FINANCIAL STATEMENTS

CALVARY WOMEN'S SERVICES, INC.

FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015

CALVARY WOMEN'S SERVICES, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Calvary Women's Services, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Calvary Women's Services, Inc. (Calvary), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calvary as of September 30, 2016, and the change 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.

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Report on Summarized Comparative Information

We have previously audited Calvary's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

January 10, 2017

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 1,039,944	$ 1,057,237
Restricted cash	18,492	10,395
Pledges receivable	105,793	128,287
Grants receivable	87,971	42,103
Other receivable	424	343
Prepaid expenses	17,640	16,448
Total current assets	1,270,264	1,254,813
FIXED ASSETS		
Land	284,220	284,220
Building and improvements	2,970,792	2,951,596
Furniture and equipment	123,781	120,782
	3,378,793	3,356,598
Less: Accumulated depreciation and amortization	(369,046)	(269,183)
Net fixed assets	3,009,747	3,087,415
OTHER ASSETS		
Pledges receivable, net of current portion	-	8,000
TOTAL ASSETS	**$ 4,280,011**	**$ 4,350,228**

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Current portion of long-term debt	$ 73,411	$ 69,719
Accounts payable and accrued liabilities	2,356	26,796
Accrued salaries and related benefits	34,917	22,222
Client deposits	18,453	10,294
Total current liabilities	129,137	129,031
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,059,130	1,130,697
Total liabilities	1,188,267	1,259,728
NET ASSETS		
Unrestricted	2,991,828	2,952,738
Temporarily restricted	99,916	137,762
Total net assets	3,091,744	3,090,500
TOTAL LIABILITIES AND NET ASSETS	**$ 4,280,011**	**$ 4,350,228**

See accompanying notes to financial statements.

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants	$ 916,902	$ 148,500	$ 1,065,402	$ 1,137,271
Government grants	914,374	18,440	932,814	888,295
Contributed services and materials	131,809	-	131,809	147,563
Interest income	391	-	391	303
Miscellaneous revenue	90	-	90	564
Net assets released from donor restrictions	204,786	(204,786)	-	-
Total revenue	2,168,352	(37,846)	2,130,506	2,173,996
EXPENSES				
Program Services:				
Calvary Transitional Housing	1,165,484	-	1,165,484	1,119,820
Sister Circle	65,624	-	65,624	61,335
Pathways	471,382	-	471,382	460,615
Total program services	1,702,490	-	1,702,490	1,641,770
Supporting Services:				
Management and General	45,840	-	45,840	36,762
Fundraising	380,932	-	380,932	365,869
Total supporting services	426,772	-	426,772	402,631
Total expenses	2,129,262	-	2,129,262	2,044,401
Change in net assets	39,090	(37,846)	1,244	129,595
Net assets at beginning of year	2,952,738	137,762	3,090,500	2,960,905
NET ASSETS AT END OF YEAR	**$ 2,991,828**	**$ 99,916**	**$ 3,091,744**	**$ 3,090,500**

See accompanying notes to financial statements.

CALVARY WOMEN'S SERVICES, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			
	Program Services			
	Calvary Transitional Housing	Sister Circle	Pathways	Total Program Services
Salaries	$ 618,269	$ 50,614	$ 219,555	$ 888,438
Payroll taxes and benefits	108,051	8,845	38,370	155,266
Professional fees	65,609	-	29,554	95,163
Donated facilities and services	9,746	-	3,979	13,725
Donated goods and meals	69,169	-	28,929	98,098
Depreciation and amortization	58,919	-	33,953	92,872
Events	50	-	29	79
Supplies	30,365	-	14,115	44,480
Building maintenance	19,698	200	10,229	30,127
Utilities	40,466	-	22,135	62,601
Conference and training	1,386	25	706	2,117
Telephone	6,064	-	3,492	9,556
Postage and delivery	1,321	-	763	2,084
Printing	1,911	-	809	2,720
Insurance	19,660	-	11,332	30,992
Equipment and maintenance	6,358	-	2,801	9,159
Client necessities	5,460	2,545	3,075	11,080
Job training and life skills	9,278	-	3,976	13,254
Volunteer search	2,146	-	1,180	3,326
Interest expense	31,184	-	17,975	49,159
Bad debt expense	-	-	-	-
Miscellaneous	86	-	41	127
Allocation of overhead expenses	60,288	3,395	24,384	88,067
TOTAL	**$ 1,165,484**	**$ 65,624**	**$ 471,382**	**$ 1,702,490**

