Christian Relief Services Charities

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Year Ended June 30, 2017

and Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended June 30, 2017

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

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For the Year Ended June 30, 2017

Raffa

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, 2017, 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, CRS Cambridge Court Housing Corporation and Huntington Gardens, LLC, which statements reflect total assets of $40,679,551 as of June 30, 2017, and total revenue of $10,331,696 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, CRS Cambridge Court Housing Corporation and Huntington Gardens, LLC, 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, 2017, 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

Report on Supplemental 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 November 20, 2017, 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 solely 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 the effectiveness of the Organization's 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
November 20, 2017

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS	
Cash and cash equivalents	$ 5,381,024
Grants and contributions receivable, net	282,130
Other receivables	618,394
Prepaid expenses and other assets	612,662
Notes receivable	3,777,513
Interest receivable	617,299
Contributed relief materials inventory	261,664
Investments	70,826,740
Investments in operating entities	3,129,179
Cash surrender value of life insurance policies	1,626,416
Restricted investments for tenant security deposits	596,844
Restricted deposits and funded reserves	2,023,172
Trust accounts	792,911
Property and equipment, net	75,975,987
TOTAL ASSETS	$ 166,521,935
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 1,376,879
Accrued interest	518,238
Deferred revenue	26,087
Lines of credit payable	12,391,577
Mortgages payable, net of unamortized financing fees	48,706,700
Notes payable, net of unamortized financing fees	12,820,403
Capital lease obligation	1,944,153
Advance payments for rent	104,040
Deposits and funds held for others	459,116
Interest rate swap contract	55,565
TOTAL LIABILITIES	78,402,758
Net Assets	
Unrestricted	59,612,658
Temporarily restricted	11,959,042
Permanently restricted	16,547,477
TOTAL NET ASSETS	88,119,177
TOTAL LIABILITIES AND NET ASSETS	$ 166,521,935

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT				
Housing rental and related income	$ 16,285,169	$ -	$ -	$ 16,285,169
Noncash contributions	19,818,624	-	-	19,818,624
Cash contributions	4,627,269	457,326	-	5,084,595
Other income	1,771,662	10,646	-	1,782,308
Grants from government agencies	993,435	-	-	993,435
Royalties	-	418,098	-	418,098
Wills and bequests	58,742	537,350	-	596,092
Workplace campaign contributions	-	227,859	-	227,859
Interest and dividend income	1,069,756	664,380	-	1,734,136
Fee income	12,500	-	-	12,500
Net realized and unrealized gains	2,627,275	2,512,729	-	5,140,004
Net assets released from restrictions:				
Satisfaction of time restrictions	320,218	(320,218)	-	-
Satisfaction of purpose restrictions	2,740,492	(2,740,492)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	50,325,142	1,767,678	-	52,092,820
OPERATING EXPENSES				
Program Services:				
Domestic programs	1,310,713	-	-	1,310,713
American Indian programs	4,738,291	-	-	4,738,291
International programs	18,925,213	-	-	18,925,213
Housing programs	17,032,422	-	-	17,032,422
Total Program Services	42,006,639	-	-	42,006,639
Supporting Services:				
Management and general	2,211,870	-	-	2,211,870
Fundraising	3,920,959	-	-	3,920,959
Total Supporting Services	6,132,829	-	-	6,132,829
TOTAL OPERATING EXPENSES	48,139,468	-	-	48,139,468
CHANGE IN NET ASSETS FROM OPERATIONS	2,185,674	1,767,678	-	3,953,352
NONOPERATING ACTIVITY				
Realized gain on sale of property	23,815,549	-	-	23,815,549
CHANGE IN NET ASSETS	26,001,223	1,767,678	-	27,768,901
NET ASSETS, BEGINNING OF YEAR	33,611,435	10,191,364	16,547,477	60,350,276
NET ASSETS, END OF YEAR	$ 59,612,658	$ 11,959,042	$ 16,547,477	$ 88,119,177

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, 2017

	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	$ 690,225	$ 1,871,321	$18,143,113	$ -	$ 20,704,659	$ -	$ -	$ -	$ 20,704,659
Wages and benefits	68,478	368,380	69,771	2,750,371	3,257,000	779,737	438,431	1,218,168	4,475,168
Depreciation and amortization	-	8,488	-	2,874,283	2,882,771	12,586	73	12,659	2,895,430
Interest expense	12,450	-	-	2,402,158	2,414,608	70,403	-	70,403	2,485,011
Contract services	3,023	311,488	2,865	1,876,028	2,193,404	84,077	127,588	211,665	2,405,069
Printing and production	15,679	70,405	15,692	217	101,993	3,023	2,222,195	2,225,218	2,327,211
Utilities	2,647	3,894	2,647	1,893,653	1,902,841	30,292	9,043	39,335	1,942,176
Grants	190,924	959,591	477,317	30,807	1,658,639	580	-	580	1,659,219
Repairs and maintenance	665	12,793	665	1,314,195	1,328,318	40,822	4,053	44,875	1,373,193
Procurement fees	214,420	755,875	86,310	-	1,056,605	-	-	-	1,056,605
Postage	6,540	40,111	4,896	3,407	54,954	11,698	782,816	794,514	849,468
Acquisition expense	-	-	-	765,632	765,632	-	-	-	765,632
Rent	22,982	22,982	22,982	467,979	536,925	41,602	22,061	63,663	600,588
Real estate taxes	546	1,928	546	650,808	653,828	16,856	-	16,856	670,684
Provision for doubtful accounts	12,108	44,348	-	256,090	312,546	21,159	-	21,159	333,705
Office supplies, dues and subscriptions	5,828	45,052	2,207	130,553	183,640	150,159	146,907	297,066	480,706
Bank charges	-	-	-	35,890	35,890	433,508	-	433,508	469,398
Professional and consulting	-	-	-	186,716	186,716	274,408	-	274,408	461,124
General insurance	2,781	10,203	2,781	357,235	373,000	80,983	2,506	83,489	456,489
Homeowner association fees	-	-	-	298,350	298,350	2,257	-	2,257	300,607
Payroll taxes	4,832	26,305	4,958	195,060	231,155	46,206	30,320	76,526	307,681
Miscellaneous	20,906	4,126	34	240,447	265,513	802	7,372	8,174	273,687
Meetings and travel	1,183	119,666	12,887	57,931	191,667	50,066	8,910	58,976	250,643
Shipping	33,716	56,820	74,694	707	165,937	2,818	3,349	6,167	172,104
Advertising	-	193	-	157,258	157,451	70	1,960	2,030	159,481
Telephone	780	4,322	848	62,834	68,784	57,758	3,990	61,748	130,532
List rental	-	-	-	-	-	-	109,385	109,385	109,385
Labor, materials and supplies	-	-	-	23,813	23,813	-	-	-	23,813
TOTAL EXPENSES	$ 1,310,713	$ 4,738,291	$ 18,925,213	$ 17,032,422	$ 42,006,639	$ 2,211,870	$ 3,920,959	$ 6,132,829	$ 48,139,468

