FINANCIAL STATEMENTS

CALVARY WOMEN'S SERVICES, INC.

FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012

CALVARY WOMEN'S SERVICES, INC.

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, 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, 2013, 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

The prior year summarized comparative information has been derived from Calvary's 2012 financial statements, which were audited by other auditors and, in their report dated March 1, 2013, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

December 11, 2013

EXHIBIT A

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 741,295	$ 437,307
Restricted cash	4,530	3,441
Pledges receivable, current portion	57,426	67,633
Grants receivable (Note 3)	64,048	92,190
Other receivable	-	45,770
Prepaid expenses	15,497	6,486
Deposits	15,169	-
Total current assets	897,965	652,827
FIXED ASSETS		
Land	284,220	284,220
Building and improvements	2,949,471	665,780
Construction in progress	-	2,100,287
Furniture and equipment (Note 5)	113,144	192,079
Leasehold improvements	-	309,615
	3,346,835	3,551,981
Less: Accumulated depreciation and amortization	(83,330)	(399,830)
Net fixed assets	3,263,505	3,152,151
OTHER ASSETS		
Pledges receivable, net of current portion	-	6,295
Deposits	-	18,409
Total other assets	-	24,704
TOTAL ASSETS	**$ 4,161,470**	**$ 3,829,682**

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Current portion of long-term debt (Note 2)	$ 52,509	$ 22,186
Accounts payable and accrued liabilities	18,586	151,383
Accrued salaries and related benefits	19,802	17,472
Client deposits	4,415	3,320
Total current liabilities	95,312	194,361
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 2)	1,472,317	1,463,520
Total liabilities	1,567,629	1,657,881
NET ASSETS		
Unrestricted	2,543,909	2,103,078
Temporarily restricted (Note 4)	49,932	68,723
Total net assets	2,593,841	2,171,801
TOTAL LIABILITIES AND NET ASSETS	**$ 4,161,470**	**$ 3,829,682**

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, 2013 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants	$ 726,089	$ 346,333	$ 1,072,422	$ 1,222,331
Government grants (Note 3)	813,088	-	813,088	678,021
Contributed services and materials (Note 5)	167,067	-	167,067	531,809
Interest income	290	-	290	314
Miscellaneous revenue	3,667	-	3,667	669
Net assets released from donor restrictions (Note 4)	365,124	(365,124)	-	-
Total revenue	2,075,325	(18,791)	2,056,534	2,433,144
EXPENSES				
Program Services:				
Calvary Transitional Housing	889,774	-	889,774	734,641
Sister Circle	33,375	-	33,375	22,910
Pathways	382,141	-	382,141	358,321
Total program services	1,305,290	-	1,305,290	1,115,872
Supporting Services:				
Management and General	38,152	-	38,152	26,195
Fundraising	291,052	-	291,052	237,209
Total supporting services	329,204	-	329,204	263,404
Total expenses	1,634,494	-	1,634,494	1,379,276
Change in net assets	440,831	(18,791)	422,040	1,053,868
Net assets at beginning of year	2,103,078	68,723	2,171,801	1,117,933
NET ASSETS AT END OF YEAR	**$ 2,543,909**	**$ 49,932**	**$ 2,593,841**	**$ 2,171,801**

See accompanying notes to financial statements.

CALVARY WOMEN'S SERVICES, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013			
	Program Services			
	Calvary Transitional Housing	Sister Circle	Pathways	Total Program Services
Salaries	$ 448,467	$ 22,161	$ 176,558	$ 647,186
Payroll taxes and benefits	71,213	3,519	28,036	102,768
Professional fees	20,836	-	6,806	27,642
Donated facilities and services (Note 5)	8,460	-	16,526	24,986
Donated goods and meals (Note 5)	66,412	-	27,681	94,093
Depreciation and amortization	49,148	-	26,971	76,119
Events	-	-	-	-
Supplies	35,335	501	15,182	51,018
Rent (Note 6)	18,772	133	1,533	20,438
Building maintenance	17,462	2,052	7,296	26,810
Utilities	24,724	-	14,441	39,165
Conference and training	427	-	165	592
Telephone	4,740	-	2,702	7,442
Postage and delivery	126	-	5	131
Printing	-	-	-	-
Insurance	13,953	180	7,143	21,276
Equipment and maintenance	3,396	1,842	1,617	6,855
Client necessities	10,015	741	2,821	13,577
Job training and life skills	1,812	90	721	2,623
Volunteer search	881	-	383	1,264
Interest expense (Note 2)	35,988	-	20,850	56,838
Miscellaneous	171	-	40	211
Allocation of overhead expenses	57,436	2,156	24,664	84,256
TOTAL	**$ 889,774**	**$ 33,375**	**$ 382,141**	**$ 1,305,290**

