Christian Relief Services Charities

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Year Ended June 30, 2014

and Report Thereon

Reports Required in Accordance with Office of Management and Budget Circular A-133

For the Year Ended June 30, 2014

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

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For the Year Ended June 30, 2014

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Relief Services Charities, Inc.
and Affiliates

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Christian Relief Services Charities, Inc. (CRSC) and Affiliates (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Christian Relief Services Kansas Affordable Housing Corporation, CRS Triangle Housing Corporation, CRS Scottsdale Housing Corporation, CRS Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, which statements reflect total assets of $33,646,728 as of June 30, 2014, and total revenue of $10,379,864 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Christian Relief Services Kansas Affordable Housing Corporation, CRS Triangle Housing Corporation, CRS Scottsdale Housing Corporation, CRS Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated 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 consolidated 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.

Continued

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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.
Washington, DC
January 5, 2015

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS	
Cash and cash equivalents	$ 3,470,077
Grants and contributions receivable, net	580,187
Other receivables	458,376
Prepaid expenses and other assets	1,238,845
Contributed relief materials	436,506
Notes receivable	10,937,839
Interest receivable	558,753
Financing costs	444,003
Restricted investments for tenant security deposits	437,856
Restricted deposits and funded reserves	952,051
Investments	49,096,270
Investments in operating entities	2,163,013
Cash surrender value of life insurance policies	1,368,583
Trust accounts	2,589,391
Property and equipment, net	46,147,438
TOTAL ASSETS	$ 120,879,188
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 1,023,442
Accrued interest	570,759
Deferred revenue	157,315
Lines of credit payable	7,585,277
Mortgages payable	19,603,986
Notes payable	23,263,148
Capital lease obligation	2,358,521
Prepaid rent	130,583
Deposits and funds held for others	430,838
TOTAL LIABILITIES	55,123,869
Net Assets	
Unrestricted	36,521,487
Temporarily restricted	12,686,355
Permanently restricted	16,547,477
TOTAL NET ASSETS	65,755,319
TOTAL LIABILITIES AND NET ASSETS	$ 120,879,188

The accompanying notes are an integral part of these consolidated financial statements.

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Housing rental and related income	$ 13,871,245	$ -	$ -	$ 13,871,245
Noncash contributions	13,532,510	-	-	13,532,510
Cash contributions	4,796,047	231,986	-	5,028,033
Other income	371,065	3,997	-	375,062
Grants from government agencies	1,070,977	-	-	1,070,977
Royalties	-	639,307	-	639,307
Wills and bequests	514,573	772,840	-	1,287,413
Workplace campaign contributions	51	398,590	-	398,641
Interest and dividend income	985,501	799,918	-	1,785,419
Fee income	126,817	-	-	126,817
Net realized and unrealized gains	2,351,234	3,101,904	-	5,453,138
Net assets released from restrictions:				
Satisfaction of time restrictions	372,090	(372,090)	-	-
Satisfaction of purpose restrictions	2,767,530	(2,767,530)	-	-
TOTAL REVENUE AND SUPPORT	40,759,640	2,808,922	-	43,568,562
EXPENSES				
Program Services:				
Domestic programs	996,840	-	-	996,840
American Indian programs	3,843,687	-	-	3,843,687
International programs	11,824,755	-	-	11,824,755
Housing programs	14,415,576	-	-	14,415,576
Total Program Services	31,080,858	-	-	31,080,858
Supporting Services:				
Management and general	2,030,331	-	-	2,030,331
Fundraising	3,492,816	-	-	3,492,816
Total Supporting Services	5,523,147	-	-	5,523,147
TOTAL EXPENSES	36,604,005	-	-	36,604,005
Return of unused grant funds	(12,000)	-	-	(12,000)
Change in donor's intent	-	205,000	-	205,000
CHANGE IN NET ASSETS	4,143,635	3,013,922	-	7,157,557
NET ASSETS, BEGINNING OF YEAR	32,377,852	9,672,433	16,547,477	58,597,762
NET ASSETS, END OF YEAR	$ 36,521,487	$ 12,686,355	$ 16,547,477	$ 65,755,319

The accompanying notes are an integral part of these consolidated financial statements.

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services					Supporting Services		
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total	Management and General	Fundraising	Total
In-kind expenditures	$ 465,439	$ 1,342,957	$ 11,235,949	$ -	$ 13,044,345	$ -	$ -	$ 13,044,345
Wages and benefits	134,697	286,956	63,368	2,286,988	2,772,009	829,139	368,764	3,969,912
Interest expense	-	-	-	2,158,434	2,158,434	309	18,651	2,177,394
Depreciation and amortization	-	10,357	-	2,338,112	2,348,469	19,033	293	2,367,795
Printing and production	9,775	102,952	20,112	-	132,839	4,839	2,007,496	2,145,174
Contract services	5,028	167,059	10,809	1,367,594	1,550,490	127,136	93,576	1,771,202
Utilities	2,267	4,876	2,288	1,761,422	1,770,853	24,074	3,090	1,798,017
Rent	16,676	16,676	16,676	1,151,347	1,201,375	21,081	16,430	1,238,886
Grants	142,129	917,921	309,882	233,397	1,603,329	4,500	31,052	1,638,881
Procurement fees	191,566	715,574	68,743	-	975,883	-	18,773	994,656
Postage	4,557	53,188	7,082	2,829	67,656	4,138	721,207	793,001
Repairs and maintenance	540	2,574	410	545,137	548,661	45,466	2,806	596,933
Real estate taxes	505	505	505	507,227	508,742	68,875	61	577,678
Provision for doubtful accounts	(23,987)	-	3,440	315,231	294,684	3,454	-	298,138
Professional and consulting	-	-	-	157,339	157,339	171,033	-	328,372
Bank charges	-	-	3,463	31,594	35,057	414,363	25,918	475,338
Operating expenses - housing and Terry Lynn	-	-	-	524,389	524,389	-	-	524,389
Miscellaneous	562	618	869	117,584	119,633	13,581	394	133,608
General insurance	2,940	8,746	2,940	319,022	333,648	42,698	1,759	378,105
Office supplies, dues and subscriptions	4,375	38,270	3,192	100,179	146,016	121,467	77,906	345,389
Payroll taxes	7,669	22,206	5,131	163,126	198,132	49,607	-	247,739
Advertising	-	45	-	161,808	161,853	298	37,842	199,993
Meetings and travel	3,973	29,553	21,466	19,238	74,230	22,697	2,185	99,112
Shipping	25,720	84,819	47,400	551	158,490	2,879	933	162,302
Bond administrative fees	-	-	-	72,735	72,735	-	-	72,735
Telephone	2,409	4,782	1,030	45,457	53,678	32,070	6,998	92,746
Homeowner association fees	-	-	-	34,437	34,437	6,826	-	41,263
Equipment rental	-	-	-	399	399	768	2,925	4,092
List rental	-	-	-	-	-	-	53,757	53,757
Field Operations								
Nebraska/South Dakota	-	33,053	-	-	33,053	-	-	33,053
TOTAL EXPENSES	$ 996,840	$ 3,843,687	$ 11,824,755	$ 14,415,576	$ 31,080,858	$ 2,030,331	$ 3,492,816	$ 36,604,005

The accompanying notes are an integral part of these consolidated financial statements.