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, 2017
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 27,768,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,895,430
Provision for doubtful accounts	62,920
Noncash contributions	(19,818,624)
In-kind expenditures	20,704,659
Unrealized gains	(4,536,241)
Realized gains	(603,763)
Unrealized gain on interest rate swap contract	(438,436)
Gain on sale of property	(23,815,549)
Changes in assets and liabilities:	
Grants and contributions receivable	21,877
Other receivables	(130,586)
Prepaid expenses and other assets	463,767
Contributed relief materials inventory	59,404
Cash surrender value of life insurance policies	(43,965)
Restricted investments for tenant security deposits	(125,267)
Restricted deposits and funded reserves	(400,254)
Accounts payable and accrued expenses	205,710
Accrued interest	2,036
Deferred revenue	(6,995)
Advance payments for rent	61,107
Deposits and funds held for others	9,958
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,336,089
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(31,351,707)
Proceeds from sale of investments	11,616,267
Net withdrawals from trust accounts	(459)
Return of investments in operating entities	(381,333)
Proceeds from the sale of property, net of selling expenses	34,157,479
Purchase of property and fixed assets	(36,307,968)
NET CASH USED IN INVESTING ACTIVITIES	(22,267,721)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from mortgages and notes payable	26,601,496
Principal payments on mortgages and notes payable	(13,071,289)
Principal payments on capital lease obligation	(158,334)
Proceeds from borrowings under lines of credit agreement	8,672,739
Payments made on borrowings under lines of credit agreement	(1,293,865)
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,750,747
NET INCREASE IN CASH AND CASH EQUIVALENTS	819,115
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,561,909
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,381,024
SUPPLEMENTAL INFORMATION	
Cash payments for interest	$ 2,482,975

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 501(c)(3) 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)
CRS Ironwood Housing Corporation (CRS Ironwood)
CRS McClellan Housing Corporation (CRS McClellan)

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.

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

Organization (continued)

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 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, CRS/21, CRS Ironwood and CRS McClellan. The entities have been consolidated due to the presence of common control and economic interest, as required under GAAP. All significant intercompany balances and

Continued

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

Principles of Consolidation (continued)

transactions have been eliminated in consolidation. The balances and activities of CRS Virginia include those of its wholly-owned subsidiary, Huntington Gardens, LLC (Huntington Gardens) in the accompanying consolidating schedules.

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, 2017, the donated inventory was predominantly related to medicine, medical supplies, clothes, shoes, food and 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 Measurement

In accordance with the accounting standards for fair value measurement 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 Measurement (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.

The Organization's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2017 are described in Note 9 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 during the year ended June 30, 2017.

Deferred Financing Costs and Amortization

Financing costs incurred in connection with a mortgage loan or note payable are being amortized using the straight-line method over the life of the loan. The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Amendments to Subtopic 835-30, Interest – Imputation of Interest.* This standard requires the presentation of deferred financing costs as a reduction of the carrying amount of the related debt liability rather than as a deferred charge as required under prior guidance. During the year ended June 30, 2017, the Organization adopted the standard and reflected the retroactive impact on the prior year's balances presented in the accompanying consolidated financial statements. As a result of the adoption, unamortized financing costs previously recorded as an asset on the Organization's consolidated statement of financial position are now presented as a reduction of the carrying amount of the related debt liability as disclosed in Notes 6 and 7, and the related amortization charge is included in interest expense.

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.

Continued

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

Revenue Recognition (continued)

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 unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. 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.

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.

Measure of Operations

Operating revenue and expenses exclude realized gains or losses from sale of properties and infrequent or unusual transactions unrelated to the Organization's ordinary activities.

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

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

Functional Allocation of Expenses (continued)

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.

2. Notes 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. In the prior year, management determined that these notes receivable were impaired and a valuation allowance of $6,945,472 was recognized. The impairment was determined by comparing the book value with the discounted expected future cash flows of the notes receivable. No additional impairment loss was recognized during the year ended June 30, 2017.

3. Investments

As of June 30, 2017, the fair value of the Organization's investments was as follows:

Equity securities	$ 22,781,507
Mutual funds	20,163,332
Exchange-traded funds	17,214,485
Fixed-income securities	9,701,374
Preferred stock	856,648
Money market funds	109,394
Total Investments	$ 70,826,740

A summary of investment income is as follows for the year ended June 30, 2017:

Interest and dividends	$ 1,734,136
Unrealized gains	4,536,241
Realized gains	603,763
Total Investment Income	$ 6,874,140

Included in interest and dividend income is $23,784 of interest and dividends earned on the Organization's trust accounts.

Continued

4. Property and Equipment

The Organization held the following property and equipment as of June 30, 2017:

Buildings and improvements	$ 76,761,642
Land and improvements	15,566,137
Office equipment, furniture and fixtures	4,640,956
Vehicles	220,641
Leasehold improvements	105,328
Total Property and Equipment	97,294,704
Less: Accumulated Depreciation and Amortization	(21,318,717)
Property and Equipment, Net	$ 75,975,987

Depreciation and amortization expense was $2,895,430 for the year ended June 30, 2017.

On December 14, 2016, CRS Scottsdale sold the Sun King property for $34,157,479, net of selling expenses, and recognized a gain of $23,815,549 during the year ended June 30, 2017. The gain on sale of the Sun King property is shown in the accompanying consolidated statement of activities as a nonoperating activity.

5. 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, 2017, and subsequent to year-end, the agreement was modified to extend the maturity date to July 27, 2018. 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, 2017, the outstanding balance was $1,350,000 on this line of credit and CRSI was in compliance with the financial covenants. Interest expense paid on this line of credit was $70,403 for the year ended June 30, 2017, and the interest rate was 4.75% as of June 30, 2017.

