CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Year Ended June 30, 2016

and
Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended June 30, 2016

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

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For the Year Ended June 30, 2016

Certified Public Accountants

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 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, 2016, 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 Fountain Place Housing Corporation, and CRS Cambridge Court Housing Corporation, which statements reflect total assets of $21,329,796 as of June 30, 2016, and total revenue of $8,174,501 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 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 misstatement 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. 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.

Continued

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, 2016, 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 Matters

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, changes in net assets and cash flows 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 6, 2016, 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
December 6, 2016

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS	
Cash and cash equivalents	$ 4,561,909
Grants and contributions receivable, net	366,927
Other receivables	487,808
Prepaid expenses and other assets	1,076,429
Notes receivable	3,777,513
Interest receivable	617,299
Financing costs	808,538
Contributed relief materials inventory	1,207,103
Investments	45,951,296
Investments in operating entities	2,747,846
Cash surrender value of life insurance policies	1,582,451
Restricted investments for tenant security deposits	471,577
Restricted deposits and funded reserves	1,622,918
Trust accounts	792,452
Property and equipment, net	52,905,379
TOTAL ASSETS	$ 118,977,445
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 1,171,169
Accrued interest	516,202
Deferred revenue	33,082
Lines of credit payable	5,012,703
Mortgages payable	28,984,599
Notes payable	19,820,835
Capital lease obligation	2,102,487
Advance payments for rent	42,933
Deposits and funds held for others	449,158
Interest rate swap contract	494,001
TOTAL LIABILITIES	58,627,169
Net Assets	
Unrestricted	33,611,435
Temporarily restricted	10,191,364
Permanently restricted	16,547,477
TOTAL NET ASSETS	60,350,276
TOTAL LIABILITIES AND NET ASSETS	$ 118,977,445

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Housing rental and related income	$ 14,734,873	$ -	$ -	$ 14,734,873
Noncash contributions	19,004,101	-	-	19,004,101
Cash contributions	4,514,487	452,193	-	4,966,680
Other income	1,466,076	10,935	-	1,477,011
Grants from government agencies	853,348	-	-	853,348
Royalties	-	334,317	-	334,317
Wills and bequests	35,050	356,091	-	391,141
Workplace campaign contributions	-	342,689	-	342,689
Interest and dividend income	718,406	675,727	-	1,394,133
Fee income	12,000	-	-	12,000
Net realized and unrealized losses	(89,477)	(368,757)	-	(458,234)
Net assets released from restrictions:				
Satisfaction of time restrictions	352,170	(352,170)	-	-
Satisfaction of purpose restrictions	2,608,164	(2,608,164)	-	-
TOTAL REVENUE AND SUPPORT	44,209,198	(1,157,139)	-	43,052,059
EXPENSES				
Program Services:				
Domestic programs	928,284	-	-	928,284
American Indian programs	4,580,831	-	-	4,580,831
International programs	16,786,456	-	-	16,786,456
Housing programs	21,443,349	-	-	21,443,349
Total Program Services	43,738,920	-	-	43,738,920
Supporting Services:				
Management and general	1,924,596	-	-	1,924,596
Fundraising	3,480,162	-	-	3,480,162
Total Supporting Services	5,404,758	-	-	5,404,758
TOTAL EXPENSES	49,143,678	-	-	49,143,678
CHANGE IN NET ASSETS	(4,934,480)	(1,157,139)	-	(6,091,619)
NET ASSETS, BEGINNING OF YEAR	38,545,915	11,348,503	16,547,477	66,441,895
NET ASSETS, END OF YEAR	$ 33,611,435	$ 10,191,364	$ 16,547,477	$ 60,350,276

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, 2016

	Program Services					Supporting Services			
	Domestic Programs	American Indian Programs	International Programs	Housing Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
In-kind expenditures	$ 372,380	$ 1,969,329	$ 15,945,648	$ -	$ 18,287,357	$ -	$ -	$ -	$ 18,287,357
Impairment loss on notes receivable	-	-	-	6,945,472	6,945,472	-	-	-	6,945,472
Wages and benefits	70,429	316,235	70,038	2,423,874	2,880,576	829,214	385,723	1,214,937	4,095,513
Depreciation and amortization	-	11,553	-	2,515,433	2,526,986	12,678	201	12,879	2,539,865
Contract services	4,397	292,252	5,709	1,646,816	1,949,174	123,454	162,185	285,639	2,234,813
Utilities	3,155	5,316	3,155	1,953,238	1,964,864	22,742	7,796	30,538	1,995,402
Printing and production	25,078	66,723	30,081	577	122,459	3,983	1,821,873	1,825,856	1,948,315
Interest expense	-	-	-	1,784,557	1,784,557	32,984	-	32,984	1,817,541
Grants	203,440	778,507	482,159	14,492	1,478,598	-	-	-	1,478,598
Repairs and maintenance	446	16,823	446	804,400	822,115	60,702	2,299	63,001	885,116
Procurement fees	101,084	702,517	72,000	-	875,601	-	-	-	875,601
Postage	6,674	44,317	4,863	3,296	59,150	9,500	783,182	792,682	851,832
Rent	23,937	27,320	23,937	491,317	566,511	31,021	22,061	53,082	619,593
Real estate taxes	589	1,611	589	491,902	494,691	24,330	-	24,330	519,021
Office supplies, dues and subscriptions	7,126	35,756	1,226	230,958	275,066	96,828	140,045	236,873	511,939
Interest rate swap loss	-	-	-	494,001	494,001	-	-	-	494,001
General insurance	2,970	11,555	2,970	377,052	394,547	41,983	2,844	44,827	439,374
Professional and consulting	2,500	2,500	5,565	190,737	201,302	169,247	7,500	176,747	378,049
Provision for doubtful accounts	39,530	83,861	29,597	201,802	354,790	-	-	-	354,790
Bank charges	-	-	-	18,118	18,118	312,599	-	312,599	330,717
Homeowner association fees	-	-	-	277,497	277,497	-	-	-	277,497
Payroll taxes	5,385	24,761	5,336	159,562	195,044	45,133	28,145	73,278	268,322
Miscellaneous	40,070	1,138	-	144,437	185,645	31,769	100	31,869	217,514
Shipping	15,852	91,258	94,324	215	201,649	2,250	989	3,239	204,888
Meetings and travel	2,041	91,353	7,412	42,826	143,632	32,848	21,224	54,072	197,704
Advertising	-	278	-	170,092	170,370	95	2,729	2,824	173,194
Telephone	1,201	5,868	1,401	60,678	69,148	41,236	4,268	45,504	114,652
List rental	-	-	-	-	-	-	86,998	86,998	86,998
TOTAL EXPENSES	$ 928,284	$ 4,580,831	$ 16,786,456	$ 21,443,349	$ 43,738,920	$ 1,924,596	$ 3,480,162	$ 5,404,758	$ 49,143,678