Supporting Services				2015
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 33,728	$ 200,425	$ 234,153	$ 1,122,591	$ 1,032,637
5,895	35,027	40,922	196,188	172,684
67,282	4,397	71,679	166,842	169,402
19,986	-	19,986	33,711	61,610
-	-	-	98,098	85,953
1,997	4,994	6,991	99,863	97,411
228	76,082	76,310	76,389	64,391
647	950	1,597	46,077	44,006
477	1,131	1,608	31,735	41,255
1,132	2,830	3,962	66,563	59,243
3,932	135	4,067	6,184	9,878
205	513	718	10,274	9,585
150	5,637	5,787	7,871	11,608
373	16,725	17,098	19,818	23,425
3,355	1,664	5,019	36,011	31,252
1,282	6,616	7,898	17,057	22,413
-	7	7	11,087	12,867
-	33	33	13,287	18,688
510	1,227	1,737	5,063	4,099
634	2,646	3,280	52,439	55,597
-	-	-	-	6,523
11,799	188	11,987	12,114	9,874
(107,772)	19,705	(88,067)	-	-
$ 45,840	**$ 380,932**	**$ 426,772**	**$ 2,129,262**	**$ 2,044,401**

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,244	$ 129,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	99,863	97,411
(Increase) decrease in:		
Pledges receivable	30,494	(48,980)
Grants receivable	(45,868)	21,694
Other receivable	(81)	57
Prepaid expenses	(1,192)	481
Increase (decrease) in:		
Accounts payable and accrued liabilities	(24,440)	6,081
Accrued salaries and related benefits	12,695	(1,111)
Client deposits	8,159	3,002
Net cash provided by operating activities	80,874	208,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(22,195)	(12,737)
Net cash used by investing activities	(22,195)	(12,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(67,875)	(64,706)
Net cash used by financing activities	(67,875)	(64,706)
Net (decrease) increase in cash and cash equivalents	(9,196)	130,787
Cash and cash equivalents at beginning of year, including restricted cash	1,067,632	936,845
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH	**$ 1,058,436**	**$ 1,067,632**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 52,439**	**$ 55,597**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Calvary Women's Services, Inc. (Calvary) was incorporated in September 1983, as a District of Columbia not-for-profit corporation, to provide short-term and long-term housing for women who are homeless in Washington, D.C. Calvary offers personalized case management, life skills and education opportunities, health and wellness services, on-site therapy, and daily addiction recovery meetings. Through its housing programs and comprehensive services, Calvary carries out its mission to offer “a safe, caring place for tonight; support, hope and change for tomorrow.”

Calvary’s three housing programs include:

- **Calvary Transitional Housing** (*formerly Calvary Women’s Shelter*) assists women in moving out of homelessness and into stable housing. Women also take positive steps toward independence, including: addressing mental and physical health needs, maintaining recovery from addiction, healing from trauma and violence they have experienced, and securing income through employment or benefits.

- **Sister Circle** is a permanent housing program. This program offers long-term support and independent housing to women in recovery from substance addiction, many of whom struggle with serious medical conditions, including HIV/AIDS and cancer. In addition to making support services available, Sister Circle provides a close-knit community of peer support as the women continue to develop their life skills.

- **Pathways** is a transitional housing program that offers stability and support to chronically homeless women who struggle with mental illness. This unique program, that reaches out to some of the most vulnerable members of our community, focuses on building women’s individual skills and creating community among its residents.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Calvary's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Cash and cash equivalents -

Calvary considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, Calvary maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Restricted cash -

Calvary maintains a separate cash account for cash held on behalf of its clients. These funds are exclusively for the clients and are not available to pay Calvary's expenses. Deposits and withdrawals are made at the discretion of each participating client. These amounts are reflected as restricted cash and client deposits in the Statement of Financial Position.

Pledges and grants receivable -

Pledges and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to thirty-nine years. Building improvements are amortized over the remaining life of the building. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended September 30, 2016 totaled $99,863.

Income taxes -

Calvary is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Calvary is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2016, Calvary has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Calvary and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Calvary and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributed services and materials -

Contributed services and materials consist of donated goods, equipment, professional services, facilities and meals. Contributed services and materials are recorded at their fair market value as of the date of the gift.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Calvary receives funding under grants and contracts from the U.S. and D.C. Governments, and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. LONG-TERM DEBT

In 2010, Calvary obtained a loan from United Bank up to $1,000,000 to purchase land and a building in Washington, D.C. to house its programs. On April 6, 2012, Calvary refinanced the original loan with a construction loan of up to $1,500,000, the proceeds of which were used to pay off the balance of the previous loan and to pay for additional renovations to the building. As of September 30, 2016, the outstanding principal on the loan was $1,104,223.