CRS/21 has a line of credit agreement with a financial institution in the amount of $20,000,000. The line of credit is secured by CRS/21's investments and matures on May 31, 2019. Interest accrues on the unpaid principal at 1% over the one-month London Interbank Offered Rate (LIBOR) or 2.22% as of June 30, 2017. The outstanding amount on this line of credit was $11,041,577 as of June 30, 2017. Interest expense incurred on this line of credit was $121,274 for the year ended June 30, 2017.

6. Mortgages Payable

Mortgages payable consisted of the following as of June 30, 2017:

CRS Triangle

On December 26, 2012, CRS Triangle entered into a note with Branch Banking and Trust Company (BB&T). The note had a principal of $8,000,000 and was secured by a deed of trust and an assignment of leases, rents and

Continued

6. Mortgages Payable (continued)

CRS Triangle (continued)

profits. The note called for interest at an adjustable rate equal to the 30-day LIBOR plus 2.25% per annum. Principal and interest were payable by CRS Triangle in monthly installments of approximately $51,884 through maturity on December 25, 2017. This loan was paid off on December 17, 2015 with the proceeds of the refinancing described below.	
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 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 the one month LIBOR (1.06% at June 30, 2017) plus 2.25% per annum. 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. 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 2.205%. 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.	$ 10,600,780
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.	3,858,114

6. Mortgages Payable (continued)

CRS Virginia (continued)

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.	$ 1,184,353
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 were in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there were no defaults on the loan terms, the amount converts to a grant. During 2017, the loan was extended through the end of 2017. 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 were in effect for the affordability period of up to 15 years, expiring in 2013 through 2015, after which time, assuming there were no defaults on the loan terms, the amount converts to a grant. During 2017, the loan was extended through the end of 2017. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" ranging from 6.81% to 18.62% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.	261,691

Continued

6. Mortgages Payable (continued)

CRS Virginia (continued)

FCRHA loans made under the CDBG. No monthly installments of principal or interest are due, subject to CRS Virginia's compliance with loan terms. The notes are secured by deeds of trust on a home located in Annandale, Virginia. The home provides affordable rental housing for at least three low and/or moderate income individuals with serious mental illness and co-occurring substance abuse disorders with incomes at or below 30% the area median income. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 77% 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.	$ 244,000
FCRHA loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Annandale, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 49.5% of the Organization's equity in the property, as defined, to the extent that the equity share exceeds amounts otherwise due by the Organization at that time.	92,493
FCRHA loans made under the CDBG. No monthly installments of principal or interest are due, subject to the Organization's compliance with loan terms. The notes are secured by deeds of trust on a home located in Chantilly, Virginia. The loan terms are in effect for the affordability period of up to 30 years, expiring in 2040, after which time, assuming there are no defaults on the loan terms, the amount converts to a grant. The homes provide transitional housing and support services for homeless individuals and families. If certain specified events occur, the Organization will be obligated to pay to FCRHA an "equity share" of 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	

6. Mortgages Payable (continued)

CRS Virginia (continued)

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 CRS Virginia at that time.	$	89,004
Huntington Gardens is a single member limited liability company (LLC) whose sole member is CRS Virginia. Huntington Gardens entered into an agreement to finance its mortgage with HUD under Section 223(f) of the National Housing Act on September 1, 2016. The principal amount of the loan was for $12,850,000, is insured by the Federal Housing Administration (FHA) and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 3.08% per annum. Principal and interest are payable in monthly installments of $50,029 beginning November 1, 2016 through maturity on October 1, 2051. Under agreements with the mortgage lender and the FHA, Huntington Gardens 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, Huntington Gardens is required to establish a reserve for noncritical repairs in the amount of $130,012. This reserve is held by the mortgage lender and all disbursements require the written approval of HUD. As of June 30, 2017, the balance in the noncritical reserve was $130,012. The liability of Huntington Gardens under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender. The mortgage is also collateralized by an assignment of rents.		12,712,392

CRS Cambridge

In January 2011, CRS Cambridge entered into two mortgages with HUD. The mortgages are insured by the 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. As of June 30, 2017, the balance of the first mortgage note before debt issuance cost was $2,548,634. 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. As of June 30, 2017, the balance of the second mortgage note before debt issuance cost was $3,279,853. Both mortgages mature on October 1, 2036.

Continued

6. Mortgages Payable (continued)

CRS Cambridge (continued)

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.

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.	$ 5,828,487

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.

The liability of CRS Fountain Place 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.	5,725,795

CRS McClellan

On December 23, 2016, CRS McClellan financed its mortgage with a loan from New York Community Bank in the amount of $3,835,000. The note is due in monthly installments of $17,490, including interest at 3.625% per annum, payable through January 2027. The note is secured by a deed of

Continued

6. Mortgages Payable (continued)

<u>CRS McClellan (continued)</u>	
trust on the property located in Arizona. The homes financed under this mortgage provide housing for low-income families, the military and special needs population.	$ 3,805,298
<u>CRS Ironwood</u>	
On April 26, 2017, CRS Ironwood financed its mortgage with a loan from New York Community Bank in the amount of $2,800,000. The note is due in monthly installments of $13,980, including interest at 4.375% per annum, payable through June 2047. The note is secured by deed of trust on the property located in Arizona. The homes provide housing for low-income families, the military and special needs population.	2,800,000
<u>CRS Countryside</u>	
On February 28, 2017 CRS Countryside financed its mortgage with a loan from BB&T in the amount of $1,170,000. The note bears interest at the adjusted LIBOR rate per annum which was 3.29% as of June 30, 2017. Principal and interest are payable by the Organization in monthly installments of $5,587 through maturity on February 28, 2024. The lease is secured by assignment of leases and rents. The homes under this mortgage provide housing for low-income families, the military and special needs population.	1,160,104
Total Mortgages Payable	49,201,232
Less: Unamortized Debt Issuance Costs	(494,532)
Mortgages Payable, Net	$ 48,706,700

Total interest expense, including the amortization of the debt issuance costs, incurred related to these mortgages was $1,552,115 for the year ended June 30, 2017.