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 7,157,557
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,367,795
Provision for doubtful accounts	337,006
Unrealized gains	(2,308,123)
Realized gains	(3,145,015)
Changes in assets and liabilities:	
Grants and contributions receivable	(274,529)
Other receivables	(43,109)
Prepaid expenses and other assets	(304,608)
Contributed relief materials	174,013
Interest receivable	(51,950)
Restricted investments for tenant security deposits	29,519
Restricted deposits and funded reserves	(46,675)
Cash surrender value of life insurance policies	(15,300)
Accounts payable and accrued expenses	(115,108)
Accrued interest	73,743
Deferred revenue	(5,363)
Prepaid rent	70,874
Deposits and funds held for others	(3,051)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,897,676
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(23,669,767)
Sale of investments	23,046,427
Net withdrawals from trust accounts	198,006
Purchase of investments in operating entities	(1,890,469)
Proceeds from sale of fixed assets	218,609
Purchase of property and fixed assets	(7,439,178)
NET CASH USED IN INVESTING ACTIVITIES	(9,536,372)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of mortgage payable	492,160
Principal payments on mortgages payable	(395,431)
Principal payments on capital lease obligation	(114,517)
Proceeds from borrowings under lines of credit agreement	3,219,885
Proceeds from issuance of notes payable	2,600,000
Principal payments on notes payable	(724,097)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,078,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(560,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,030,773
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,470,077
SUPPLEMENTAL INFORMATION	
Cash payments for interest	$ 2,177,394

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Christian Relief Services Charities, Inc. (CRSC) was incorporated in April 1985, under the Virginia Nonstock Corporation Act, to assist in the alleviation of human suffering, misery, pain and disability in the world by advancing and improving the welfare of all persons while preserving native heritages, customs and beliefs, which includes the acquisition of low-income housing and developing, renovating and managing housing for persons of limited means, the disabled and the elderly.

CRSC has received a group exemption determination from the Internal Revenue Service, which affords the affiliates on CRSC's roster the same income tax-exempt status as CRSC. The following affiliates are included on CRSC's group roster and are nonstock corporations:

Christian Relief Services, Inc. (CRSI)

Americans Helping Americans, Inc. (AHA)

American Indian Youth Running Strong, Inc. (RS)

Bread and Water for Africa, Inc. (BWA)

Mountain Lakes Housing Foundation, Inc. (Mountain Lakes)

Christian Relief Services Kansas Affordable Housing Corporation (CRS Kansas)

CRSC Residential, Inc. (CRSC Residential)

CRS Triangle Housing Corporation (CRS Triangle)

CRS Scottsdale Housing Corporation (CRS Scottsdale)

CRS Fountain Place Housing Corporation (CRS Fountain Place)

CRS Cambridge Court Housing Corporation (CRS Cambridge)

Christian Relief Services of Virginia, Inc. (CRS Virginia)

CRS Housing Preservation, Inc. (Housing Preservation)

CRS Peoria Housing Corporation (CRS Peoria)

CRS Somerset Place Housing Corporation (CRS Somerset)

Christian Relief Services/21st Century Campaign, Inc. (CRS/21) is a nonstock corporation and shares a common board, but is not included on CRSC's group roster.

All entities, except for CRSI, AHA, RS, BWA, and CRS/21 were formed to provide low-income housing for persons of limited financial means, qualified housing for disabled persons, and other types of qualified housing for elderly persons.

CRSI provides funding, technical support services and in-kind goods to communities striving to break the stranglehold of poverty in order to achieve sustainable solutions. Many communities within the United States, and throughout the world, suffer from a lack of basic

Continued

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

Organization (continued)

infrastructure services – clean water, medicine, education and housing. CRSI works closely with partner charities, including affiliates, individuals and nongovernment organizations embedded in targeted communities, to determine effective ways of sharing resources and creating long-term solutions for the alleviation of human suffering, misery, pain and disability in the world by advancing and improving the welfare of all persons while preserving native heritages, customs and beliefs.

AHA was organized to assist in the alleviation of human suffering, misery, pain and disability by helping fellow Americans with basic necessities, such as shelter, home repair, food, clothing and medical assistance, throughout the United States.

RS was organized to help American Indian people meet their immediate survival needs – food, water and shelter – while implementing and supporting programs designed to create opportunities for self-sufficiency and self-esteem, particularly for native youth.

BWA was organized to promote positive change in Africa by supporting and strengthening grassroots initiatives for self-sufficiency, health and education, as well as assisting in the development of alternative energy sources, agricultural techniques, conservation programs, educational and medical programs, and water resources.

CRS/21 was organized to operate exclusively as a charitable organization whose sole purpose is to support the welfare of CRSC.

The remaining CRSC affiliates' activities are mostly single purpose entities. All activities of the Organization are funded primarily from housing rental income and related service fees and cash and non-cash contributions.

Basis of Accounting and Presentation

The accompanying consolidated financial statements of CRSC and its affiliates (collectively referred to as the Organization) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Principles of Consolidation

The consolidated financial statements of the Organization include the accounts of CRSC, CRSI, AHA, RS, BWA, Mountain Lakes, CRS Kansas, CRSC Residential, CRS Triangle, CRS Scottsdale, CRS Fountain Place, CRS Cambridge, CRS Virginia, CRS Housing Preservation, CRS Peoria, CRS Somerset, and CRS/21. The entities have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

Continued

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Contributed Relief Materials and Donated Services

Contributed relief materials received by the Organization consist of food, clothing, hygiene products, shoes, school supplies, bedding, medical equipment, and medical supplies and are recorded as revenue and contributed relief materials inventory at the estimated fair value at the time of receipt. 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. Upon donation to a donee organization, the materials are expensed at the estimated fair value at their time of donation to the Organization and are released from inventory.

The Organization's programs are also furthered by a substantial number of nonprofessional volunteers who have donated their services to the Organization. The value of these services is not reflected in the accompanying consolidated financial statements because they do not meet the criteria for recognition under GAAP.

Contributed Relief Materials Inventory

Contributed relief materials inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method. As of June 30, 2014, the donated inventory was predominately related to medical supplies and books.

Investments

Investments are recorded in the accompanying consolidated statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

> *Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices in an active market that the Organization has the ability to access.

Continued

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

Fair Value Measurements (continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of June 30, 2014, the Organization's assets and liabilities that are measured at fair value on a recurring basis are described in Note 13 of these consolidated financial statements.

Charitable Remainder Unitrust Receivable

The charitable remainder unitrust (CRUT) receivable is recorded at the net present value of the estimated future cash flows (as measured by the fair value of the underlying assets net of the estimated liabilities) and is included in other receivables in the accompanying consolidated statement of financial position.

Investments in Limited Partnerships

CRSC has a 0.01% limited partner interest in certain limited partnerships. The investments are accounted for under the cost method. Under the cost method, investments are recorded at the price paid. Distributions received are recorded as income at the time of receipt. The investments in these limited partnerships are recorded at zero, since there was no monetary consideration given at the time they were donated to CRSC. The limited partnerships are not consolidated, because the Organization holds a limited partner interest.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost, except for donated property, which is recorded at the estimated fair value upon receipt. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Buildings	40 years
Leasehold improvements	7 to 40 years
Property and equipment	3 to 10 years

Buildings and leasehold improvements are amortized over the lease period or useful lives of the improvements, whichever is shorter, using the straight-line method. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expense in the accompanying consolidated statement of activities. Major additions with a cost in excess of $1,000 are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Continued

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the year ended June 30, 2014.

Financing Costs and Amortization

Debt financing costs are being amortized using the straight-line method, which approximates the amortization that would be calculated using the effective interest method, over the terms of the respective loans. Discounts and premiums are amortized over the lives of the underlying obligations using the straight-line method, which approximates the amortization that would be calculated using the effective interest method.

Deferred Interest Income

Deferred interest income represents up-front interest income received in lieu of future interest earnings on the debt service fund. The amount is recognized ratably over the lives of the bonds using the straight-line method and is included in deferred revenue in the accompanying consolidated statement of financial position.

Net Assets

The net assets of the Organization are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Organization's operations. Also included in unrestricted net assets are funds that have been designated by the Board of Directors to serve as an endowment.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

Revenue Recognition

Gifts and grants of cash and other assets are recognized as revenue at their net realizable value when an unconditional promise to give is received by the Organization. The Organization reports gifts and grants of cash and other assets as unrestricted support and available for general operations, unless specifically restricted by the donor.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a

Continued

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

Revenue Recognition (continued)

purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restriction. Workplace campaign contributions with payments due in future years are reported as temporarily restricted revenue in the accompanying consolidated statement of activities.

Revenue recognized on contributions that have been committed to the Organization but have not been received is reflected as grants and contributions receivable in the accompanying consolidated statement of financial position. Grants and contributions receivable are reported net of an allowance for doubtful accounts. The allowance is based on historical collection experience and a review of the current status of the grants and contributions receivable. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Wills and bequests are recognized at the time an unassailable right to the gift has been established, the proceeds are measurable, and the Organization accepts the gift. Proceeds that have not been received as of year-end are included in grants and contributions receivable in the accompanying consolidated statement of financial position.

