instruments are cash and temporary cash investments, marketable securities, receivables, assets whose use is limited, and accounts payable. The recorded value of cash and temporary cash investments, marketable securities, receivables, assets whose use is limited, and accounts payable approximate their fair values based on their short-term nature.

**2. Cash and Temporary Cash Investments:**

Cash and temporary cash investments consist of the following:

	March 31, <u>2011</u>	March 31, <u>2010</u>
Cash	\$ 216,359	\$ 279,152
Temporary cash investments:		
Certificate of deposit	1,231,762	5,606,238
Money market funds	<u>3,771,650</u>	<u>1,552,869</u>
	<u>\$5,219,771</u>	<u>\$7,438,259</u>

This amount is presented under the following captions in the Statement of Financial Position:

Cash and temporary cash investments	\$3,350,108	\$5,261,627
Assets whose use is limited	<u>1,869,663</u>	<u>2,176,632</u>
	<u>\$5,219,771</u>	<u>\$7,438,259</u>

**3. Marketable Securities:**

Marketable securities consist of the following:

	<u>Fair value</u>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Mutual Funds	<u>\$3,272,242</u>	<u>\$1,334,506</u>

During the years ended March 31, 2011, 2010, and 2009, CFR sold shares in several investments, realizing a net gain of \$29,985, a net gain of \$8,844, and a net loss of \$24,950 respectively. At March 31, 2011 CFR has unrealized gains of \$413,098 and had unrealized losses of \$45,211 at March 31, 2010 in its investment portfolio.

The mutual funds invest principally in U.S. and foreign common stocks and corporate bonds, foreign fixed income securities, U.S. government-backed obligations, and commercial paper.

CFR's investment policy authorizes, within certain guidelines, investments in U.S. Treasury obligations, commercial bank C.D.s, common stocks, mutual funds, and corporate and government bonds.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**4. Mortgage and Other Notes Receivable:**

Mortgage notes are made available to member churches at interest rates normally below the current market rate. They are collateralized by first and second mortgages on real property.

The notes generally mature in three to fifteen years, with annual renewal, and may be extended by CFR. Repayment schedules are computed based on an amortization of the principal over a period of five to thirty years.

CFR also makes "mini-loans" available to member churches at interest rates normally below the current market rate. The collateral for these loans are the personal guarantees from four members of the member church and the loan amount cannot normally exceed \$100,000. In addition, the member church or ministry must maintain two months payments in certificates with CFR for automatic payment redemption.

All of these loans are with non-denominational Christian Churches and associated para-church ministries. At March 31, 2011, CFR had outstanding eighty-eight mortgage loans and four "mini-loans" to member churches and ministries.

	<u>March 31,</u> <u>2011</u>	<u>March 31,</u> <u>2010</u>
Mortgage notes	\$79,571,575	\$57,900,435
Allowance for loan losses	( 800,000)	( 600,000)
Unamortized discount on loans	( 352,043)	( - )
Deferred loan fees, net of cost	( 184,709)	( - )
Mortgage notes, net	<u>\$78,234,823</u>	<u>\$57,300,435</u>
Other notes	<u>\$ 201,782</u>	<u>\$ 288,696</u>

CFR had a provision for loan loss of \$200,000, \$100,000, and \$300,000 for the years ended March 31, 2011, 2010, and 2009 respectively.

Concentrations – Mortgages receivable include loans to ten churches that comprise \$44,963,883, or 56.5% of mortgages receivable at March 31, 2011 and six churches that comprise \$28,185,000, or 49% of mortgages receivable at March 31, 2010.

**5. Property and Equipment:**

Building, land, furniture and equipment, and vehicles are summarized as follows:

	<u>March 31,</u> <u>2011</u>	<u>March 31,</u> <u>2010</u>
Land	\$ 416,500	\$ 416,500
Building	896,265	896,265
Furniture and equipment	309,845	265,397
Vehicle	<u>44,073</u>	<u>44,073</u>
	1,666,683	1,622,235
Less accumulated depreciation	( 372,011)	( 302,632)
	<u>\$1,294,672</u>	<u>\$1,319,603</u>

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**6. Investment Certificates:**

Each investor in CFR receives a "statement of account" certifying that the holder has made an investment of a specified dollar amount and is entitled to participate in the assets held for the benefit of the investors. These investment certificates fall into seven basic categories, each with varying requirements. Interest is compounded daily, paid monthly and quarterly, and is subject to forfeiture under certain circumstances for early redemption.

**7. Investment in Property:**

Investment in property consists of the following:

	March 31, 2011	March 31, 2010
Fort McCoy property	\$ 21,108	\$ 21,108
Cornerstone property	1,035,850	1,035,850
New Hope property	1,520,000	1,520,000
River City property	680,000	680,000
Dunnellon property	396,560	-
	3,653,518	3,256,958
Allowance for loss on investment property	( 410,850)	( 45,000)
	<b>\$3,242,668</b>	<b>\$3,211,958</b>

Fort McCoy Property – In March 1991, CFR purchased the Fort McCoy property for \$21,108.