Aggregate annual maturities of mortgages payable are as follows:

For the Year Ending June 30,	
2018	$ 1,141,391
2019	1,568,030
2020	1,367,441
2021	10,675,172
2022	959,568
Thereafter	33,489,630
Total	$ 49,201,232

7. Notes Payable

Notes payable consisted of the following as of June 30, 2017:

<u>CRS Kansas</u>	
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, 2017, 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.	$ 500,000
<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.	3,208,869
<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.	2,432,375
<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.	1,107,898
<u>CRS Virginia - Huntington Gardens</u>	
Huntington Gardens is obligated under a promissory note agreement dated September 27, 2016, due to FCRHA for the principal sum of $5,650,000. The loan bears simple interest at 2% per annum on the outstanding principal. The loan matures on October 1, 2051, at which	

7. Notes Payable (continued)

CRS Virginia - Huntington Gardens (continued)

time principal and accrued interest are due. Although the principal and interest on the loan are deferred, the loan is a cash flow loan, which means that, should there be surplus cash, as defined, it will be applied first to accrued interest and then to the principal. The annual loan payments made from available surplus cash shall be paid from only 50%.

	$ 5,650,000
Total Notes Payable	12,899,142
Less: Unamortized Debt Issuance Costs	(78,739)
Notes Payable, Net	$ 12,820,403

Total interest expense, including the amortization of the debt issuance costs, incurred related to these notes payable was $616,941 for the year ended June 30, 2017.

Aggregate annual maturities of notes payable are as follows:

For the Year Ending June 30,	
2018	$ 170,095
2019	1,170,652
2020	123,602
2021	128,648
2022	62,339
Thereafter	11,243,806
Total	$ 12,899,142

8. 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%. Interest incurred during 2017 was $122,795, including the amortization of debt issuance costs, which combined with a discount of $1,483 totaled $124,278.

8. Obligation Under Capital Lease (continued)

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.

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

For the Year Ending June 30,	
2018	$ 257,971
2019	259,064
2020	259,571
2021	259,494
2022	258,831
Thereafter	1,291,968
Subtotal	2,586,899
Less: Discount	(5,030)
Less: Interest	(619,899)
Less: Unamortized Debt Issuance Cost	(17,817)
Total	$ 1,944,153

9. Fair Value Measurement

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017, 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:				
Technology	$ 4,191,685	$ 4,191,685	$ -	$ -
Consumer goods	4,043,117	4,043,117	-	-
Financial	3,768,081	3,768,081	-	-
Healthcare	2,741,851	2,741,851	-	-
Basic materials	1,994,523	1,994,523	-	-
Services	1,848,966	1,848,966	-	-
Other	1,711,472	1,711,472	-	-
Industrial goods	1,266,160	1,266,160	-	-
Utilities	1,215,652	1,215,652	-	-
Mutual funds:				
Equity funds				
Large blend	2,957,877	2,957,877	-	-
Preferred stock funds	359,527	359,527	-	-
Large growth	110,085	110,085	-	-
Large value	104,297	104,297	-	-
Mid-cap growth	77,821	77,821	-	-
Mid-cap value	67,615	67,615	-	-
Small growth	60,058	60,058	-	-
Moderate allocation	25,148	25,148	-	-
Fixed-income funds				
Corporate bonds	2,558,317	2,558,317	-	-
High-yield bonds	1,687,292	1,687,292	-	-
Non-traditional bonds	957,524	957,524	-	-
Short-term bonds	924,412	924,412	-	-
Emerging markets bonds	511,410	511,410	-	-
Foreign equity funds				
World allocation	3,612,476	3,612,476	-	-
World large stock	2,171,382	2,171,382	-	-
Large blend	1,903,716	1,903,716	-	-
Diversified emerging markets	1,208,975	1,208,975	-	-

Continued

9. Fair Value Measurement (continued)

(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):				
Foreign equity funds (continued):				
Large growth	$ 90,180	$ 90,180	$ -	$ -
Small/mid value	21,693	21,693	-	-
Foreign fixed-income funds				
World bonds	753,527	753,527	-	-
Exchange-traded funds:				
Large blend funds	3,788,475	3,788,475	-	-
Intermediate-term bond funds	2,934,668	2,934,668	-	-
Foreign large blend	2,293,590	2,293,590	-	-
Mid-cap blend	1,324,950	1,324,950	-	-
Diversified emerging markets	1,207,302	1,207,302	-	-
High-yield bond funds	1,030,258	1,030,258	-	-
Small blend	993,400	993,400	-	-
Large value	644,835	644,835	-	-
Short-term bond fund	613,328	613,328	-	-
Inflation-protected bond funds	458,711	458,711	-	-
Foreign small/mid blend	426,007	426,007	-	-
Mid-cap value	412,903	412,903	-	-
Large growth	302,301	302,301	-	-
Real estate investment trusts	285,563	285,563	-	-
Small value	176,622	176,622	-	-
Mid-cap growth	73,733	73,733	-	-
Corporate bonds	67,735	67,735	-	-
Emerging market bond funds	53,827	53,827	-	-
Long-term government bonds	52,985	52,985	-	-
Global real estate funds	37,125	37,125	-	-
Commodities	36,167	36,167	-	-

9. Fair Value Measurement (continued)

(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):				
Fixed-income securities:				
Government bonds	$ 6,036,591	$ 6,036,591	$ -	$ -
Corporate bonds	3,472,462	-	3,472,462	-
Municipal bonds	192,321	-	192,321	-
Preferred stock	856,648	856,648	-	-
Money market funds	109,394	109,394	-	-
Contributions receivable in a charitable remainder unitrust (CRUT)	96,677	-	-	96,677
Trust accounts:				
Money market funds	524,911	524,911	-	-
Guaranteed investment contract	268,000	-	268,000	-
Cash surrender value of life insurance policies	1,626,416	-	1,626,416	-
Total Assets	$ 73,342,744	$ 67,686,868	$ 5,559,199	$ 96,677
Liabilities:				
Interest rate swap contract	$ (55,565)	$ -	$ (55,565)	$ -
Total Liabilities	$ (55,565)	$ -	$ (55,565)	$ -

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.

9. Fair Value Measurement (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 measurement using unobservable inputs (Level 3) was as follows as of June 30, 2017:

Balance, July 1, 2016	$ 86,031
Change in value	10,646
Balance, June 30, 2017	$ 96,677

10. 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, 2017, board-designated unrestricted net assets, including the accumulated investment earnings, totaled $42,039,213.

Temporarily Restricted Net Assets

As of June 30, 2017, net assets were restricted for use as follows:

Endowment earnings restricted for use in American Indian programs	$ 11,204,808
International programs	373,564
Time restrictions	281,956
CRUT	96,677
American Indian programs	2,037
Total Temporarily Restricted Net Assets	$ 11,959,042

11. 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.

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, 2017.