Royalty income is reported when received as an increase in temporarily restricted net assets due to a donor-imposed restriction.

Housing rental income is recognized as the rents become due. Rental payments received in advance are deferred until earned and shown as prepaid rent in the accompanying consolidated statement of financial position. All contracts between the Organization and the tenants of its properties are considered operating leases. Tenant receivables are charged to expense when tenant receivables are determined to be uncollectible, based upon a periodic review of the accounts by management.

Service fee income is recognized as contractual payments become due from clients who reside in the Organization’s transitional and supportive housing programs and is included in housing rental and related income in the accompanying consolidated statement of activities.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Costs directly related to program and/or supporting services are charged to these functional areas. Expenses related to more than one function are allocated among the program and supporting services benefited.

Continued

2. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at their net realizable value. All receivables are expected to be received within one year. The Organization has recorded an allowance for doubtful accounts of $105,341 at June 30, 2014.

3. Notes and Interest Receivable

Housing Preservation entered into three money purchase note agreements with four partnerships totaling $7,310,766, including accrued interest, in connection with the sale of four rental properties. Interest-only payments are due from cash flows, as defined, from the respective operating partnerships. The notes bear interest at rates ranging from 4.3% to 4.83%. Accrued interest and principal are due in full at various dates, ranging from January 2046 through March 2048.

Housing Preservation was assigned two notes receivable totaling $3,412,219, including accrued interest. The notes bear interest at a rate of 1%. Accrued interest and principal payments are due August 2031.

CRSC has a note receivable for $152,000 from V.I.P. Housing Partners I, L.P. (VIP), a partnership in which an affiliate owns a 1% general partner interest. The note accrues interest at 7.31% per annum on the outstanding balance. As of June 30, 2014, accrued interest was $412,162 and is included in interest receivable in the accompanying consolidated statement of financial position. The note required fixed payments every year, beginning in 1996 through 2010. No principal payments have been made on this note receivable, as VIP has had no cash flows from operations. The due date for the principal and accrued interest has been extended indefinitely. The note is secured by a third deed of trust on the rental property located in Quantico, Virginia, and an assignment of rents.

Under the terms of a sixth deed of trust note, CRSC earned a development fee in the original amount of $62,854 from VIP. The receivable bears interest at 6.31% per annum, with principal and interest payable by VIP from its cash flows, as defined in VIP's partnership agreement. As of June 30, 2014, no payments have been received. The note has been pledged as security for CRSC's performance under a grant received from the Virginia Housing Partnership Revolving Fund. Accrued interest due under this note is $138,770 as of June 30, 2014, and is included in interest receivable in the accompanying consolidated statement of financial position. Of the total notes and interest receivable of $11,488,771 described above, $189,326 is due within one year.

4. Investments

As of June 30, 2014, the fair value of the Organization's investments is summarized as follows:

Equity securities	$ 15,124,184
Fixed-income securities	8,529,476
Exchange-traded funds	15,569,914
Mutual funds	9,285,709
Preferred stock	410,766
Money market funds	176,221
Total Investments	$ 49,096,270

A summary of investment income is as follows for the year ended June 30, 2014:

Interest and dividends	$ 1,785,419
Realized gains	3,145,015
Unrealized gains	2,308,123
Total	$ 7,238,557

Included in interest and dividend income in the accompanying consolidated statement of activities is $123,356 of interest and dividends earned on the Organization's trust accounts described in Note 6 and the Organization's operating accounts.

5. Property and Equipment

The Organization held the following property and equipment as of June 30, 2014:

Buildings and improvements	$ 49,319,670
Land and improvements	9,590,290
Office equipment, furniture and fixture	3,033,655
Land and building under capital lease	3,310,003
Leasehold improvements	885,032
Vehicles	117,979
Total Property and Equipment	66,256,629
Less: Accumulated Depreciation and Amortization	(20,109,191)
Property and Equipment, Net	$ 46,147,438

Depreciation and amortization expense was $2,367,795 for the year ended June 30, 2014.

Continued

6. Trust Accounts

Trust accounts are invested primarily in money market funds backed by U.S. Treasury obligations and guaranteed investment contracts. All guaranteed investment contracts will terminate on various dates through 2029. The trust accounts are under the control of third-party trustees, and withdrawals are restricted based on the terms of the trust indenture agreement between the bond issuer and the trustees. All trust investments are carried at cost, which approximates fair value at June 30, 2014. Total interest earned on all trust funds was $123,356 for the year ended June 30, 2014, of which $117,649 was earned on the guaranteed investment contracts. The trust investments are not insured by the Federal Deposit Insurance Corporation or by any other federal government agency.

As of June 30, 2014, the trust accounts consisted of the following:

	CRS Kansas	CRS Scottsdale	Total
Debt service reserve fund – senior lien bonds	$ -	$ 902,370	$ 902,370
Debt service reserve fund – junior lien bonds	-	369,356	369,356
Debt service fund	145,761	209,333	355,094
Tax and insurance escrow	58,064	159,071	217,135
Replacement reserve fund	23,975	144,777	168,752
Debt service reserve fund	268,000	-	268,000
Maturity fund	159,430	-	159,430
Revenue fund	83,766	3	83,769
Fee escrow/account	37,604	18,600	56,204
Trust retained earnings	7,687	-	7,687
Surplus fund	-	1,594	1,594
Totals	$ 784,287	$ 1,805,104	$ 2,589,391

These trust accounts are controlled by the trustees and withdrawals are restricted based on the terms of the Trust Indenture Agreement between the bond issuer and trustees.

7. Mortgages Payable

Mortgages payable consist of the following as of June 30, 2014:

<u>CRS Virginia</u>

BB&T, due in monthly installments of $36,578, including interest at 4.50% per annum, payable through February 2033. The notes are secured by deeds of trust on five homes located in Fairfax, Vienna, and Falls Church, Virginia. The homes provide housing for low income families, military and special need population.	$ 4,942,816

7. Mortgages Payable (continued)

CRS Virginia (continued)

VHDA, due in monthly installments of $6,179, including interest at 3.75% per annum, payable through April 1, 2046. The note is secured by deeds of trust on three homes located in Fairfax, Vienna, and Falls Church, Virginia. The homes provide housing and support services for mentally handicapped homeless persons. Under agreements with the lenders, the Organization is required to make monthly deposits for insurance and taxes on all VHDA mortgages.	$ 1,249,102
VDHCD and Fairfax County Redevelopment and Housing Authority (FCRHA) loan made under the Home Investment Partnerships program. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The note is secured by deeds of trust on 19 homes located in Alexandria, Springfield, Reston, Herndon, Falls Church, Annandale, Centreville, Fairfax and Burke, Virginia. The loan terms are in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" ranging from 32.37% to 45.09% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.	748,820
FCRHA loans made under the Community Development Block Grant program (CDBG). No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on 19 homes located in Alexandria, Springfield, Reston, Herndon, Falls Church, Annandale, Centreville, Fairfax and Burke, Virginia. The loan terms are in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" ranging from 6.81% to 18.62% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.	261,691

Continued

7. Mortgages Payable (continued)

CRS Virginia (continued)

FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Chantilly, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 69.6% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.	$	89,901
FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Annandale, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 49.5% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.		92,493
FCRHA, loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Chantilly, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 50.4% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.		89,005

Continued

7. Mortgages Payable (continued)

CRS Cambridge

In January 2011, the Organization restructured the entire outstanding principal and accrued interest of the original loan. The restructure resulted in two separate loans funded by HUD. The restructured balance of the first mortgage is $3,004,880 and bears interest at 4.50% per annum. The Organization is required to make monthly payments of principal and interest equal to $16,467. The restructured balance of the second mortgage is $3,279,853 and bears interest at 3.88% per annum. Payments on the second mortgage are made from restricted surplus cash, defined in the second deed of trust note as 75% of surplus cash, as calculated in accordance with the HUD regulatory agreement. Both mortgages mature on October 1, 2036.