Cornerstone property – In December 2008, CFR took ownership of the Cornerstone Christian Church property in Deltona, Florida in exchange for the release of the church's loan obligation to CFR. The property is valued at the amount of the loan on CFR's books plus legal and other closing costs.

New Hope property – In March 2009, New Hope Christian Church in Longwood, Florida, gifted its church property, valued at \$1,520,000, for the release of its loan obligation.

River City property – In March 2009, River City Christian Church in Debary, Florida, gifted its church property, valued at \$680,000, for the release of its loan obligation.

Dunnellon property – In June 2010, CFR took ownership of the First Christian Church property in Dunnellon, Florida in exchange for the release of the church's loan obligation to CFR. The property is valued at the amount of the loan on CFR's books.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**8. Line of Credit:**

CFR has a \$7,200,000 bank line of credit at March 31, 2011 and 2010 expiring September 8, 2011, secured by mortgages receivable, with interest variable at 30 day Libor rate plus 2.8% for both years. There was no outstanding balance on the line of credit at March 31, 2011 or March 31, 2010. During the year ended March 31, 2011, CFR also pays a monthly fee on the amount of the available line of credit at .25% per annum and a 15% closing fee. During the year ended March 31, 2010, CFR also paid a quarterly fee on the amount of the available line of credit, at .60% per annum. Interest expense and other costs related to this line of credit total \$63,313 and \$137,050 during the years ended March 31, 2011 and 2010 respectively. In April 2011, the line of credit was increased to \$10,000,000.

**9. Net Assets:**

Net assets consist of the following:

	<u>March 31,</u> 2011	<u>March 31,</u> 2010
Unrestricted net assets		
Undesignated	\$5,005,224	\$3,415,467
Designated for:		
Promised Land Principal Fund	-	130,050
Promised Land Interest Fund	-	29,002
Adoption funds	49,612	38,788
Benevolence funds	-	917
Lake Aurora Christian Camp Fund	8,403	850
Charitable gift annuity reserve Funds	357,893	387,633
Pooled income Fund	190,000	75,000
Florida Church Planters Perpetual Fund (Note 12)	<u>1,031,064</u>	<u>1,122,385</u>
Total designated net assets	<u>1,636,972</u>	<u>1,784,625</u>
Total unrestricted net assets	6,642,196	5,200,092
Temporarily restricted net assets		
Restricted for:		
Committed funds – Counseling center	-	2,748
Committed funds – FL Christian College	7,154	2,154
Disaster relief funds (Note 11)	101,123	98,657
Pilcher Camp Scholarship Fund	17,098	15,384
Benevolence funds	-	151
Florida Church Planters Savings Fund (Note 12)	<u>128,421</u>	<u>272,913</u>
Total temporarily restricted net assets	<u>253,796</u>	<u>392,007</u>
Total net assets, end of year	<u>\$6,895,992</u>	<u>\$5,592,099</u>

The assets relating to the board designated and temporarily restricted net assets are recorded as "Assets whose use is limited" on the Combined Statements of Financial Position.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**10. Operating Leases:**

CFR leases office equipment through a lease that expired in December 2010, at which time the lease became a quarter to quarter lease. Lease expense for this lease amounted to \$1,932 for each of the years ended March 31, 2011, 2010, and 2009.

**11. Disaster Relief Funds - Temporarily Restricted:**

CFR has been requested to act as agent for numerous cash contributions received from various Christian Churches in Florida for assistance in providing relief to disaster victims. These funds are temporarily restricted, must be expended only on disaster relief, and are maintained in a CFR ready cash demand account.

Activity in this account is as follows:

	March 31, <u>2011</u>	March 31, <u>2010</u>
Disaster Relief Funds, beginning of year	\$ 98,657	\$ 95,211
Additions	-	-
Disbursements	-	-
Interest income	<u>2,466</u>	<u>3,446</u>
Disaster Relief Funds, end of year (see Note 9)	<u>\$101,123</u>	\$ 98,657

**12. Florida Church Planters Savings Fund – Temporarily Restricted:**

FCP was established to assist in church plantings for non-denominational Christian Churches and associate para-church ministries. Funds are received from churches and individuals with a restriction that 50% of each donation is invested in a Savings Fund that FCP has invested with CFR. These amounts must be spent on church plantings.

Activity in this account is as follows:

	March 31, <u>2011</u>	March 31, <u>2010</u>
Florida Church Planters Savings Fund, beginning of year	\$272,913	\$320,075
Donations	90,492	95,088
Church plantings	<u>( 234,984)</u>	<u>( 142,250)</u>
Florida Church Planters Savings Fund, end of year (see Note 9)	<u>\$128,421</u>	<u>\$272,913</u>

FCP has also designated the remainder of its unrestricted net assets (\$1,031,064 and \$1,122,385 at March 31, 2011 and 2010, respectively) towards future church plantings.