Continued

11. Endowment Funds (continued)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Endowment Composition and Activity

As of June 30, 2017, the Organization's endowment had the following net asset composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 11,204,808	$ 16,547,477	$ 27,752,285
Board-designated quasi-endowment	42,039,213	-	-	42,039,213
Total Endowment Funds	$ 42,039,213	$ 11,204,808	$ 16,547,477	$ 69,791,498

Changes in endowment net assets were as follows for the year ended June 30, 2017:

	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 18,180,794	$ 9,315,873	$ 16,547,477	$ 44,044,144
Contributions	22,153,719	-	-	22,153,719
Investment return:				
Interest and dividends	989,310	664,380	-	1,653,690
Net appreciation (depreciation) (realized and unrealized)	2,452,882	2,512,729	-	4,965,611

Continued

11. Endowment Funds (continued)

Endowment Composition and Activity (continued)

(continued)	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Investment return: *(continued)*				
Total Investment Returns	$ 3,442,192	$ 3,177,109	$ -	$ 6,619,301
Royalties	-	418,098	-	418,098
Appropriations and investment fees	(1,737,492)	(1,706,272)	-	(3,443,764)
Endowment Net Assets, End of Year	$ 42,039,213	$ 11,204,808	$ 16,547,477	$ 69,791,498

The portion of perpetual endowment funds that are subject to a purpose restriction under UPMIFA	$ 11,204,808
Total Endowment Funds Classified as Temporarily Restricted Net Assets	$ 11,204,808
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

12. 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 between the partners based on their respective ownership interest. No summarized financial data is provided, as the amounts are immaterial.

Continued

12. Investments in Operating Entities (continued)

CRSC Residential owns a 40% interest in MM – Beverly Palms LLC, which has a 5% interest in Beverly Palm, LLC. The 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.

CRSC Residential has 54% Class A and 72% Class B membership interests in MM Somerset and Stratton, LLC. The LLC was formed solely to act as a member of Assets SW Manager, LLC (ASM), a Texas LLC. ASM was organized to serve as manager of and own 10% interest in Assets SW Investors, LLC (ASI), a Texas LLC which owns the Stratton apartments in Texas. No summarized financial data is provided as the amounts are immaterial.

13. Interest in Limited Partnerships

CRSC owns 0.01% limited partnership interests in 11 partnerships. The purpose of the partnerships is to provide low-income housing, subject to regulation by HUD. In connection with the acquisition of the limited partnership interests, CRSC acquired an interest in related deferred purchase money notes. The notes are payable from the future cash flows of the operating partnerships. Management is unable to determine the amount of any future cash flows of the partnerships with any degree of certainty and, therefore, the notes have been fully reserved. Any future collections under the notes will be recorded as income. There was cash received in the amount of $94,434 on the notes during the year ended June 30, 2017.

Continued

14. 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, 2017, the cash surrender value of the policies totaled $916,782, 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, 2017, the cash surrender value of the policies totaled $709,634, and this amount is included in cash surrender value of life insurance policies in the accompanying consolidated statement of financial position.

Land Use Restriction Agreement

CRSC owns one apartment community, Terry Lynn, in Phoenix, Arizona, which consists of 10 units. The use of the property is partially governed by a land use restriction under an agreement with the Resolution Trust Corporation 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 the agreement expires on January 19, 2025.

15. Financial Risk and Concentration of Credit Risk

Financial Risk

The Organization invests in a professionally managed portfolio that contains equity securities, mutual funds, exchange-traded funds, fixed-income securities and preferred securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Continued

15. Financial Risk and Concentration of Credit Risk (continued)

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of June 30, 2017, the Organization had cash and cash equivalents at several financial institutions, which exceeded the maximum limit insured by the FDIC in total by approximately $1,375,000. 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.

16. 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, 2017, retirement expense related to the plan was $106,145, which is included in wages and benefits in the accompanying consolidated statement of functional expenses.

17. 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. CRSI, AHA, RS and BWA are exempt under Section 501(c)(3) of the Internal Revenue Code (the IRC). CRS/21 is exempt under Section 509(a)(3) of the IRC. 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, 2017, 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 FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income

Continued

17. Taxes (continued)

Income Taxes (continued)

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 uncertainty in income taxes for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years ended June 30, 2013 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 uncertainty in income taxes, 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.

18. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2017, the date the consolidated financial statements were available to be issued. Other than the extension of the line of credit discussed in Note 5, there were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2017