Through the modified debt agreement, at any time on or after February 1, 2031, the holder of the debt shall have the option to accelerate payment of the unpaid principal, together with all other indebtedness under the second mortgage, within two months' prior written notice being given by the holder. The holder may also provide the Organization the opportunity to propose a restructuring of the mortgage at this time, if they so choose.

Under agreements with the mortgage lender and FHA, the Organization is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and cash distributions.

The liability of the Organization under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender and by an assignment of rents. $ 6,060,794

CRS Fountain Place

On October 30, 2012, the Organization refinanced its mortgage with HUD under Section 223(a)(7) of the National Housing Act. The principal amount of the new loan was for $6,239,400, is insured by the Federal Housing Administration (FHA) and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 2.80% per annum. Principal and interest are payable by the Organization in monthly installments of $23,321 through maturity on November 1, 2047.

Continued

7. Mortgages Payable (continued)

CRS Fountain Place (continued)

Under agreements with the mortgage lender and the FHA, the Organization is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and cash distributions. In addition, the Organization was required to establish a reserve for non-critical repairs to be used for specified items.

The liability of the Organization under the mortgage note is limited to the underlying value of the real estate collateral, plus other amounts deposited with the lender. The mortgage is also secured by an assignment of rents.	$ 6,069,364
Total	$ 19,603,986

Total interest expense related to these mortgages was $723,733 for the year ended June 30, 2014.

Aggregate annual maturities of mortgages payable over the next five years, and thereafter, are as follows:

For the Year Ending June 30,	
2015	$ 438,726
2016	456,248
2017	474,594
2018	493,651
2019	898,356
Thereafter	16,842,411
Total	$ 19,603,986

8. Notes Payable

Notes payable consist of the following as of June 30, 2014:

CRS Triangle

The purchase of the rental property was financed by the proceeds, net of discount, from three Multifamily Housing Revenue serial bonds issued by the Industrial Development Authority of Prince William County, Virginia (Issuer). On December 26, 2012, the Organization refinanced this debt with a new lender.

Continued

8. Notes Payable (continued)

CRS Triangle (continued)

The original principal amount of the new note was $8,000,000. Interest is charged at a variable rate based on the 30-day LIBOR rate plus 2.25% per annum (2.40% at June 30, 2014). The loan is payable in 59 monthly installments of $53,333 with a balloon payment due in December 2017 for the remaining balance. The agreement also contains certain financial covenants that the Organization must comply with. In conjunction with the new debt agreement, the Organization was required to establish certain reserves and escrow accounts. The Organization made an initial deposit of $250,000 to a tax and insurance reserve as well as a $200,000 deposit to a capital reserve. Total interest incurred on the notes was $185,591, during the year ended June 30, 2014.	
The liability of the Organization under the note is limited to the underlying value of the real estate collateral. The note is also collateralized by an assignment of rents.	$ 7,320,853
CRS Scottsdale	
The purchase of the rental property was financed by the proceeds, net of discount, from three Multifamily Housing revenue serial bonds issued by the Industrial Development Authority of the County of Maricopa in Arizona (Issuer). The deed of trust notes mature at various dates through November 1, 2031. As of June 30, 2001, the B bonds were retired. CRS Scottsdale's monthly payments are now equal to one-sixth of the semi-annual interest and one-twelfth of the annual principal sufficient to retire the series A and C bonds. The interest rate ranges from 6.75% to 9.5%. Total interest incurred on the notes, including discount amortization of $9,589, was $994,794, during the year ended June 30, 2014. In addition, the trust indenture between the Issuer and the U.S. Bank (Trustee) requires monthly deposits into various trust accounts.	
The liability under the notes payable is limited to the underlying value of the real estate collateral, plus other amounts deposited with the Trustee. The notes are also secured by an assignment of rents.	12,861,571

8. Notes Payable (continued)

CRS Kansas	
CRS Kansas entered into a note payable with the prior owner of its rental property on December 14, 1995. The principal balance of $500,000 is due and payable in annual interest and principal payments based on 75% of annual surplus cash, as allowed under the trust indenture and lease agreement. In the event there is no surplus cash to cover the annual accrued interest, the interest is forgiven. Such interest is calculated based on 8.5% of the outstanding principal balance. As of June 30, 2014, there was no surplus cash to make payments and no interest was accrued. The note matures on November 30, 2025, when any outstanding principal and unpaid accrued interest are due. Interest forgiven under this note for 2014 was $42,500.	$ 500,000
CRS Somerset	
CRS Somerset entered into a note payable agreement with New York Community Bank on December 30, 2013. The original principal balance of the note is $2,600,000. Interest is charged at a fixed rate of 3.875% per annum. The loan is payable in 120 monthly installments of $12,226 with a balloon payment due in February 2025 for the remaining balance. In conjunction with the new debt agreement, the Organization was required to establish certain reserves and escrow accounts. Total interest incurred on the notes was $46,437, during the year ended June 30, 2014.	2,580,724
Total	$ 23,263,148

Aggregate annual maturities of notes payable over the next five years, and thereafter, are as follows:

For the Year Ending June 30,	
2015	$ 852,538
2016	892,266
2017	936,022
2018	6,361,853
2019	510,508
Thereafter	13,863,390
Subtotal	23,416,577
Less: Discounts	(153,429)
Total	$ 23,263,148

Continued

9. Lines of Credit

The Organization has a line of credit agreement with a financial institution in the amount of $1,500,000. The line of credit is secured by personal property and guaranteed by CRSC. The agreement was modified on September 16, 2012 to extend the maturity date to July 27, 2014. Subsequent to year-end, the line of credit was modified to extend the maturity date to July 27, 2015. Interest accrues on the unpaid principal at the variable rate of the bank's prime rate plus 0.5% per annum or 4.50%, whichever is higher. The Organization is also required to comply with certain financial covenants. As of June 30, 2014, the outstanding balance was $400,000 on this line of credit and the Organization was in compliance with the financial covenants. Interest expense incurred on this line of credit was $18,651 for the year ended June 30, 2014, and the interest rate was 4.5% as of June 30, 2014.

On June 15, 2012, CRS/21 entered into a line of credit agreement with a financial institution in the amount of $7,500,000, it was modified to $9,000,000 on December 6, 2013. The line of credit is guaranteed by CRS/21's investments and matures on May 15, 2015. Subsequent to year-end, the line of credit was modified to extend the maturity date to August 31, 2016. Interest payments are due monthly based on an interest rate of 1.25% over the London Interbank Offered Rate (LIBOR), or 1.93% as of June 30, 2014. Interest expense incurred on this line of credit was $52,576 for the year ended June 30, 2014. The outstanding amount on this line of credit is $6,600,000 as of June 30, 2014.

10. Improvement Loan

CRS Triangle entered into a promissory note with a commercial bank allowing for maximum borrowings of $2,000,000 for the purpose of rehabilitating its property. Interest is charged at the 30-day LIBOR rate plus 2.50%, which was 2.65% as of June 30, 2014. As of June 30, 2014, CRS Triangle had drawn $585,277 on the note. Outstanding balances on the note are collateralized by the underlying value of the real estate with assignment of tenant leases. The agreement also contains certain financial covenants. Accrued interest is payable monthly until December 25, 2014 at which point, monthly installments of principal and interest begin based on a 150 month level debt amortization schedule for a period of 35 months. Total interest expense on the note was $12,293 for the year ended June 30, 2014. This amount is included in lines of credit payable in the accompanying consolidated statement of financial position.

11. Obligation under Capital Lease

On December 1, 1995, the city of Wichita, Kansas, issued two multi-family housing revenue serial bonds. The proceeds, net of discount, were used by the city to acquire the project, Brentwood Apartments. On December 31, 1995, CRS Kansas entered into a lease agreement with the city of Wichita, Kansas, to lease the rental property and land. Under the lease agreement, payments are due on the fifteenth day of each month, beginning on January 15, 1996, through maturity on December 1, 2025. Payments are equal to one-sixth of the

Continued

11. Obligation under Capital Lease (continued)

semi-annual interest and one-twelfth of the annual principal sufficient to retire the Series A and B bonds. The interest rates on the outstanding bonds range from 5.90% to 6.625%. Total interest incurred on the lease, including discount amortization of $1,483, was $143,319 during the year ended June 30, 2014.