**13. Pension Plan:**

CFR has an agreement with American Century Investments to function as the pension plan administrator. Under the plan, CFR contributes 5-10% of each participant's budgeted salary, with contribution for the year ended March 31, 2011, 2010, and 2009 of \$36,158, \$33,833, and \$31,677, respectively. The contributions are placed in a group annuity contract. Participants can direct their accounts to be invested in one of 21 funds with varying investment objectives. There is no age or service requirement to participate in the plan.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**14. Related Parties:**

As further explained in Note 4, CFR makes loans to member churches and also accepts deposits from these churches and members of their congregations. Certain of these individuals are employees or serve on the board of directors of CFR. The individuals have certificates of participation with CFR totaling \$1,485,344 and \$1,122,220 in the aggregate as of March 31, 2011 and 2010, respectively.

Capital campaigns that were formerly conducted by CFR for other churches for a fee are now performed by a separate organization whose principal officer is CFR's chief executive officer. He and several CFR employees conduct the capital campaigns. That organization donated \$10,500, \$11,500, and \$12,361 to CFR during the years ended March 31, 2011, 2010, and 2009 respectively.

**15. Concentration of Credit Risk:**

CFR maintains cash balances at a financial institution which is insured by the Federal Deposit Insurance Corporation. As of March 31, 2011, and 2010, CFR had no uninsured cash balances with that financial institution. CFR also maintains other cash balances with another financial institution which is not insured by the FDIC. The balances at that institution, as of March 31, 2011 and 2010 totaled \$3,719,482 and \$5,616,710, respectively, all uninsured.

**16. Charitable Gift Annuities:**

CFR is the beneficiary of several split-interest agreements (charitable gift annuities). The agreements provide for annual payments from \$2,898 to \$16,800, or fixed rates from 6.14% to 12% over the beneficiary's lifetimes for years ended March 31, 2011 and 2010, and \$2,898 or a fixed rate of 6.1% for the year ended March 31, 2009. Assets totaled \$387,633 as of March 31, 2011 and 2010, and are valued at fair value when received. The liability is valued at fair value at March 31, 2011 and 2010 using present value techniques. Changes in fair value of charitable gift annuities are reflected as changes in unrestricted net assets. On an annual basis, CFR reviews the need to revalue the liability based on any changes to the beneficiary's life expectancy. The present values of the estimated future payments (\$146,001 and \$178,001 at March 31, 2011 and 2010, respectively) of the different agreements are calculated using discount rates of 3.4 to 3.8%, and applicable mortality tables. Contribution revenue of \$188,280 and \$13,416 is recorded in donations and gifts in the combined Statements of Activities for the years ended March 31, 2010 and 2009 respectively. There was no contribution revenue for March 31, 2011.

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**17. Pooled Income Funds:**

CFR is also the beneficiary of several split-interest agreements (pooled income funds). The funds from different donors are unitized and donors are assigned a specific number of units based on the relationship of the fair value of their contribution to the fair value of the pool as a whole at the time the donor enters the pool. During the term of the life income gifts, the donor, or beneficiaries specified by the donor, receives the actual income earned on the donor's units in the pool. The agreements provide for annual payments at a fixed rate of 7% over the beneficiary's lifetimes. As of March 31, 2011 and 2010, respectively, assets totaled \$190,000 and \$75,000 and are valued at fair value when received. The liability is valued at fair value at March 31, 2011 and 2010 using present value techniques. Changes in fair value of pooled income funds are reflected as changes in unrestricted net assets. On an annual basis, CFR reviews the need to revalue the liability based on any changes to the beneficiary's life expectancy. The present value of the estimated future payments was \$124,667 and \$52,282 at March 31, 2011 and 2010 respectively. Contribution revenue of \$40,203 and \$21,994 for the years ended March 31, 2011 and 2010, respectively, is recorded in donations and gifts in the combined Statements of Activities. There were no pooled income funds for the year ended March 31, 2009, thus no activity.

**18. Fair Value of Financial Assets and Liabilities:**

The following are the major categories of assets measured at fair value on a recurring basis during the years ended March 31, 2011 and 2010 respectively, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	3/31/11	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 1,231,762	1,231,762		
Money markets	1,283,930	1,283,930		
Savings account	2,487,720	2,487,720		
Mutual funds	3,272,242	3,272,242		
	\$ 8,275,654	\$ 8,275,654	\$ -	\$ -

Description	03/31/10	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 5,606,238	5,606,238		
Money markets	1,542,397	1,542,397		
Savings account	10,472	10,472		
Mutual funds	1,334,506	1,334,506		
	\$ 8,493,613	\$ 8,493,613	\$ -	\$ -

**CHRISTIAN FINANCIAL RESOURCES, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**19. Subsequent Events:**

Management has evaluated events and transactions for potential recognition or disclosure through June 13, 2011, the date on which the financial statements were available to be issued.



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