	CRSC	CRSI	AHA	RS	BWA	Consolidated CRS Virginia	CRS/21	CRSC Residential	Housing Preservation	Mountain Lakes	CRS Kansas
ASSETS											
Cash and cash equivalents	$ 311,439	$ 267,345	$ 38,090	$ 105,244	$ 123,016	$ 698,025	$ 1,974,432	$ 662,084	$ 51,300	$ 73,350	$ 21,714
Grants and contributions receivable, net	-	20,465	50,401	106,852	104,412	-	-	-	-	-	-
Other receivables	159,558	91,789	-	1,622	2,671	58,419	96,677	150,088	-	2,546	1,415
Prepaid expenses and other assets	41,676	32,203	-	7,730	-	85,460	-	264,295	-	10,911	17,779
Due from affiliates	775,601	24,053	-	-	5,027	-	10,397,241	9,541,634	167,797	-	-
Notes receivable	-	-	-	-	-	-	-	-	3,777,513	-	-
Interest receivable	617,299	-	-	-	-	-	-	282,527	-	-	-
Contributed relief materials inventory	-	150,782	-	110,882	-	-	-	-	-	-	-
Investments	95,242	-	-	1,469,225	497,756	-	68,462,802	301,715	-	-	-
Investments in operating entities	-	-	-	-	-	-	-	3,129,179	-	-	-
Cash surrender value											
of life insurance policies	1,626,416	-	-	-	-	-	-	-	-	-	-
Restricted investments for											
tenant security deposits	-	-	-	-	-	34,748	-	-	-	11,644	41,539
Restricted deposits and funded reserves	-	335	-	-	-	570,471	-	-	-	-	-
Trust accounts	-	-	-	-	-	-	-	-	-	-	789,605
Property and equipment, net	654,143	49,809	-	159,255	-	33,178,427	-	2,531,640	-	557,917	2,156,055
TOTAL ASSETS	$ 4,281,374	$ 636,781	$ 88,491	$ 1,960,810	$ 732,882	$ 34,625,550	$ 80,931,152	$ 16,863,162	$ 3,996,610	$ 656,368	$ 3,028,107
LIABILITIES AND NET ASSETS											
Liabilities											
Accounts payable and accrued expenses	$ 127,571	$ 142,837	$ 2,696	$ 58,536	$ 2,696	$ 157,986	$ 1,400	$ 62,894	$ -	$ 23,138	$ 76,699
Accrued interest	-	-	-	-	-	136,747	-	19,612	-	-	9,606
Deferred revenue	-	-	-	6,560	-	-	-	-	-	-	-
Lines of credit payable	-	1,350,000	-	-	-	-	11,041,577	-	-	-	-
Mortgages payable, net of											
unamortized financing fees	-	-	-	-	-	18,989,405	-	-	-	-	-
Notes payable, net of unamortized financing fees	-	-	-	-	-	5,650,000	-	-	-	-	500,000
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	1,944,153
Advance payments for rent	-	-	-	-	-	12,233	-	-	-	333	3,395
Deposits and funds held for others	-	18,654	-	-	-	32,750	-	-	-	7,183	33,653
Interest rate swap contract	-	-	-	-	-	-	-	-	-	-	-
Due to affiliates	-	148,737	14,368	127,671	14,433	7,591,347	-	1,834,035	-	333,933	1,522,098
TOTAL LIABILITIES	127,571	1,660,228	17,064	192,767	17,129	32,570,468	11,042,977	1,916,541	-	364,587	4,089,604
Net Assets											
Unrestricted	4,153,803	(1,043,912)	21,200	1,659,154	237,777	2,055,082	42,039,213	14,946,621	3,996,610	291,781	(1,061,497)
Temporarily restricted	-	20,465	50,227	108,889	477,976	-	11,301,485	-	-	-	-
Permanently restricted	-	-	-	-	-	-	16,547,477	-	-	-	-
TOTAL NET ASSETS (DEFICIT)	4,153,803	(1,023,447)	71,427	1,768,043	715,753	2,055,082	69,888,175	14,946,621	3,996,610	291,781	(1,061,497)
TOTAL LIABILITIES AND NET ASSETS	$ 4,281,374	$ 636,781	$ 88,491	$ 1,960,810	$ 732,882	$ 34,625,550	$ 80,931,152	$ 16,863,162	$ 3,996,610	$ 656,368	$ 3,028,107

	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria	CRS Somerset	CRS Palms	CRS McClellan	CRS Countryside	CRS Ironwood	Total	Eliminations	Consolidated Total
ASSETS													
Cash and cash equivalents	$ 171,363	$ 88,846	$ 391,340	$ 156,324	$ 119,606	$ 40,077	$ 13,001	$ 23,345	$ 41,372	$ 9,711	$ 5,381,024	$ -	$ 5,381,024
Grants and contributions receivable, net	-	-	-	-	-	-	-	-	-	-	282,130	-	282,130
Other receivables	11,300	700	14,815	89	1,615	8,804	4,918	1,795	40	9,533	618,394	-	618,394
Prepaid expenses and other assets	20,384	2,008	18,794	24,923	8,103	18,108	2,368	29,160	13,200	15,560	612,662	-	612,662
Due from affiliates	-	-	-	-	-	-	-	-	-	-	20,911,353	(20,911,353)	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	3,777,513	-	3,777,513
Interest receivable	-	-	-	-	-	-	-	-	-	-	899,826	(282,527)	617,299
Contributed relief materials inventory	-	-	-	-	-	-	-	-	-	-	261,664	-	261,664
Investments	-	-	-	-	-	-	-	-	-	-	70,826,740	-	70,826,740
Investments in operating entities	-	-	-	-	-	-	-	-	-	-	3,129,179	-	3,129,179
Cash surrender value											-		
of life insurance policies	-	-	-	-	-	-	-	-	-	-	1,626,416	-	1,626,416
Restricted investments for											-		
tenant security deposits	273,725	1	63,263	99,109	44,008	17,605	4,197	5,645	-	1,360	596,844	-	596,844
Restricted deposits and funded reserves	493,591	-	372,288	468,644	6,042	40,806	-	13,562	-	57,433	2,023,172	-	2,023,172
Trust accounts	-	3,306	-	-	-	-	-	-	-	-	792,911	-	792,911
Property and equipment, net	10,038,426	106,883	3,079,170	2,597,781	2,847,523	3,923,728	3,060,414	6,092,588	2,075,434	4,378,738	77,487,931	(1,511,944)	75,975,987
TOTAL ASSETS	$ 11,008,789	$ 201,744	$ 3,939,670	$ 3,346,870	$ 3,026,897	$ 4,049,128	$ 3,084,898	$ 6,166,095	$ 2,130,046	$ 4,472,335	$ 189,227,759	$ (22,705,824)	$ 166,521,935
LIABILITIES AND NET ASSETS													
Liabilities													
Accounts payable and accrued expenses	$ 180,142	$ 8,858	$ 152,145	$ 81,645	$ 13,238	$ 19,919	$ 30,966	$ 185,836	$ 11,887	$ 35,790	$ 1,376,879	$ -	$ 1,376,879
Accrued interest	18,823	-	597,986	13,360	-	-	-	-	-	4,631	800,765	(282,527)	518,238
Deferred revenue	19,527	-	-	-	-	-	-	-	-	-	26,087	-	26,087
Lines of credit payable	-	-	-	-	-	-	-	-	-	-	12,391,577	-	12,391,577
Mortgages payable, net of													
unamortized financing fees	10,503,557	-	5,809,323	5,651,562	-	-	-	3,805,298	1,147,555	2,800,000	48,706,700	-	48,706,700
Notes payable, net of unamortized financing fees	-	-	-	-	3,130,130	2,432,375	1,107,898	-	-	-	12,820,403	-	12,820,403
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	1,944,153	-	1,944,153
Advance payments for rent	42,378	-	10,635	10,253	7,233	7,678	1,054	1,310	51	7,487	104,040	-	104,040
Deposits and funds held for others	230,406	2,070	34,372	49,763	16,821	14,851	2,000	-	7,263	9,330	459,116	-	459,116
Interest rate swap contract	55,565	-	-	-	-	-	-	-	-	-	55,565	-	55,565
Due to affiliates	59,028	6,466	1,051,925	12,848	33,450	1,818,139	1,822,474	2,187,494	750,871	1,582,036	20,911,353	(20,911,353)	-
TOTAL LIABILITIES	11,109,426	17,394	7,656,386	5,819,431	3,200,872	4,292,962	2,964,392	6,179,938	1,917,627	4,439,274	99,596,638	(21,193,880)	78,402,758
Net Assets													
Unrestricted	(100,637)	184,350	(3,716,716)	(2,472,561)	(173,975)	(243,834)	120,506	(13,843)	212,419	33,061	61,124,602	(1,511,944)	59,612,658
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	11,959,042	-	11,959,042
Permanently restricted	-	-	-	-	-	-	-	-	-	-	16,547,477	-	16,547,477
TOTAL NET ASSETS (DEFICIT)	(100,637)	184,350	(3,716,716)	(2,472,561)	(173,975)	(243,834)	120,506	(13,843)	212,419	33,061	89,631,121	(1,511,944)	88,119,177
TOTAL LIABILITIES AND NET ASSETS	$ 11,008,789	$ 201,744	$ 3,939,670	$ 3,346,870	$ 3,026,897	$ 4,049,128	$ 3,084,898	$ 6,166,095	$ 2,130,046	$ 4,472,335	$ 189,227,759	$ (22,705,824)	$ 166,521,935