The lease provides an option for CRS Kansas to purchase the project for an amount sufficient to pay at maturity or to redeem and pay in full the principal of all outstanding bonds and all interest due thereon to the date of maturity or redemption, plus $1,000. The option can be exercised at any time during the term of the lease and up to 120 days thereafter. In addition, in accordance with the lease agreement, the project is required to make monthly deposits to the trustee into a replacement reserve fund, tax and insurance escrow fund, and the revenue fund.

The liability of CRS Kansas for the obligation under the capital lease is limited to the underlying value of the real estate collateral, plus other amounts deposited with the lender. The obligation is also secured by an assignment of rents.

Future minimum lease payments under this capital lease are as follows:

For the Year Ending June 30,	
2015	$ 262,228
2016	259,573
2017	261,475
2018	257,971
2019	259,064
Thereafter	2,069,863
Subtotal	3,370,174
Less: Discount	(9,479)
Amount Representing Interest	(1,002,174)
Total	$ 2,358,521

12. Deferred Revenue

Debt Service Fund Forward Delivery Agreement

CRS Scottsdale entered into a Debt Service Fund Forward Delivery Agreement with a trustee, whereby CRS Scottsdale received $170,000 to forego the right to receive future investment earnings on the deposit amounts in the Debt Service Fund. The term of the agreement is for the life of the underlying bonds. For the year ended June 30, 2014, CRS Scottsdale earned interest income of $5,667 and $90,662 remains deferred and is included in deferred revenue in the accompanying consolidated statement of financial position.

12. Deferred Revenue (continued)

Cable Service Agreement

In March 2008, CRS Triangle entered into a twelve-year service agreement with Comcast of Virginia, whereby CRS Triangle received $75,000 for granting Comcast the right to provide services to the project. For the year ended June 30, 2014, cable TV satellite income of $6,167 has been earned and $34,944 remains in deferred revenue in the accompanying consolidated statement of financial position.

13. Fair Value Measurements

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2014, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equity Securities:				
Technology	$ 2,069,207	$ 2,069,207	$ -	$ -
Basic materials	2,068,192	2,068,192	-	-
Consumer goods	2,739,402	2,739,402	-	-
Services	1,359,319	1,359,319	-	-
Financial	1,888,506	1,888,506	-	-
Healthcare	1,704,876	1,704,876	-	-
Industrial goods	656,155	656,155	-	-
Utilities	655,068	655,068	-	-
Others	1,983,459	1,983,459	-	-
Fixed-income securities:				
Government bonds	3,812,271	3,812,271	-	-
Corporate bonds	4,014,962	-	4,014,962	-
Municipal bonds	702,243	-	702,243	-
Mutual funds:				
Equity fund				
Moderate allocation	24,851	24,851	-	-
Fixed income funds				
Long-term bonds	104,478	104,478	-	-
High-yield bonds	531,518	531,518	-	-
Emerging markets bonds	526,619	526,619	-	-
Nontraditional bonds	1,016,660	1,016,660	-	-
Ultra-short bonds	2,126,701	2,126,701	-	-

Continued

13. Fair Value Measurements (continued)

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (continued):				
Mutual funds (continued):				
Foreign equity funds				
Large blend bonds	$ 2,672,867	$ 2,672,867	$ -	$ -
World allocation bonds	1,762,609	1,762,609	-	-
Foreign fixed income funds				
World bonds	519,406	519,406	-	-
Exchange-traded funds:				
Large blend funds	3,282,625	3,282,625	-	-
Foreign large blend funds	1,787,461	1,787,461	-	-
Intermediate-term bonds funds	1,085,057	1,085,057	-	-
Short-term bond funds	344,980	344,980	-	-
Mid-cap blend funds	1,661,267	1,661,267	-	-
Diversified emerging markets	1,740,436	1,740,436	-	-
Small blend funds	1,316,867	1,316,867	-	-
Inflation-protected bond funds	958,994	958,994	-	-
Large value funds	370,089	370,089	-	-
High yield bond funds	1,018,763	1,018,763	-	-
Commodities funds	308,089	308,089	-	-
REIT funds	559,654	559,654	-	-
Foreign small/mid blend funds	1,051,969	1,051,969	-	-
Small value funds	83,663	83,663	-	-
Preferred stock	410,766	410,766	-	-
Money market funds	176,221	176,221	-	-
Contributions receivable in a CRUT	78,768	-	-	78,768
Restricted investments for tenant security deposits:				
Cash	437,856	437,856	-	-
Trust Accounts:				
Money market funds	1,419,021	1,419,021	-	-
Guaranteed investment contracts	1,170,370	-	1,170,370	-
Cash surrender value of life insurance policies	1,368,583	-	1,368,583	-
Total Assets	$ 53,570,868	$ 46,235,942	$ 7,256,158	$ 78,768

Continued

13. Fair Value Measurements (continued)

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Fixed-income securities – For investments in actively traded government bonds, fair value is determined by a computerized pricing service for which daily prices are available. Investments in actively traded government bonds are categorized as Level 1 investments. For corporate and municipal bonds that are not as actively traded, estimated fair value is determined by utilizing a yield-based matrix system. These corporate and municipal bonds are categorized as Level 2 investments.

Equity securities, exchange-traded funds, preferred stock and mutual funds – Valued at quoted market price for identical assets in active markets.

Contribution receivable in a CRUT – The CRUT is revalued annually by calculating the present value of the donor's life expectancy and a discount rate of 6.5%.

Guaranteed investment contracts – Guaranteed investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering their creditworthiness.

Cash surrender value of life insurance policies – Cash surrender value of the life insurance policies is based upon the reserve value, which is the face amount of the contracts discounted at a specific rate of interest according to the insured's life expectancy.

Money market funds – Money market funds are valued at the net asset value (NAV) of shares held, as reported in the active market in which the individual security or fund is traded.

A roll forward of the fair value measurements using unobservable inputs (Level 3) was as follows as of June 30, 2014:

Balance, July 1, 2013	$ 74,771
Change in value	3,997
Balance, June 30, 2014	$ 78,768

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) topic *Financial Instruments* requires the disclosure of the estimated fair value of financial instruments. Cash and cash equivalents reflect amounts that approximate fair value due to the short maturity of these instruments. Grants and contributions receivable reflect fair value based on discounting the future cash flows of amounts expected to be collected by a market rate commensurate with the risks identified. Due to the large number of notes and mortgages payable and notes receivable, it is not practical for the Organization to estimate their fair value.

Continued

14. Net Assets

Board-Designated Unrestricted Net Assets

The Organization's Board of Directors has designated certain amounts to serve as a quasi endowment and the funds are to be invested and serve as a source of undesignated income to fund the expenses and support of the general work and mission of CRSC and its affiliates. As of June 30, 2014, board-designated unrestricted net assets, including the accumulated investment earnings, totaled $18,596,968.

Temporarily Restricted Net Assets

As of June 30, 2014, net assets are restricted for use in the following programs:

Endowment earnings restricted for use in American Indian programs	$ 11,497,563
International programs	639,143
Time restrictions	466,013
Charitable remainder unitrust	78,768
Domestic programs	4,868
Total Temporarily Restricted Net Assets	$ 12,686,355

15. Endowment Funds

The Organization's endowment consists of a donor-restricted endowment fund established to support the Organization's American Indian Programs. In addition, a board-designated endowment fund or quasi endowment was created in 2012 from the proceeds from the sale of a housing property owned by an affiliate of CRSC. The purpose of the ELK Endowment Fund is to fund the expenses and support of the general work and mission of CRSC and its affiliates. As required by generally accepted accounting principles, net assets associated with donor-restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions. As a result, the ELK Endowment Fund is included in unrestricted net assets as the restrictions were imposed by the Board of Director's and not an outside donor.