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, 2016
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (6,091,619)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,539,865
Provision for doubtful accounts	55,318
Impairment loss on notes receivable	6,945,472
Unrealized losses	620,823
Realized gains	(162,589)
Unrealized losses on interest rate swap contract	494,001
Changes in assets and liabilities:	
Grants and contributions receivable	40,011
Other receivables	161,055
Prepaid expenses and other assets	(512,045)
Interest receivable	(11,232)
Financing costs	(115,452)
Contributed relief materials	(686,070)
Cash surrender value of life insurance policies	(126,354)
Restricted investments for tenant security deposits	(7,435)
Restricted deposits and funded reserves	(29,883)
Accounts payable and accrued expenses	(19,232)
Accrued interest	3,430
Deferred revenue	(10,060)
Advance payments for rent	(10,405)
Deposits and funds held for others	3,100
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,080,699
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(8,057,541)
Proceeds from sale of investments	9,296,625
Net withdrawals from trust accounts	(40,023)
Collections on notes receivable	62,854
Return of investments in operating entities	34,260
Purchase of property and fixed assets	(9,073,513)
NET CASH USED IN INVESTING ACTIVITIES	(7,777,338)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from mortgages and notes payable	19,929,371
Principal payments on mortgages and notes payable	(13,012,946)
Principal payments on capital lease obligation	(130,517)
Proceeds from borrowings under lines of credit agreement	4,113,000
Payments made on borrowings under lines of credit agreement	(6,264,045)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,634,863
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,776)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,623,685
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,561,909
SUPPLEMENTAL INFORMATION	
Cash payments for interest	$ 1,475,168

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.

The following affiliates are included on CRSC's 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)

CRS Palms Housing Corporation (CRS Palms)

CRS Countryside Housing Corporation (CRS Countryside)

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 infrastructure

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

Organization (continued)

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 and affiliates.

All activities of the Organization are funded primarily from housing rental income and related service fees and cash and noncash 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, Housing Preservation, CRS Peoria, CRS Somerset, CRS Palms, CRS Countryside and CRS/21. The entities have been consolidated due to the presence of common control and economic interest, as required under GAAP. All significant intercompany balances and transactions have been eliminated in 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, medicine, 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, 2016, the donated inventory was predominantly related to medicine and medical supplies.

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.

Continued

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

Fair Value Measurements (continued)

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.

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, 2016, the Organization's assets and liabilities that are measured at fair value on a recurring basis are described in Note 12 of these consolidated financial statements.

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 buildings or 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 amortization, 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.

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, 2016.

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. 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 as to purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to

Continued

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

Revenue Recognition (continued)

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 for 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 earned 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 advance payments for rent in the accompanying consolidated statement of financial position. All contracts between the Organization and the tenants of its properties are considered operating leases.

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 statements of activities and functional expenses. 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 programs and supporting services benefited based on salaries, employee headcount and allocable space used for each program or supporting service.

Continued

2. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at their net realizable value. The Organization has recorded an allowance for doubtful accounts of $148,090 at June 30, 2016. All receivables are expected to be received within one year.

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. In addition, 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. During the year ended June 30, 2016, management determined that these notes receivable were impaired and a valuation allowance of approximately $6,945,000 was recognized. The impairment loss was determined by comparing the book value with the discounted expected future cash flows of the notes receivable.

CRSC had 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 principal note was paid in full during the year ended June 30, 2015. The note accrues interest at 7.31% per annum. As of June 30, 2016, accrued interest was $454,200, which is included in interest receivable in the accompanying consolidated statement of financial position. The due date for the accrued interest has been extended indefinitely. The accrued interest related to 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. The principal note was paid in full during the year ended June 30, 2016. Accrued interest due under this note was $163,099 as of June 30, 2016, and is included in interest receivable in the accompanying consolidated statement of financial position.

Of the total notes receivable of $3,777,513 described above, $163,099 was due within one year.

Continued

4. Investments

As of June 30, 2016, the fair value of the Organization's investments was as follows:

Exchange-traded funds	$ 13,881,980
Mutual funds	12,510,097
Equity securities	11,965,214
Fixed-income securities	7,131,406
Preferred stock	409,899
Money market funds	52,700
Total Investments	$ 45,951,296

A summary of investment income is as follows for the year ended June 30, 2016:

Interest and dividends	$ 1,394,133
Realized gains	162,589
Unrealized losses	(620,823)
Total Investment Income	$ 935,899

Included in interest and dividend income is $22,925 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, 2016:

Buildings and improvements	$ 64,991,420
Land and improvements	7,776,131
Office equipment, furniture and fixtures	4,274,699
Vehicles	127,382
Leasehold improvements	89,484
Total Property and Equipment	77,259,116
Less: Accumulated Depreciation and Amortization	(24,353,737)
Property and Equipment, Net	$ 52,905,379

Depreciation and amortization expense was $2,539,865 for the year ended June 30, 2016.