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	CRSC	CRSI	AHA	RS	BWA	Consolidated CRS Virginia	CRS/21	CRSC Residential
REVENUE AND SUPPORT								
Housing rental and related income	$ 150,636	$ 192,671	$ -	$ -	$ -	$ 3,114,512	$ -	$ 72,873
Noncash contributions	-	18,873,422	-	945,202	-	-	-	-
Cash contributions	966	4,168,480	32,099	587,882	152,443	142,725	-	-
Other income	229,038	349	-	14,413	-	7,214	10,646	270,806
Grants from government agencies	133,831	296,279	-	18,291	-	545,034	-	-
Royalties	-	-	-	-	-	-	418,098	-
Wills and bequests	28,492	537,350	-	30,250	-	-	-	-
Workplace campaign contributions	-	17,921	36,898	97,256	75,784	-	-	-
Interest and dividend income	1,693	390	-	31,267	11,728	731	1,653,690	134,682
Fee income	-	-	-	-	-	-	-	649,511
Noncash contributions from affiliates	-	-	690,224	726,716	18,143,113	-	-	-
Cash contributions from affiliates	1,479,963	2,148,980	156,813	1,500,000	200,000	-	22,153,719	1,000,000
Donated housing	-	581,244	-	-	-	-	-	-
Net realized and unrealized (losses) gains	1,643	-	-	139,801	33,952	-	4,965,611	(1,003)
TOTAL OPERATING REVENUE AND SUPPORT	2,026,262	26,817,086	916,034	4,091,078	18,617,020	3,810,216	29,201,764	2,126,869
EXPENSES								
Program services	528,817	24,156,727	931,387	4,146,894	18,730,621	4,648,319	3,000,000	525,421
Management and general	1,335,422	210,413	15,615	41,107	25,753	120,584	443,764	18,792
Fundraising	97,994	3,792,492	5,588	14,898	9,987	-	-	-
TOTAL OPERATING EXPENSES	1,962,233	28,159,632	952,590	4,202,899	18,766,361	4,768,903	3,443,764	544,213
CHANGE IN NET ASSETS FROM OPERATIONS	64,029	(1,342,546)	(36,556)	(111,821)	(149,341)	(958,687)	25,758,000	1,582,656
NONOPERATING ACTIVITIES								
Realized gain on sale of property	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	64,029	(1,342,546)	(36,556)	(111,821)	(149,341)	(958,687)	25,758,000	1,582,656
NET ASSETS (DEFICIT), BEGINNING OF YEAR	4,089,774	319,099	107,983	1,879,864	865,094	3,013,769	44,130,175	13,363,965
NET ASSETS (DEFICIT), END OF YEAR	$ 4,153,803	$ (1,023,447)	$ 71,427	$ 1,768,043	$ 715,753	$ 2,055,082	$ 69,888,175	$ 14,946,621

	Housing Preservation	Mountain Lakes	CRS Kansas	CRS Triangle	CRS Scottsdale	CRS Cambridge	CRS Fountain Place	CRS Peoria
REVENUE AND SUPPORT								
Housing rental and related income	$ -	$ 427,478	$ 1,093,125	$ 3,791,186	$ 1,646,012	$ 1,789,886	$ 1,266,924	$ 770,744
Noncash contributions	-	-	-	-	-	-	-	-
Cash contributions	-	-	-	-	-	-	-	-
Other income	2,965	10,542	81,615	733,090	78,021	91,091	120,540	37,399
Grants from government agencies	-	-	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-	-
Wills and bequests	-	-	-	-	-	-	-	-
Workplace campaign contributions	-	-	-	-	-	-	-	-
Interest and dividend income	-	2	20,640	909	175	144	161	9
Fee income	-	-	-	-	-	-	-	-
Noncash contributions from affiliates	-	-	-	-	-	-	-	-
Cash contributions from affiliates	-	-	336	-	1,003	735	420	315
Donated housing	-	-	-	-	-	-	-	-
Net realized and unrealized (losses) gains	-	-	-	-	-	-	-	-
TOTAL OPERATING REVENUE AND SUPPORT	2,965	438,022	1,195,716	4,525,185	1,725,211	1,881,856	1,388,045	808,467
EXPENSES								
Program services	15,352	552,626	1,171,402	3,834,585	24,000,394	1,663,971	1,245,421	737,502
Management and general	420	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	15,772	552,626	1,171,402	3,834,585	24,000,394	1,663,971	1,245,421	737,502
CHANGE IN NET ASSETS FROM OPERATIONS	(12,807)	(114,604)	24,314	690,600	(22,275,183)	217,885	142,624	70,965
NONOPERATING ACTIVITIES								
Realized gain on sale of property	-	-	-	-	23,815,549	-	-	-
CHANGE IN NET ASSETS	(12,807)	(114,604)	24,314	690,600	1,540,366	217,885	142,624	70,965
NET ASSETS (DEFICIT), BEGINNING OF YEAR	4,009,417	406,385	(1,085,811)	(791,237)	(1,356,016)	(3,934,601)	(2,615,185)	(244,940)
NET ASSETS (DEFICIT), END OF YEAR	$ 3,996,610	$ 291,781	$ (1,061,497)	$ (100,637)	$ 184,350	$ (3,716,716)	$ (2,472,561)	$ (173,975)