Interpretation of Relevant Law and Spending Policy

The Organization has interpreted the Uniform Prudent Management of Institution Funds Act (UPMIFA) not to limit spending from the endowment fund to interest and dividends earned, but to allow the Organization to elect to spend a portion of the overall value of the fund after considering the factors listed below and keeping in mind the permanent duration of the fund. To date, the Organization has not made such an election. Instead, the Organization has taken a very prudent and conservative approach and pursued a spending policy to not annually release more than the interest and dividend and royalty income above the original value of the gifts donated to start the permanent endowment and the original value of subsequent gifts to the permanent endowment. The resulting realized and unrealized gains and losses are included in the temporarily restricted net assets of the endowment portfolio.

Continued

15. Endowment Funds (continued)

Interpretation of Relevant Law and Spending Policy (continued)

Section 55-268.14(A) of Virginia's UPMIFA eliminates the concept of historic dollar value and instead provides that an institution may adopt a spending policy that will preserve the purchasing power of "principal" while distributing as "income" a reasonable amount in light of investment performance and general economic conditions.

The statute lists a number of factors to be considered in adopting a spending policy:

- General economic conditions;
- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

Endowment Composition and Activity

As of June 30, 2014, the Organization's endowment had the following net asset composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 11,497,563	$ 16,547,477	$ 28,045,040
Board-designated quasi-endowment	18,596,968	-	-	18,596,968
Total Endowment Funds	$ 18,596,968	$ 11,497,563	$ 16,547,477	$ 46,642,008

15. Endowment Funds (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2014:

	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 16,138,449	$ 8,617,942	$ 16,547,477	$ 41,303,868
Investment return:				
Investment income, net of fees	685,437	799,918	-	1,485,355
Net appreciation (realized and unrealized)	2,132,110	3,101,904	-	5,234,014
Total Investment Returns	2,817,547	3,901,822	-	6,719,369
Royalties	-	639,307	-	639,307
Appropriations	(359,028)	(1,661,508)	-	(2,020,536)
Endowment net assets, end of year	$ 18,596,968	$ 11,497,563	$ 16,547,477	$ 46,642,008

The portion of perpetual endowment funds that are subject to a purpose restriction under UPMIFA	$ 11,497,563
Total Endowment Funds Classified as Temporarily Restricted Net Assets	$ 11,497,563
The portion of perpetual endowment funds that are required to be retained permanently, either by explicit donor stipulation or by UPMIFA	$ 16,547,477
Total Endowment Funds Classified as Permanently Restricted Net Assets	$ 16,547,477

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014.

15. Endowment Funds (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for its investments that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary objective of the endowment fund is to preserve and protect the assets by providing a balance between capital appreciation, preservation of capital and current income. This is a long-term goal designed to maximize returns without undue risk.

Strategies Employed for Achieving Objectives

The endowment fund has a target range of 60% equity and 40% fixed income. A positive return is expected over the time of investment, although there may be periods with negative return.

16. Investments in Operating Entities

VIP Housing Partners I, L.P., is a Virginia limited partnership formed in 1992 to construct and operate two residential rental apartment buildings known as Harborview Apartments in Quantico, Virginia. The Harborview apartment buildings were completed and available for rental in January 1995. On August 26, 2013, Housing Equity Fund of Virginia II, L.P. withdrew as the Limited Partner and CRS Housing Preservation, Inc. became the New Limited Partner. As of December 31, 2013, the Partnership had two partners – Christian Relief Services of Virginia, Inc., owns a 1% general partner interest and CRS Housing Preservation, Inc. owns a 99% limited partner interest. Profits, losses, tax credits and cash disbursements are allocated among the partners based on their respective ownership interest. No summarized financial data is provided, as the amounts are immaterial.

CRSC Residential owns a 40% interest in MM – Beverly Palms LLC, which has a 5% interest in Beverly Palm, LLC. Beverly Palms, LLC was formed to directly or indirectly acquire or redevelop, reposition, own, operate, manage, lease, finance and sell or otherwise dispose of a 362 unit, Class B apartment complex in Houston, Texas. No summarized financial data is provided as the amounts are immaterial.

CRSC Residential has a 6% member interest in DOF IV REIT Holdings, LLC. The LLC was formed to directly or indirectly acquire or redevelop, reposition, own, operate, manage, lease, finance and sell or otherwise dispose of an apartment complex in Houston, Texas. No summarized financial data is provided as the amounts are immaterial.

CRSC Residential owns a 15% interest in MM – Westchase, LLC. Beverly Palms, LLC was formed to directly or indirectly acquire or redevelop, reposition, own, operate, manage, lease, finance and sell or otherwise dispose of an apartment complex in Houston, Texas. No summarized financial data is provided as the amounts are immaterial.

17. Interest in Limited Partnerships

CRSC owns 0.01% limited partnership interests in 11 partnerships. The purpose of the partnerships is to provide low-income housing, subject to regulation by HUD. In connection with the acquisition of the limited partnership interests, CRSC acquired an interest in related deferred purchase money notes. The notes are payable from the future cash flows of the operating partnerships. Management is unable to determine the amount of any future cash flows of the partnerships with any degree of certainty and, therefore, the notes have been fully reserved. Any future collections under the notes will be recorded as income. There was cash received in the amount of $97,190 on the notes during the year ended June 30, 2014.

18. Commitments and Contingencies

Key Man Life Insurance Policies

CRSC carries key man life insurance policies on certain executives, with a total face amount of $2,500,000. As of June 30, 2014, the cash surrender values of the policies are $772,463, and this amount is included in cash surrender value of life insurance policies in the accompanying consolidated statement of financial position.

Celebrity Spokesperson Contract

On July 1, 2006, CRSI entered into a contract with an individual to act as a representative and spokesperson. The contract provides monthly payments of $5,000 through June 30, 2014 and subsequent to year-end, it is on a month to month basis pending a new long-term agreement. In addition, the spokesperson is also entitled to reimbursement of expenses in connection with additional appearances, which should not exceed four appearances in any given year. CRSI can terminate the contract by giving the individual one year's written notice, during which time CRSI will continue to make the payments under the contract. In accordance with the contract terms, CRSC purchased two $500,000 key man life insurance policies on the spokesperson, whereby CRSC is the sole beneficiary for one of the policies. As of June 30, 2014, the cash surrender values of the policies is $596,120, and this amount is included in cash surrender value of life insurance policies in the accompanying consolidated statement of financial position.

Land Use Restriction Agreement

CRSC owns one apartment community, Terry Lynn, in Phoenix, Arizona, which consists of 10 units. The use of the property is partially governed by a land use restriction under an agreement with the Resolution Trust Corporation (RTC) to provide housing units to low- and very-low-income residents. The number of units restricted for Terry Lynn is two units for persons earning less than 50% of the area median income (AMI) and two units for persons making less than 65% of the AMI. The term of the agreement is 30 years and expires on January 19, 2025.

19. Rental Income from Operating Leases

CRS Virginia leases three homes to a tenant, which is a public service agency mental health provider. One of the leases expired in June 2009, but the lease's five-year renewal option was exercised. The remaining leases expire in August 2016. In addition, the leases have cancellation options that allow the tenant to terminate the leases upon giving 60 days' notice.

The following is a schedule, by year, of future rental income, provided the cancellation options are not exercised:

For the Year Ending June 30,	
2015	$ 18,600
2016	9,300
Total	$ 27,900

20. Concentration of Credit Risk

The Organization maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of June 30, 2014, the Organization had cash and cash equivalents at several financial institutions, which exceeded the maximum limit insured by FDIC in total by approximately $852,000. The Organization monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

The Organization also maintains its trust accounts in one financial institution. The trust investments are not insured by the FDIC or by any other federal government agency.

21. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. The Organization makes matching contributions up to 3% of each participant's salary. The Organization also makes an additional 50% matching contribution up to 2% of each participant's salary. Employees are immediately vested in employer contributions. During the year ended June 30, 2014, retirement expense related to the plan was $81,639.

22. Taxes

Income Taxes

The Organization, with the exception of CRS/21, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CRS/21 is exempt under Section 509(a)(3) of the Internal Revenue Code. The Organization is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of June 30, 2014, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2014, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2014, the statute of limitations for tax years ended June 30, 2010 and after remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Real Estate Tax Exemptions

Houses owned by CRS Virginia for charitable purposes were exempt from real estate taxation in Fairfax County, Virginia.

23. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 5, 2015, the date the consolidated financial statements were available to be issued.