2. LONG-TERM DEBT (Continued)

In the first year of the loan, the loan bears interest at a variable rate equal to the greater of the 30-day LIBOR plus 3 percent, or 5 percent. In the second through sixth year of the loan, the loan bears interest at a fixed annual rate equal to the greater of the midrange of the five-year swap equivalent of the 30-day LIBOR prevailing on the first anniversary of the loan plus 3 percent, or 5 percent. On April 29, 2013, the loan was amended so that the interest rate until the sixth anniversary will be at a fixed rate equal to the greater of the midrange of the five-year swap equivalent of the 30-day LIBOR prevailing on the first anniversary plus 3 percent, or 4.5 percent. In the seventh year of the loan through the loan’s maturity, the note will bear interest at a fixed annual rate equal to the greater of the midrange of the five-year swap equivalent of the 30-day LIBOR prevailing on the sixth anniversary of the loan plus 3 percent, or 4.5 percent. As of September 30, 2016, the effective interest rate was 4.5%.

The loan requires payments of interest only in the first year of the loan. In the second through sixth year of the loan, the loan requires payments of principal and interest sufficient to amortize the loan over a 20-year period. In the seventh year of the loan through the loan’s maturity, the loan requires payments of principal and interest, sufficient to amortize the loan over a 15-year period. The loan matures April 7, 2023 and contains certain prepayment penalties. The loan is secured by a first lien Deed of Trust on the property, an assignment of leases and rents on the property, and a security agreement on all personal property on the property.

The loan agreements contain various covenants, which among other things, place restrictions on Calvary's ability to incur additional indebtedness and require Calvary to maintain certain financial ratios. For the year ended September 30, 2016, Calvary was in compliance with all loan covenants.

Future minimal principal payments under this loan are as follows:

Year Ending September 30,	
2017	$ 68,148
2018	69,102
2019	70,100
2020	71,143
2021	72,235
2022 and Thereafter	753,495
	$ 1,104,223

For the year ended September 30, 2016, interest expense was $54,874.

On May 7, 2012, Calvary entered into a loan and recoverable grant agreement (the Agreement) with Cornerstone, Inc., an unrelated not-for-profit organization. Under the Agreement, Calvary received a loan in the amount of $50,000 and a grant for $50,000, both of which were to provide funds solely for the use of improving the property purchased in December 2010.

The loan bears interest at 2 percent, and requires monthly payments of principal and interest over the life of the loan, which is being amortized over 9.5 years and matures November 30, 2021. The loan is secured by a second deed of Trust on the property, and is also subject to financial covenants. For the year ended September 30, 2016, Calvary was in compliance with all loan covenants.

2. LONG-TERM DEBT (Continued)

Future minimum principal payments under this loan are as follows:

Year Ending September 30,		
2017	$	5,263
2018		5,377
2019		5,484
2020		5,593
2021		5,705
2022 and Thereafter		896
	$	**28,318**

For the year ended September 30, 2016, interest expense was $622.

The Agreement contains additional operational provisions, a right of first refusal on a purchase of the property, and a default provision which states that in the event of default, Cornerstone, Inc. will have the right to require repayment in full of the grant, including interest thereon.

On April 8, 2016, Cornerstone, Inc., was acquired by Community of Hope, Inc., an unrelated not-for-profit organization. There were no changes in terms, conditions, restrictions and provisions of the loan.

3. GOVERNMENT GRANTS

Calvary receives grants from the Community Partnership for the Prevention of Homelessness, which are funded by the D.C. Government and the U.S. Department of Housing and Urban Development, to provide transitional housing and comprehensive case management services for 35 homeless women a year. In addition, Calvary receives funding from the Federal Emergency Management Agency. The amount of revenue recognized by Calvary from these grants totaled $932,814 for the year ended September 30, 2016. The outstanding receivables from these grants at September 30, 2016 totaled $87,971.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2016:

Program Support	$	65,116
Job Training		34,800
	$	**99,916**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program Support	$	83,366
Life Skills Training		2,150
Job Training		71,770
Passage of time		47,500
	$	**204,786**

5. CONTRIBUTED SERVICES AND MATERIALS

During the year ended September 30, 2016, Calvary was the beneficiary of donated goods and services which allow Calvary to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended September 30, 2016.

Professional services	$ 19,987
Goods and equipment	79,845
Volunteer services	13,725
Meals	18,252
TOTAL CONTRIBUTED SERVICES AND MATERIALS	**$ 131,809**

In addition, volunteers perform many of the day-to-day operating activities at Calvary. Management has determined the value of these donated services do not meet the criteria for recognition as contributed services and has not reflected the estimated value of these services in its Statement of Activities and Change in Net Assets. For the year ended September 30, 2016, the estimated value of these services was $71,826.

6. RETIREMENT PLAN

Employees of Calvary are eligible to participate in a 403(b) tax-deferred annuity plan through which they can defer up to the legal limits allowed by the Internal Revenue Code. Calvary does not contribute to employee accounts.

7. SUBSEQUENT EVENTS

In preparing these financial statements, Calvary has evaluated events and transactions for potential recognition or disclosure through January 10, 2017, the date the financial statements were issued.