	CRS Somerset	CRS Palms	CRS McClellan	CRS Countryside	CRS Ironwood	Total	Eliminations	Consolidated Total
REVENUE AND SUPPORT								
Housing rental and related income	$ 646,931	$ 474,299	$ 432,357	$ 457,161	$ 90,983	$ 16,417,778	$ (132,609)	$ 16,285,169
Noncash contributions	-	-	-	-	-	19,818,624	-	19,818,624
Cash contributions	-	-	-	-	-	5,084,595	-	5,084,595
Other income	43,556	13,701	35,496	-	1,826	1,782,308	-	1,782,308
Grants from government agencies	-	-	-	-	-	993,435	-	993,435
Royalties	-	-	-	-	-	418,098	-	418,098
Wills and bequests	-	-	-	-	-	596,092	-	596,092
Workplace campaign contributions	-	-	-	-	-	227,859	-	227,859
Interest and dividend income	-	-	5	-	-	1,856,226	(122,090)	1,734,136
Fee income	-	-	-	-	-	649,511	(637,011)	12,500
Noncash contributions from affiliates	-	-	-	-	-	19,560,053	(19,560,053)	-
Cash contributions from affiliates	714	-	-	-	-	28,642,998	(28,642,998)	-
Donated housing	-	-	-	-	-	581,244	(581,244)	-
Net realized and unrealized (losses) gains	-	-	-	-	-	5,140,004	-	5,140,004
TOTAL OPERATING REVENUE AND SUPPORT	691,201	488,000	467,858	457,161	92,809	101,768,825	(49,676,005)	52,092,820
EXPENSES								
Program services	825,165	410,264	481,701	305,479	59,748	91,971,796	(49,965,157)	42,006,639
Management and general	-	-	-	-	-	2,211,870		2,211,870
Fundraising	-	-	-	-	-	3,920,959	-	3,920,959
TOTAL OPERATING EXPENSES	825,165	410,264	481,701	305,479	59,748	98,104,625	(49,965,157)	48,139,468
CHANGE IN NET ASSETS FROM OPERATIONS	(133,964)	77,736	(13,843)	151,682	33,061	3,664,200	289,152	3,953,352
NONOPERATING ACTIVITIES								
Realized gain on sale of property		-	-	-	-	23,815,549	-	23,815,549
CHANGE IN NET ASSETS	(133,964)	77,736	(13,843)	151,682	33,061	27,479,749	289,152	27,768,901
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(109,870)	42,770	-	60,737	-	62,151,372	(1,801,096)	60,350,276
NET ASSETS (DEFICIT), END OF YEAR	$ (243,834)	$ 120,506	$ (13,843)	$ 212,419	$ 33,061	$ 89,631,121	$ (1,511,944)	$ 88,119,177

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

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, 2017, 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, and have issued our report thereon dated November 20, 2017. 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, CRS Cambridge Court Housing Corporation and Huntington Gardens, LLC, 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.

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.

Continued

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
November 20, 2017

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 the Organization's major federal program for the year ended June 30, 2017. The Organization's major federal program is 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, CRS Cambridge Court Housing Corporation and Huntington Gardens, LLC, which received $24,602,961 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Continued

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
November 20, 2017

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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 (Permanent and Transitional)	14.235	N/A	$ 648,434	$ 678,865
Pass-Through from Fairfax County:				
Community Development Block Grants/ Entitlement Grants	14.218	1232	-	244,000
Total U.S. Department of Housing and Urban Development			648,434	922,865
U.S. DEPARTMENT OF JUSTICE				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	N/A	-	151,659
Pass-Through from Fairfax County:				
Crime Victim Assistance	16.575	17-A4133VW15	-	50,438
Total U.S. Department of Justice			-	202,097
U.S. DEPARTMENT OF AGRICULTURE				
Food and Distribution Program on Indian Reservations	10.567	N/A	-	18,291
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 648,434	$ 1,143,253

See accompanying notes to this schedule

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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 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 negotiated a provisional indirect cost rate with the federal government.

2. U.S. Department of Housing and Urban Development Loan, CFDA 14.218 – Community Development Block Grants/Entitlement Grants

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. The Organization received a new loan during the year ended June 30, 2017, which is included in the schedule of expenditures of federal awards. As of June 30, 2017, the outstanding balance of the loan was $244,000.

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

Expenditures per schedule of expenditures of federal awards (SEFA)	$ 1,143,253
Less: Loan included in the SEFA	(244,000)
Plus: State grants and contracts	94,182
Grants from Government Agencies per the Consolidated Statement of Activities	$ 993,435

CHRISTIAN RELIEF SERVICES CHARITIES, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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

Type of auditor's report issued on compliance for major programs:	X	Unmodified		Qualified
		Adverse		Disclaimer
Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?	X	Yes		None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?	X	Yes		No

Identification of Major Program(s):

CFDA Number	Program 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.

Continued

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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

Finding No. 2017-001: Schedule of Expenditures of Federal Awards (SEFA) – Internal Control and Compliance Finding

U.S. Department of Housing and Urban Development, CFDA No. 14.218, Pass-through from Fairfax County, Community Development Blocks Grants/Entitlement Grants, Grant Number 1232 and U.S. Department of Justice, CFDA No. 16.575, Pass-through from Fairfax County, Crime Victim Assistance, Grant Number 17-A4133VW15

Condition: The Organization did not report a pass-through federal award under CFDA 16.575 and a new pass-through federal loan under CFDA 14.218 as part of the SEFA.

Context: Total expenditures incurred on the pass-through federal award under CFDA 16.575 was $50,438, while the new pass - through federal loan received under CFDA 14.218 was $244,000. Therefore, the SEFA was initially understated by a total of $294,438.

Criteria: Pass-through federal funds, awards and loans should be treated by the subrecipient as though they were received directly from the federal government. Accordingly, pass-through federal awards must be included in the scope of the single audit and in the SEFA. The SEFA must list federal funds received directly, separate from those received as pass-through awards.

Cause: The Organization was unaware that these were pass-through federal awards, and did not notice the language included on the agreement that indicated that the grant and the loan included pass-through federal funding.

Effect: This resulted in an incomplete and inaccurate SEFA.

Repeat Finding: No

Recommendation: We recommend that management review each award carefully to properly determine whether an award includes pass-through federal funding. If unsure, we recommend that management obtain clarification with the funder, and that the discussion be documented.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation and plans to have a consultant review the SEFA and the federal awards and loan agreements next year.