Continued

6. Trust Accounts

Trust accounts are invested primarily in money market funds backed by U.S. Treasury obligations and a guaranteed investment contract. The investment contract covers a maximum investment of $268,000 and earns interest at 5.94%. The guaranteed investment contract will terminate on December 1, 2025. 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, 2016. Total interest earned on all trust funds was $20,269 for the year ended June 30, 2016, all of which was earned on the guaranteed investment contract. The trust investments are not insured by the Federal Deposit Insurance Corporation (FDIC) or by any other federal government agency.

As of June 30, 2016, the trust accounts consisted of the following:

	CRS Kansas	CRS Scottsdale	Total
Maturity fund	$ 159,496	$ -	$ 159,496
Debt service reserve fund	268,000	-	268,000
Trust retained earnings fund	137,461	-	137,461
Debt service	71,027	-	71,027
Replacement reserve	57,426	-	57,426
Tax and insurance escrow	56,907	-	56,907
Fee escrow	28,804	3,306	32,110
Revenue fund	10,025	-	10,025
Totals	$ 789,146	$ 3,306	$ 792,452

7. Mortgages Payable

Mortgages payable consisted of the following as of June 30, 2016:

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.

The original principal amount of the new note was $8,000,000. Interest is charged at a variable rate based on the 30-day London Interbank Offered Rate (LIBOR) rate plus 2.25% per annum (2.70% at June 30, 2016). The loan is payable in monthly installments of $51,884, with a balloon payment due in December 2017 for the remaining balance. This loan was paid off on December 17, 2015 with the proceeds of the refinancing described below. During the year ended June 30, 2016, interest expense of $80,141 was incurred under this loan.

Continued

7. Mortgages Payable (continued)

CRS Triangle (continued)

On December 17, 2015, CRS Triangle entered into a loan modification agreement with the lender to amend and restate its mortgage loan and its improvement loan (see Note 10) in their entirety. The note has a principal balance of $11,000,000 and is secured by a deed of trust and an assignment of leases and rents and profits. The note calls for interest at 30-day LIBOR plus 2.25% per annum (2.70% at June 30, 2016). Principal is payable in monthly installments beginning at approximately $21,300 through maturity in December 17, 2020. The monthly principal payments increase annually by approximately $900 per month. Interest is paid monthly based on the variable rate at the time. All outstanding principal and interest are due on the maturity date, including a balloon payment of $9,631,908. CRS Triangle must comply with certain financial covenants. During the year ended June 30, 2016, interest expense of $154,996 was incurred under this loan. The liability of CRS Triangle under the note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender. In connection with the mortgage, CRS Triangle entered into an interest swap agreement, effective December 17, 2015, to reduce the impact of changes in interest rates. CRS Triangle has an amortizing interest rate swap agreement with an original notional value of $11,000,000 and a termination date of December 17, 2020. The swap pays interest at a fixed rate of 4.09% per annum. The agreement changes CRS Triangle's interest rate exposure to an effective rate of 2.06%. CRS Triangle is exposed to credit loss in the event of nonperformance by the counterparty. However, CRS Triangle does not anticipate nonperformance by the counterparty. During the year ended June 30, 2016, interest expense incurred under this agreement is $84,535.	$ 10,863,155
CRS Virginia	
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 16 homes located in Virginia. The homes provide housing for low-income families, the military and special needs population.	3,879,824
Virginia Housing Development Authority (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.	1,206,750

7. Mortgages Payable (continued)

<u>CRS Virginia (continued)</u>

Virginia Department of Housing and Community Development (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. During 2016, the loan was extended through the end of 2016. 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. During 2016, the loan was extended through the end of 2016. 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
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

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 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.	89,004

CRS Cambridge

In January 2011, CRS Cambridge entered into two mortgages with HUD. The mortgages are insured by the Federal Housing Administration (FHA) under Section 223(f) and are collateralized by a deed of trust on the rental property. 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 $16,468. 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.

In accordance with the debt agreement, at any time on or after February 1, 2031, the holder of the debt will 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.

Continued

7. Mortgages Payable (continued)

CRS Cambridge (continued)

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 these two mortgage notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender and by an assignment of rents.	$ 5,909,425
CRS Fountain Place	
On October 1, 2012, CRS Fountain Place 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 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.	
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. In addition, the Organization was required to establish a reserve for noncritical repairs to be used for specified items.	
The liability of the Organization under this 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.	5,843,536
Total Mortgages Payable	$ 28,984,599

Total interest expense related to these mortgages was $971,589 for the year ended June 30, 2016. Aggregate annual maturities of mortgages payable are as follows:

For the Year Ending June 30,	
2017	$ 703,590
2018	733,276
2019	1,148,119
2020	770,635
2021	10,243,558
Thereafter	15,385,421
Total	$ 28,984,599

Continued

8. Notes Payable

Notes payable consisted of the following as of June 30, 2016:

<u>CRS Scottsdale</u>	
CRS Scottsdale entered into a note payable agreement with the National Bank of Arizona on September 25, 2014. The original principal amount of the note was $12,788,750. Interest is charged at a variable rate based on 30-day LIBOR plus 2.50% per annum (2.96% at June 30, 2016). The loan is payable in 36 monthly principal installments of $12,728 plus accrued interest, with a balloon payment due on September 25, 2017. Total interest incurred on the note was $355,612, during the year ended June 30, 2016. The note is collateralized by the building, land and improvements.	$ 12,449,928
<u>CRS Peoria</u>	
CRS Peoria entered into a note payable agreement with New York Community Bank in December 2015. The original principal balance of the note is $3,300,000. Interest is charged at a fixed rate of 4.125% per annum. The loan is payable in monthly installments of $15,993, with a balloon payment due in November 2027 for the remaining balance. Total interest incurred on the notes during the year ended June 30, 2016 was $79,085.	3,267,131
<u>CRS Somerset</u>	
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 January 2024 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 note during the year ended June 30, 2016 was $97,302.	2,483,776
<u>CRS Palms</u>	
CRS Palms entered into a note payable agreement with Weststar Pacific Mortgage on February 26, 2016. The original principal balance of the note is $1,120,000. Interest is charged at a fixed rate of 5% per annum. The loan is payable in 26 monthly installments of $4,667, with a balloon payment due in February 2019 for the remaining balance. Total interest incurred on the notes during the year ended June 30, 2016 was $14,719.	1,120,000

Continued

8. Notes Payable (continued)

CRS Kansas

CRS Kansas entered into a note payable agreement 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, 2016, 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 2015 was $42,500.	$ 500,000
Total Notes Payable	$ 19,820,835

Aggregate annual maturities of notes payable are as follows:

For the Year Ending June 30,	
2017	$ 318,351
2018	12,467,293
2019	1,126,754
2020	123,602
2021	128,648
Thereafter	5,656,187
Total	$ 19,820,835

9. Lines of Credit

CRSI 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 line of credit matured on July 27, 2016, and subsequent to year-end, the agreement was modified to extend the maturity date to July 27, 2017. Interest accrues on the unpaid principal at the variable rate of the bank's prime rate plus 0.5% per annum or 3.5%, whichever is higher. CRSI is also required to comply with certain financial covenants. As of June 30, 2016, the outstanding balance was $1,050,000 on this line of credit and CRSI was in compliance with the financial covenants. Interest expense paid on this line of credit was $32,984 for the year ended June 30, 2016, and the interest rate was 4% as of June 30, 2016.

9. Lines of Credit (continued)

CRS/21 has a line of credit agreement with a financial institution in the amount of $9,000,000. The line of credit is secured by CRS/21's investments and matured on August 31, 2016. Subsequent to year-end, the agreement was modified to extend the maturity date to May 31, 2019 and to amend the interest rate to 1% over the one-year LIBOR. The outstanding amount on this line of credit was $3,962,703 as of June 30, 2016. Interest payments are due monthly based on an interest rate of 1.25% over the one-year LIBOR, or 2.466% as of June 30, 2016. Interest expense incurred on this line of credit was $66,384 for the year ended June 30, 2016.

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 (the Improvement loan). As of June 30, 2014, $1,211,051 had been drawn on the Improvement loan. The Improvement loan called for interest at an adjustable rate equal to 30-day LIBOR plus 2.5% per annum. Interest was due and payable monthly until December 25, 2014. Beginning January 1, 2015, principal and interest were payable through maturity on December 25, 2017. On December 17, 2015, this note was paid off with the proceeds from the mortgage refinancing discussed in Note 7. Total interest expense on the note was $14,587 for the year ended June 30, 2016.

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 15th day of each month, beginning on January 15, 1996, through maturity on December 1, 2025. Payments are equal to one-sixth of the 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 $128,730 during the year ended June 30, 2016.

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, a tax and insurance escrow fund, and the revenue fund.

The liability of CRS Kansas 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.

Continued

11. Obligation Under Capital Lease (continued)

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

For the Year Ending June 30,	
2017	$ 261,475
2018	257,971
2019	259,064
2020	259,571
2021	259,494
Thereafter	1,550,799
Subtotal	2,848,374
Less: Discount	(6,513)
Amount Representing Interest	(739,374)
Total	$ 2,102,487

12. 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, 2016, 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)
Assets:				
Equity securities:				
Consumer goods	$ 2,963,642	$ 2,963,642	$ -	$ -
Financial	1,697,452	1,697,452	-	-
Healthcare	1,608,023	1,608,023	-	-
Technology	1,441,505	1,441,505	-	-
Industrial goods	1,207,274	1,207,274	-	-
Basic materials	1,150,743	1,150,743	-	-
Services	1,067,778	1,067,778	-	-
Utilities	540,926	540,926	-	-
Other	287,871	287,871	-	-
Fixed-income securities:				
Government bonds	4,274,653	4,274,653	-	-
Corporate bonds	2,619,109	-	2,619,109	-
Municipal bonds	237,644	-	237,644	-

Continued

12. 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)
Assets (continued):				
Mutual funds:				
Equity funds				
Large blend	$ 2,288,710	$ 2,288,710	$ -	$ -
Preferred stock funds	127,073	127,073	-	-
Moderate allocation	23,505	23,505	-	-
Fixed-income funds				
Long-term bonds	1,817,421	1,817,421	-	-
High-yield bonds	1,004,360	1,004,360	-	-
Short-term bonds	972,916	972,916	-	-
Non-traditional bonds	972,128	972,128	-	-
Emerging markets bonds	515,107	515,107	-	-
Foreign equity funds				
World allocation	2,361,128	2,361,128	-	-
Diversified emerging markets	1,060,351	1,060,351	-	-
Large blend	638,405	638,405	-	-
Foreign fixed-income funds				
World bonds	728,993	728,993	-	-
Exchange-traded funds:				
Large blend funds	4,342,043	4,342,043	-	-
Mid-cap blend funds	2,075,672	2,075,672	-	-
Small blend funds	1,231,126	1,231,126	-	-
Intermediate-term bonds	1,038,507	1,038,507	-	-
Real estate investment trust funds	862,019	862,019	-	-
Foreign large blend funds	765,729	765,729	-	-
Short-term bond funds	633,068	633,068	-	-
Diversified emerging markets	554,787	554,787	-	-
High-yield bond funds	470,390	470,390	-	-
Large value funds	404,733	404,733	-	-
Foreign emerging market funds	285,920	285,920	-	-
Inflation-protected bond funds	278,141	278,141	-	-
Foreign small/mid blend funds	234,856	234,856	-	-