Subsequent to year-end, CRS Scottsdale entered into an agreement with a financial institution to refinance its existing mortgage debt. The principal balance of the new loan is $12,788,750. The interest rate is subject to change from time to time based on the 1 Month LIBOR rate.

Other than the subsequent event disclosed above and in Notes 9 and 18, there were no subsequent events that require recognition of, or disclosure in, the consolidated financial statements.

SUPPLEMENTAL INFORMATION

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	CRSC	CRSI	AHA	RS	BWA	CRS Virginia	CRS/21	CRSC Residential	CRS Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria	CRS Somerset	Total	Eliminations	Consolidated Total
ASSETS																				
Cash and cash equivalents	$ 254,747	$ 395,346	$ 19,013	$ 271,418	$ 177,339	$ 98,321	$ 1,125,075	$ 274,691	$ 198,838	$ 44,217	$ 20,458	$ 232,425	$ 73,489	$ 123,199	$ 77,020	$ 53,211	$ 31,270	$ 3,470,077	$ -	$ 3,470,077
Grants and contributions receivable, net	-	48,948	81,594	169,109	201,768	-	78,768	-	-	-	-	-	-	-	-	-	-	580,187	-	580,187
Other receivables	8,046	52,750	-	-	219,442	957	8,074	108,253	-	12,684	4,583	19,248	5,405	5,472	2,991	2,502	7,969	458,376	-	458,376
Prepaid expenses and other assets	49,922	20,988	-	6,760	-	-	-	288,972	-	10,503	21,133	740,049	18,100	18,766	31,867	13,972	17,813	1,238,845	-	1,238,845
Contributed relief materials	-	416,064	-	20,442	-	-	-	-	-	-	-	-	-	-	-	-	-	436,506	-	436,506
Due from affiliates	736,955	427,243	-	-	-	-	5,693,012	3,082,293	92,877	-	-	-	-	-	-	-	-	10,032,380	(10,032,380)	-
Notes receivable	214,854	-	-	-	-	-	-	-	10,722,985	-	-	-	-	-	-	-	-	10,937,839	-	10,937,839
Advances to affiliate	-	-	-	-	-	-	-	5,065,219	-	-	-	-	-	-	-	-	-	5,065,219	(5,065,219)	-
Interest receivable	550,932	-	-	-	-	-	-	174,991	-	-	-	-	7,821	-	-	-	-	733,744	(174,991)	558,753
Financing costs	-	-	-	-	-	24	-	-	-	-	30,808	112,585	196,387	22,164	82,035	-	-	444,003	-	444,003
Restricted investments for tenant security deposits	-	-	-	-	-	-	-	-	-	11,686	34,841	250,727	51,855	35,557	53,190	-	-	437,856	-	437,856
Restricted deposits and funded reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	383,487	548,949	-	19,615	952,051	-	952,051
Investments	94,945	-	-	1,266,123	439,981	-	46,416,757	878,464	-	-	-	-	-	-	-	-	-	49,096,270	-	49,096,270
Investments in operating entities	-	-	-	-	-	25,167	-	2,137,846	-	-	-	-	-	-	-	-	-	2,163,013	-	2,163,013
Cash surrender value of life insurance policies	1,368,583	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,368,583	-	1,368,583
Trust accounts	-	-	-	-	-	-	-	-	-	-	784,287	-	1,805,104	-	-	-	-	2,589,391	-	2,589,391
Property and equipment, net	677,526	60,981	-	64,148	-	12,090,931	-	11,828	-	498,281	2,298,110	9,723,736	10,138,941	3,154,800	2,537,139	2,728,483	4,113,389	48,098,293	(1,950,855)	46,147,438
TOTAL ASSETS	$ 3,956,510	$ 1,422,320	$ 100,607	$ 1,798,000	$ 1,038,530	$ 12,215,400	$ 53,321,686	$ 12,022,557	$ 11,014,700	$ 577,371	$ 3,194,220	$ 11,078,770	$ 12,297,102	$ 3,743,445	$ 3,333,191	$ 2,798,168	$ 4,190,056	$ 138,102,633	$ (17,223,445)	$ 120,879,188
LIABILITIES AND NET ASSETS																				
Liabilities																				
Accounts payable and accrued expenses	$ 85,988	$ 189,851	$ 432	$ 46,645	$ 4,147	$ 189,496	$ -	$ 47,835	$ -	$ 22,754	$ 82,097	$ 108,165	$ 79,227	$ 66,597	$ 73,810	$ 4,898	$ 21,500	$ 1,023,442	$ -	$ 1,023,442
Accrued interest	-	-	-	-	-	-	-	19,611	-	-	11,582	-	161,796	538,599	14,162	-	-	745,750	(174,991)	570,759
Deferred revenue	-	12,712	-	17,557	-	1,440	-	-	-	-	-	34,944	90,662	-	-	-	-	157,315	-	157,315
Lines of credit payable	-	400,000	-	-	-	-	6,600,000	-	-	-	-	585,277	-	-	-	-	-	7,585,277	-	7,585,277
Mortgages payable	-	-	-	-	-	7,473,828	-	-	-	-	-	-	-	6,060,794	6,069,364	-	-	19,603,986	-	19,603,986
Notes payable	-	-	-	-	-	-	-	-	-	-	500,000	7,320,853	12,861,571	-	-	-	2,580,724	23,263,148	-	23,263,148
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	2,358,521	-	-	-	-	-	-	2,358,521	-	2,358,521
Prepaid rent	-	-	-	-	-	-	-	-	-	6,010	4,295	35,162	54,791	8,937	13,447	1,218	6,723	130,583	-	130,583
Deposits and funds held for others	-	18,666	-	-	-	-	-	-	-	8,544	34,624	231,433	46,951	27,334	39,883	18,608	4,795	430,838	-	430,838
Advances from affiliates	-	-	-	-	-	612,446	-	-	-	-	1,179,325	-	1,937,394	1,026,054	260,000	50,000	-	5,065,219	(5,065,219)	-
Due to affiliates	-	-	4,234	464,817	16,131	780,099	910	3,014,836	-	5,498	211,444	63,171	1,351,431	16,444	13,493	2,562,159	1,527,713	10,032,380	(10,032,380)	-
TOTAL LIABILITIES	85,988	621,229	4,666	529,019	20,278	9,057,309	6,600,910	3,082,282	-	42,806	4,381,888	8,379,005	16,583,823	7,744,759	6,484,159	2,636,883	4,141,455	70,396,459	(15,272,590)	55,123,869
Net Assets																				
Unrestricted	3,870,522	775,666	15,796	1,105,439	177,340	3,158,091	18,596,968	8,940,275	11,014,700	534,565	(1,187,668)	2,699,765	(4,286,721)	(4,001,314)	(3,150,968)	161,285	48,601	38,472,342	(1,950,855)	36,521,487
Temporarily restricted	-	25,425	80,145	163,542	840,912	-	11,576,331	-	-	-	-	-	-	-	-	-	-	12,686,355	-	12,686,355
Permanently restricted	-	-	-	-	-	-	16,547,477	-	-	-	-	-	-	-	-	-	-	16,547,477	-	16,547,477
TOTAL NET ASSETS	3,870,522	801,091	95,941	1,268,981	1,018,252	3,158,091	46,720,776	8,940,275	11,014,700	534,565	(1,187,668)	2,699,765	(4,286,721)	(4,001,314)	(3,150,968)	161,285	48,601	67,706,174	(1,950,855)	65,755,319
TOTAL LIABILITIES AND NET ASSETS	$ 3,956,510	$ 1,422,320	$ 100,607	$ 1,798,000	$ 1,038,530	$ 12,215,400	$ 53,321,686	$ 12,022,557	$ 11,014,700	$ 577,371	$ 3,194,220	$ 11,078,770	$ 12,297,102	$ 3,743,445	$ 3,333,191	$ 2,798,168	$ 4,190,056	$ 138,102,633	$ (17,223,445)	$ 120,879,188