Continued

12. 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)
Assets (continued):				
Exchange-traded funds (continued):				
World bond funds	$ 210,156	$ 210,156	$ -	$ -
Commodities funds	182,585	182,585	-	-
Small value funds	154,156	154,156	-	-
Government bond funds	78,335	78,335	-	-
Corporate bonds fund	65,021	65,021	-	-
International treasury bond funds	14,736	14,736	-	-
Preferred stock	409,899	409,899	-	-
Money market funds	52,700	52,700	-	-
Contributions receivable in a charitable remainder unitrust (CRUT)	86,031	-	-	86,031
Trust accounts:				
Money market funds	524,452	524,452	-	-
Guaranteed investment contract	268,000	-	268,000	-
Cash surrender value of life insurance policies	1,582,451	-	1,582,451	-
Total Assets	$ 48,412,230	$ 43,618,995	$ 4,707,204	$ 86,031
Liabilities:				
Interest rate swap contract	$ (494,001)	$ -	$ (494,001)	$ -
Total Liabilities	$ (494,001)	$ -	$ (494,001)	$ -

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

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

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.

Continued

12. Fair Value Measurements (continued)

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 contract – The guaranteed investment contract is 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 of shares held, as reported in the active market in which the individual security or fund is traded.

Interest rate swap contract – This is valued using an industry-recognized model that discounts the cash flows at each coupon adjustment date.

A roll forward of the fair value measurements using unobservable inputs (Level 3) was as follows as of June 30, 2015:

Balance, July 1, 2015	$ 75,096
Change in value	10,935
Balance, June 30, 2016	$ 86,031

13. 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 support the general work and mission of CRSC and its affiliates. As of June 30, 2016, board-designated unrestricted net assets, including the accumulated investment earnings, totaled $18,180,794.

Temporarily Restricted Net Assets

As of June 30, 2016, net assets are restricted for use in the following programs:

Endowment earnings restricted for use in American Indian programs	$ 9,315,873
International programs	397,143
Time restrictions	370,153
CRUT	86,031
American Indian programs	22,164
Total Temporarily Restricted Net Assets	$ 10,191,364

14. 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 support of the general work and mission of CRSC and its affiliates. As required by GAAP, 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 Directors 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.

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.

Continued

14. Endowment Funds (continued)

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, 2016.

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 returns.

Endowment Composition and Activity

As of June 30, 2016, the Organization's endowment had the following net asset composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 9,315,873	$ 16,547,477	$ 25,863,350
Board-designated quasi-endowment	18,180,794	-	-	18,180,794
Total Endowment Funds	$ 18,180,794	$ 9,315,873	$ 16,547,477	$ 44,044,144

14. Endowment Funds (continued)

Endowment Composition and Activity (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2016:

	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 18,361,926	$ 10,350,391	$ 16,547,477	$ 45,259,794
Investment return:				
Interest and dividends	618,077	675,727	-	1,293,804
Net appreciation (depreciation) (realized and unrealized)	(81,022)	(368,757)	-	(449,779)
Total Investment Returns	537,055	306,970	-	844,025
Royalties	-	334,317	-	334,317
Appropriations and investment fees	(718,187)	(1,675,805)	-	(2,393,992)
Endowment Net Assets, End of Year	$ 18,180,794	$ 9,315,873	$ 16,547,477	$ 44,044,144

The portion of perpetual endowment funds that are subject to a purpose restriction under UPMIFA	$ 9,315,873
Total Endowment Funds Classified as Temporarily Restricted Net Assets	$ 9,315,873
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

15. 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 rent in January 1995. On August 26, 2013, Housing Equity Fund of Virginia II, L.P. withdrew as the Limited Partner and Housing Preservation became the New Limited Partner. As of December 31, 2013, the Partnership had two partners – CRS Virginia owns a 1% general partner interest and Housing Preservation 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. The limited liability company (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. 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 has a 7.5% member interest in MM Highland Bluffs, 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 Dallas, Texas. No summarized financial data is provided as the amounts are immaterial.

CRSC Residential has a 0.6% member interest in Braesridge Apartments, 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.

16. 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

Continued

16. Interest in Limited Partnerships (continued)

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 $208,014 on the notes during the year ended June 30, 2016.

17. 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, 2016, the cash surrender value of the policies totaled $885,226, 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, 2013, after which the contract 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, 2016, the cash surrender value of the policies totaled $697,225, 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 ten units. The use of the property is partially governed by a land use restriction under an agreement with the Resolution Trust Corporation 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 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.

18. 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 FDIC insured limit of $250,000 per depositor per institution. As of June 30, 2016, the Organization had cash and cash

Continued

18. Concentration of Credit Risk (continued)

equivalents at several financial institutions, which exceeded the maximum limit insured by the FDIC in total by approximately $1,300,000. 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.

19. Pension Plan

Employees of the Organization are eligible to participate in a 401(k) plan sponsored by CRSC after 60 days of service. Under the terms of the defined contribution plan, eligible employees may elect to contribute up to the federal tax limitation.

The plan has the following employee deferral and matching provisions

Elective Deferral	Employer Matching
1%	150% of employee contribution
1% – 3%	100% of employee contribution
3% – 6%	50% of employee contribution

Employees are immediately vested in employer contributions. During the year ended June 30, 2016, retirement expense related to the plan was $93,286, which is included in wages and fringe benefits in the accompanying consolidated statement of functional expenses.

20. Taxes

Income Taxes

CRSC has received a group exemption determination from the Internal Revenue Service, under Section 501(c)(3), which affords the housing affiliates on CRSC's roster the same income tax-exempt status as CRSC has. CRSI, AHA, RS, and BWA are exempt under Section 501(c)(3). 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, 2016, as the Organization had no net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification 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, 2016, and

Continued

20. Taxes (continued)

Income Taxes (continued)

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, 2016, the statute of limitations for tax years ended June 30, 2012 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.

21. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 6, 2016, the date the consolidated financial statements were available to be issued.

On September 27, 2016, CRS Virginia acquired Huntington Gardens Apartments under its single member limited liability company, Huntington Gardens, LLC. The acquisition cost was approximately $20,000,000, of which approximately $18,500,000 was funded with new mortgages payable. The first mortgage payable has a principal amount of $12,850,000 and matures in October 2051, with an interest rate of 3.08% per annum. Approximately $400,000 of the first mortgage payable is to be paid during the year ended June 30, 2017. The second subordinate mortgage payable has a principal amount of $5,650,000 and matures in October 2051, with an interest rate of 2% per annum. The subordinate mortgage payable required the borrower to make payments annually, subject to available surplus cash, as defined in the agreement, but in no event will it be greater than 50% of the total amount of surplus cash or from other monies received from nonproject sources.

Other than the subsequent events disclosed above and in Note 9, there were no subsequent events identified that require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2016