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	CRSC	CRSI	AHA	RS	BWA	CRS Virginia	CRS/21	CRSC Residential	CRS Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria	CRS Somerset	Total	Eliminations	Consolidated Total
REVENUE AND SUPPORT																				
Housing rental and related income	$ 150,636	$ 327,489	$ -	$ -	$ -	$ 1,708,791	$ -	$ -	$ -	$ 487,607	$ 1,081,097	$ 3,545,823	$ 2,876,095	$ 1,394,304	$ 1,194,895	$ 705,335	$ 399,173	$ 13,871,245	$ -	$ 13,871,245
Noncash contributions	-	12,727,569	-	804,941	-	-	-	-	-	-	-	-	-	-	-	-	-	13,532,510	-	13,532,510
Cash contributions	180	4,586,049	15,163	316,951	105,903	3,787	-	-	-	-	-	-	-	-	-	-	-	5,028,033	-	5,028,033
Other income	148,698	289	-	6,000	7,541	1,130	4,060	16,598	-	27,959	-	-	-	47,884	114,140	-	763	375,062	-	375,062
Grants from government agencies	425,016	110,193	-	17,513	-	518,255	-	-	-	-	-	-	-	-	-	-	-	1,070,977	-	1,070,977
Royalties	-	-	-	-	-	-	639,307	-	-	-	-	-	-	-	-	-	-	639,307	-	639,307
Wills and bequests	30,000	873,708	-	356,236	27,469	-	-	-	-	-	-	-	-	-	-	-	-	1,287,413	-	1,287,413
Workplace campaign contributions	50	30,252	65,775	138,530	164,034	-	-	-	-	-	-	-	-	-	-	-	-	398,641	-	398,641
Interest and dividend income	53,502	1,856	-	29,063	9,251	-	1,485,355	132,068	-	-	20,223	1,740	103,133	292	238	-	-	1,836,721	(51,302)	1,785,419
Fee income	-	-	-	-	-	5,760	-	672,418	-	-	-	-	-	-	-	-	-	678,178	(551,361)	126,817
Noncash contributions from affiliates	-	-	465,439	838,016	11,593,162	-	-	-	-	-	-	-	-	-	-	-	-	12,896,617	(12,896,617)	-
Cash contributions from affiliates	734,010	1,367,503	100,000	400,000	171,788	-	-	425,000	-	-	-	-	-	-	-	-	-	3,198,301	(3,198,301)	-
Donated housing	213,858	1,128,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,342,494	(1,342,494)	-
Net realized and unrealized gains	(16,230)	9,530	-	99,216	28,289	-	5,234,014	87,549	10,770	-	-	-	-	-	-	-	-	5,453,138	-	5,453,138
TOTAL REVENUE AND SUPPORT	1,739,720	21,163,074	646,377	3,006,466	12,107,437	2,237,723	7,362,736	1,333,633	10,770	515,566	1,101,320	3,547,563	2,979,228	1,442,480	1,309,273	705,335	399,936	61,608,637	(18,040,075)	43,568,562
EXPENSES																				
Program services	568,175	17,485,638	594,971	3,220,234	11,954,894	2,443,573	1,600,000	594,512	3,056	813,992	1,121,901	2,816,412	2,924,237	1,586,507	1,227,479	517,312	351,335	49,824,228	(18,743,370)	31,080,858
Management and general	1,188,662	106,261	18,409	65,446	20,368	204,586	420,599	6,000	-	-	-	-	-	-	-	-	-	2,030,331	-	2,030,331
Fundraising	-	3,451,135	9,300	22,069	10,312	-	-	-	-	-	-	-	-	-	-	-	-	3,492,816	-	3,492,816
TOTAL EXPENSES	1,756,837	21,043,034	622,680	3,307,749	11,985,574	2,648,159	2,020,599	600,512	3,056	813,992	1,121,901	2,816,412	2,924,237	1,586,507	1,227,479	517,312	351,335	55,347,375	(18,743,370)	36,604,005
Return of unused grant funds	-	-	-	-	(12,000)	-	-	-	-	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)
Change in donor's intent	-	-	-	-	205,000	-	-	-	-	-	-	-	-	-	-	-	-	205,000	-	205,000
CHANGE IN NET ASSETS	(17,117)	120,040	23,697	(301,283)	314,863	(410,436)	5,342,137	733,121	7,714	(298,426)	(20,581)	731,151	54,991	(144,027)	81,794	188,023	48,601	6,454,262	703,295	7,157,557
NET ASSETS, BEGINNING OF YEAR	3,887,639	681,051	72,244	1,570,264	703,389	3,568,527	41,378,639	8,207,154	11,006,986	832,991	(1,167,087)	1,968,614	(4,341,712)	(3,857,287)	(3,232,762)	(26,738)	-	61,251,912	(2,654,150)	58,597,762
NET ASSETS, END OF YEAR	$ 3,870,522	$ 801,091	$ 95,941	$ 1,268,981	$ 1,018,252	$ 3,158,091	$ 46,720,776	$ 8,940,275	$ 11,014,700	$ 534,565	$ (1,187,668)	$ 2,699,765	$ (4,286,721)	$ (4,001,314)	$ (3,150,968)	$ 161,285	$ 48,601	$ 67,706,174	$ (1,950,855)	$ 65,755,319

Raffa

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Relief Services Charities, Inc.
and Affiliates

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Christian Relief Services Charities, Inc. and Affiliates (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2015. Our report includes a reference to other auditors who audited the financial statements of Christian Relief Services Kansas Affordable Housing Corporation, CRS Triangle Housing Corporation, CRS Scottsdale Housing Corporation, CRS Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, as described in our report on the Organization's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Give these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 5, 2015

Raffa

Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Relief Services Charities, Inc.
and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Christian Relief Services Charities, Inc. and Affiliates' (collectively referred to as the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Organization's basic consolidated financial statements include the operations of CRS Fountain Place Housing Corporation and CRS Cambridge Court Housing Corporation, which received $12,130,159 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of these entities because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Continued

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 5, 2015

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Supportive Housing Program (Permanent and Transitional)	14.235	$ 943,271
Neighborhood Stabilization Program (mortgage)	14.218	533,090*
Pass-through from Fairfax County (pass-through grant number RQ10-138648-31U) Community Development Block/Entitlement Grants	14.218	110,193
Total U.S. Department of Housing and Urban Development		1,586,554
U.S. DEPARTMENT OF AGRICULTURE		
Child and Adult Nutritional Services	10.567	17,513
Total U.S. Department of Agriculture		17,513
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,604,067

*This program represents outstanding loans as of June 30, 2014 that were given in prior years.

See accompanying notes to this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

<u>Basis of Accounting</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Christian Relief Services Charities, Inc. and Affiliates (collectively referred to as the Organization) and is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred. Expenses are incurred using the cost accounting principles contained in U.S. Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*. Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

The Organization's basic consolidated financial statements include the operations of Christian Relief Services Kansas Affordable Housing Corporation, CRS Triangle Housing Corporation, CRS Scottsdale Housing Corporation, CRS Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, which received $12,130,159 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit did not include the operations of these entities because these entities engaged other auditors to perform an audit in accordance with *Government Auditing Standards* and/or OMB Circular A-133.

2. Reconciliation of the Schedule of Expenditures of Federal Awards to the Consolidated Financial Statements

Grants from government agencies in the accompanying consolidated statement of activities reconcile to the schedule of expenditures of federal awards (SEFA) as follows:

Federal Programs	$ 1,604,067
Less: Mortgage included in SEFA	(533,090)
Grants from Government Agencies on Consolidated Statement of Activities	$ 1,070,977

3. Subrecipients

Included in the federal expenditures presented in the accompanying schedule of expenditures of federal awards are amounts provided to subrecipients, which related to the following grants:

Program Title	CFDA Number	Amount Provided to Subrecipients
Supportive Housing Program (Permanent and Transitional)	14.235	$ 727,214

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: __X__ Unmodified ____ Qualified ____ Adverse ____ Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None Reported

Noncompliance material to consolidated financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified? ____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs: __X__ Unmodified ____ Qualified ____ Adverse ____ Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ____ Yes __X__ No

Identification of Major Program(s):

CFDA Number	Title
14.235	Supportive Housing Program (Permanent and Transitional)

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as a low-risk auditee? __X__ Yes ____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

B. FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.