	CRSC	CRSI	AHA	RS	BWA	CRS Virginia	CRS/21	CRSC Residential	Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria	CRS Somerset	CRS Palms	CRS Countryside	Total	Eliminations	Consolidated Total
ASSETS																						
Cash and cash equivalents	$ 190,196	$ 222,918	$ 98,586	$ 174,357	$ 287,058	$ 240,431	$ 987,522	$ 996,364	$ 64,080	$ 11,949	$ 10,384	$ 157,614	$ 348,705	$ 352,901	$ 214,293	$ 63,710	$ 57,980	$ 26,693	$ 56,168	$ 4,561,909	$ -	$ 4,561,909
Grants and contributions receivable, net	-	65,974	69,441	84,708	146,804	-	-	-	-	-	-	-	-	-	-	-	-	-	-	366,927	-	366,927
Other receivables	143,467	35,200	-	-	5	19,155	102,989	117,283	-	35,045	714	11,509	1,581	12,332	1,372	1,474	4,859	-	823	487,808	-	487,808
Prepaid expenses and other assets	113,362	406,015	-	15,185	115	291,576	-	107,760	-	13,436	21,758	20,226	15,400	18,908	25,767	12,896	14,025	-	-	1,076,429	-	1,076,429
Due from affiliates	663,015	29,673	-	36,347	-	-	3,200,772	6,570,333	167,824	-	-	-	-	-	-	-	-	-	-	10,667,964	(10,667,964)	-
Notes receivable	-	-	-	-	-	-	-	-	3,777,513	-	-	-	-	-	-	-	-	-	-	3,777,513	-	3,777,513
Advances to affiliate	-	-	-	-	-	-	-	2,250,379	-	-	-	-	-	-	-	-	-	-	-	2,250,379	(2,250,379)	-
Interest receivable	617,299	-	-	-	-	-	-	231,198	-	-	-	-	-	-	-	-	-	-	-	848,497	(231,198)	617,299
Financing costs	-	-	-	-	-	19,232	-	-	-	-	21,837	125,000	466,801	20,164	76,765	78,739	-	-	-	808,538	-	808,538
Contributed relief materials inventory	-	849,598	-	357,505	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,207,103	-	1,207,103
Investments	93,599	-	-	1,311,265	451,766	-	43,804,322	290,344	-	-	-	-	-	-	-	-	-	-	-	45,951,296	-	45,951,296
Investments in operating entities	-	-	-	-	-	-	-	2,747,846	-	-	-	-	-	-	-	-	-	-	-	2,747,846	-	2,747,846
Cash surrender value of life insurance policies	1,582,451	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,582,451	-	1,582,451
Restricted investments for tenant security deposits	-	-	-	-	-	-	-	-	-	8,448	33,657	252,502	56,781	45,499	74,690	-	-	-	-	471,577	-	471,577
Restricted deposits and funded reserves	-	335	-	-	-	15,924	-	-	-	-	-	728,762	-	407,274	431,743	5,666	29,017	4,197	-	1,622,918	-	1,622,918
Trust accounts	-	-	-	-	-	-	-	-	-	-	789,146	-	3,306	-	-	-	-	-	-	792,452	-	792,452
Property and equipment, net	790,948	45,785	-	53,617	-	13,660,469	-	306,270	-	556,288	2,206,025	9,689,688	10,360,810	2,962,168	2,617,098	2,958,695	4,025,832	2,966,006	1,506,776	54,706,475	(1,801,096)	52,905,379
TOTAL ASSETS	$ 4,194,337	$ 1,655,498	$ 168,027	$ 2,032,984	$ 885,748	$ 14,246,787	$ 48,095,605	$ 13,617,777	$ 4,009,417	$ 625,166	$ 3,083,521	$ 10,985,301	$ 11,253,384	$ 3,819,246	$ 3,441,728	$ 3,121,180	$ 4,131,713	$ 2,996,896	$ 1,563,767	$ 133,928,082	$ (14,950,637)	$ 118,977,445
LIABILITIES AND NET ASSETS																						
Liabilities																						
Accounts payable and accrued expenses	$ 104,563	$ 161,149	$ 4,824	$ 58,839	$ 4,916	$ 204,654	$ 1,603	$ 41,372	$ -	$ 53,868	$ 61,002	$ 97,264	$ 86,493	$ 76,018	$ 110,990	$ 30,479	$ 42,710	$ 23,120	$ 7,305	$ 1,171,169	$ -	$ 1,171,169
Accrued interest	-	-	-	-	-	-	-	19,612	-	-	10,306	16,052	-	687,795	13,635	-	-	-	-	747,400	(231,198)	516,202
Deferred revenue	-	-	-	7,388	-	-	-	-	-	-	-	25,694	-	-	-	-	-	-	-	33,082	-	33,082
Lines of credit payable	-	1,050,000	-	-	-	-	3,962,703	-	-	-	-	-	-	-	-	-	-	-	-	5,012,703	-	5,012,703
Mortgages payable	-	-	-	-	-	6,368,483	-	-	-	-	-	10,863,155	-	5,909,425	5,843,536	-	-	-	-	28,984,599	-	28,984,599
Notes payable	-	-	-	-	-	-	-	-	-	-	500,000	-	12,449,928	-	-	3,267,131	2,483,776	1,120,000	-	19,820,835	-	19,820,835
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	2,102,487	-	-	-	-	-	-	-	-	2,102,487	-	2,102,487
Advance payments for rent	-	454	-	-	-	-	-	-	-	1,617	2,819	10,653	3,594	12,973	7,315	1,125	1,105	-	1,278	42,933	-	42,933
Deposits and funds held for others	-	18,945	-	-	-	-	-	-	-	6,058	32,699	230,888	44,360	30,849	50,634	17,824	9,980	-	6,921	449,158	-	449,158
Interest rate swap contract	-	-	-	-	-	-	-	-	-	-	-	494,001	-	-	-	-	-	-	-	494,001	-	494,001
Advances from affiliates	-	-	-	-	-	-	-	-	-	-	1,179,325	-	-	1,026,054	20,000	25,000	-	-	-	2,250,379	(2,250,379)	-
Due to affiliates	-	105,851	55,220	86,893	15,738	4,659,881	1,124	192,828	-	157,238	280,694	38,831	25,025	10,733	10,803	24,561	1,704,012	1,811,006	1,487,526	10,667,964	(10,667,964)	-
TOTAL LIABILITIES	104,563	1,336,399	60,044	153,120	20,654	11,233,018	3,965,430	253,812	-	218,781	4,169,332	11,776,538	12,609,400	7,753,847	6,056,913	3,366,120	4,241,583	2,954,126	1,503,030	71,776,710	(13,149,541)	58,627,169
Net Assets																						
Unrestricted	4,089,774	287,921	38,592	1,734,922	321,145	3,013,769	18,180,794	13,363,965	4,009,417	406,385	(1,085,811)	(791,237)	(1,356,016)	(3,934,601)	(2,615,185)	(244,940)	(109,870)	42,770	60,737	35,412,531	(1,801,096)	33,611,435
Temporarily restricted	-	31,178	69,391	144,942	543,949	-	9,401,904	-	-	-	-	-	-	-	-	-	-	-	-	10,191,364	-	10,191,364
Permanently restricted	-	-	-	-	-	-	16,547,477	-	-	-	-	-	-	-	-	-	-	-	-	16,547,477	-	16,547,477
TOTAL NET ASSETS (DEFICIT)	4,089,774	319,099	107,983	1,879,864	865,094	3,013,769	44,130,175	13,363,965	4,009,417	406,385	(1,085,811)	(791,237)	(1,356,016)	(3,934,601)	(2,615,185)	(244,940)	(109,870)	42,770	60,737	62,151,372	(1,801,096)	60,350,276
TOTAL LIABILITIES AND NET ASSETS	$ 4,194,337	$ 1,655,498	$ 168,027	$ 2,032,984	$ 885,748	$ 14,246,787	$ 48,095,605	$ 13,617,777	$ 4,009,417	$ 625,166	$ 3,083,521	$ 10,985,301	$ 11,253,384	$ 3,819,246	$ 3,441,728	$ 3,121,180	$ 4,131,713	$ 2,996,896	$ 1,563,767	$ 133,928,082	$ (14,950,637)	$ 118,977,445

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

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	CRSC	CRSI	AHA	RS	BWA	CRS Virginia	CRS/21	CRSC Residential	Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria	CRS Somerset	CRS Palms	CRS Countryside	Total	Eliminations	Consolidated Total
REVENUE AND SUPPORT																						
Housing rental and related income	$ 150,636	$ 195,368	$ -	$ -	$ -	$ 1,701,825	$ -	$ 38,140	$ -	$ 407,745	$ 1,069,735	$ 3,535,860	$ 2,965,271	$ 1,623,136	$ 1,363,793	$ 750,011	$ 696,529	$ 162,091	$ 187,718	$ 14,847,858	$ (112,985)	$ 14,734,873
Noncash contributions	-	17,425,540	-	1,578,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,004,101	-	19,004,101
Cash contributions	561	4,270,326	25,599	493,266	109,179	67,749	-	-	-	-	-	-	-	-	-	-	-	-	-	4,966,680	-	4,966,680
Other income	344,849	215	-	6,425	-	16,654	10,935	188,483	34,517	36,142	93,856	286,069	165,450	52,820	126,141	40,370	57,302	16,783	-	1,477,011	-	1,477,011
Grants from government agencies	160,747	184,465	-	19,074	-	489,062	-	-	-	-	-	-	-	-	-	-	-	-	-	853,348	-	853,348
Royalties	-	-	-	-	-	-	334,317	-	-	-	-	-	-	-	-	-	-	-	-	334,317	-	334,317
Wills and bequests	-	380,164	-	10,215	762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	391,141	-	391,141
Workplace campaign contributions	-	33,873	67,818	135,624	105,374	-	-	-	-	-	-	-	-	-	-	-	-	-	-	342,689	-	342,689
Interest and dividend income	12,441	506	-	31,042	11,715	-	1,293,804	144,610	-	2	20,277	1,404	119	131	139	6	-	-	-	1,516,196	(122,063)	1,394,133
Fee income	-	-	-	-	-	-	-	605,906	-	-	-	-	-	-	-	-	-	-	-	605,906	(593,906)	12,000
Noncash contributions from affiliates	-	-	372,380	750,579	15,945,648	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,068,607	(17,068,607)	-
Cash contributions from affiliates	700,971	1,600,971	125,000	1,550,000	200,000	146,400	-	4,700,000	-	300	-	-	760	800	340	-	800	-	-	9,026,342	(9,026,342)	-
Donated housing	-	581,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	581,508	(581,508)	-
Net realized and unrealized (losses) gains	(555)	-	-	(17,266)	1,413	-	(449,779)	7,953	-	-	-	-	-	-	-	-	-	-	-	(458,234)	-	(458,234)
TOTAL REVENUE AND SUPPORT	1,369,650	24,672,936	590,797	4,557,520	16,374,091	2,421,690	1,189,277	5,685,092	34,517	444,189	1,183,868	3,823,333	3,131,600	1,676,887	1,490,413	790,387	754,631	178,874	187,718	70,557,470	(27,505,411)	43,052,059
EXPENSES																						
Program services	271,266	21,400,314	596,860	4,027,602	16,526,930	2,223,841	2,100,000	461,655	7,104,027	534,431	1,155,911	7,094,855	2,826,187	1,601,342	1,193,256	1,342,756	809,165	136,104	126,981	71,533,483	(27,794,563)	43,738,920
Management and general	1,194,339	183,570	16,170	42,260	19,054	167,469	293,992	7,310	432	-	-	-	-	-	-	-	-	-	-	1,924,596		1,924,596
Fundraising	96,269	3,316,039	12,199	39,640	16,015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,480,162	-	3,480,162
TOTAL EXPENSES	1,561,874	24,899,923	625,229	4,109,502	16,561,999	2,391,310	2,393,992	468,965	7,104,459	534,431	1,155,911	7,094,855	2,826,187	1,601,342	1,193,256	1,342,756	809,165	136,104	126,981	76,938,241	(27,794,563)	49,143,678
CHANGE IN NET ASSETS	(192,224)	(226,987)	(34,432)	448,018	(187,908)	30,380	(1,204,715)	5,216,127	(7,069,942)	(90,242)	27,957	(3,271,522)	305,413	75,545	297,157	(552,369)	(54,534)	42,770	60,737	(6,380,771)	289,152	(6,091,619)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	4,281,998	546,086	142,415	1,431,846	1,053,002	2,983,389	45,334,890	8,147,838	11,079,359	496,627	(1,113,768)	2,480,285	(1,661,429)	(4,010,146)	(2,912,342)	307,429	(55,336)	-	-	68,532,143	(2,090,248)	66,441,895
NET ASSETS (DEFICIT), END OF YEAR	$ 4,089,774	$ 319,099	$ 107,983	$ 1,879,864	$ 865,094	$ 3,013,769	$ 44,130,175	$ 13,363,965	$ 4,009,417	$ 406,385	$ (1,085,811)	$ (791,237)	$ (1,356,016)	$ (3,934,601)	$ (2,615,185)	$ (244,940)	$ (109,870)	$ 42,770	$ 60,737	$ 62,151,372	$ (1,801,096)	$ 60,350,276

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 Consolidated 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, 2016, 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 December 6, 2016. 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 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 results 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
December 6, 2016

Raffa

Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 $11,944,837 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2016. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
December 6, 2016

CHRISTIAN SERVICES CHARITIES, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Supportive Housing Program	14.235	-	$ 620,524	$ 649,809
U.S. DEPARTMENT OF JUSTICE				
Transitional Housing Assistance for Victims of Domestic Violence, Stalking or Sexual Assault	16.736	-	-	84,465
U.S. DEPARTMENT OF EDUCATION				
Food and Distribution Program on Indian Reservations	10.567	-	-	19,074
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 620,524	$ 753,348

See accompanying notes to this schedule

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

Cost Principles

Federal expenditures were recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as the Organization already has a negotiated a provisional indirect cost rate with the federal government.

2. U.S. Department of Housing and Urban Development Loan

For loans and loan guarantees received from a federal agency, 2 CFR sections 200.502(b)-(d) and (j) contain the guidance on determining when federal awards are expended and considers the fact that the federal government is at risk for loans and loan guarantees until the debt is repaid. The first component of the amount to be considered in federal awards expended is new loans received during the fiscal year. If in a subsequent year the loan balance is still outstanding, and the grant agreement does not impose any continuing compliance requirements, the balance of the outstanding loan is not considered to be part of federal expenditures for the purpose of determining the need for a single audit.

3. Reconciliation of the Schedule of Expenditures of Federal Awards to the Consolidated Statement of Activities

Expenditures per schedule of expenditures of federal awards	$ 753,348
Plus: State grants and contracts	100,000
Grants from Government Agencies per the Consolidated Statement of Activities	$ 853,348

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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 2 CFR, 200 516(a)? ____ Yes __X__ No

Identification of Major Program(s):

CFDA Number	Title
14.235	Supportive Housing Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

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

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.