Supporting Services				2012
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 26,200	$ 145,464	$ 171,664	$ 818,850	$ 614,055
4,160	23,098	27,258	130,026	96,941
34,096	357	34,453	62,095	64,967
45,948	541	46,489	71,475	151,235
-	-	-	94,093	111,500
1,492	4,575	6,067	82,186	5,664
-	56,869	56,869	56,869	47,661
780	1,224	2,004	53,022	45,348
133	1,066	1,199	21,637	115,352
1,172	937	2,109	28,919	16,415
767	1,919	2,686	41,851	32,078
5,746	580	6,326	6,918	1,554
621	375	996	8,438	6,802
637	8,863	9,500	9,631	9,777
394	14,004	14,398	14,398	12,653
7,052	1,043	8,095	29,371	16,948
2,574	7,272	9,846	16,701	11,278
-	-	-	13,577	2,839
-	-	-	2,623	692
216	-	216	1,480	1,765
1,207	3,056	4,263	61,101	-
8,008	1,014	9,022	9,233	13,752
(103,051)	18,795	(84,256)	-	-
$ 38,152	**$ 291,052**	**$ 329,204**	**$ 1,634,494**	**$ 1,379,276**

See accompanying notes to financial statements.

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 422,040	$ 1,053,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	82,186	5,664
Donated property and equipment	(1,500)	(92,132)
Capitalized in-kind services	-	(176,943)
Gain on sale of fixed assets	(1,776)	-
Decrease in discount on pledges receivable	-	(740)
(Increase) decrease in:		
Pledges receivable	16,502	125,573
Grants receivable	28,142	(22,734)
Other receivable	45,770	(45,770)
Prepaid expenses	(9,011)	1,559
Deposits	3,240	(16,669)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(132,797)	88,332
Accrued salaries and related benefits	2,330	(2,353)
Client deposits	1,095	1,665
Net cash provided by operating activities	456,221	919,320
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(190,264)	(1,165,521)
Net cash used by investing activities	(190,264)	(1,165,521)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	63,093	50,000
Principal payments on long-term debt	(23,973)	(1,200)
Net cash provided by financing activities	39,120	48,800
Net increase (decrease) in cash and cash equivalents	305,077	(197,401)
Cash and cash equivalents at beginning of year, including restricted cash	440,748	638,149
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH	**$ 745,825**	**$ 440,748**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 61,101**	**$ -**

See accompanying notes to financial statements.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, DC. 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 Program (*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, 2012, 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.

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.

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

Pledges receivable -

Pledges receivable are recorded at their net realizable value, which approximates fair value. Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management 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, 2013 totaled $82,186.

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, 2013, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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)

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.

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.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

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, 2013, the amount of the loan that had been drawn down was $1,500,000.

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.

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, 2013, Calvary was in compliance with all loan covenants.

Future minimal principal payments under this loan are as follows:

Year Ending September 30,	
2014	$ 47,957
2015	50,192
2016	52,356
2017	54,970
2018	57,531
2019 and Thereafter	1,218,295
	$ 1,481,301

For the year ended September 30, 2013, interest expense was $60,231.

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.

2. LONG-TERM DEBT (Continued)

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, 2013, Calvary was in compliance with all loan covenants.

Future minimum principal payments under this loan are as follows:

Year Ending September 30,		
2014	$	4,552
2015		5,060
2016		5,161
2017		5,264
2018		5,368
2019 and Thereafter		18,120
	$	**43,525**

For the year ended September 30, 2013 interest expense was $870.

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 will have the right to require repayment in full of the grant, including interest thereon.

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. The amount of revenue recognized by Calvary from these grants totaled $813,088 for the year ended September 30, 2013. The outstanding receivables from these grants at September 30, 2013 totaled $64,048.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2013:

Program Support	**$**	**49,932**

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	$	20,000
Expansion		297,789
Calvary Transitional Housing		45,335
Food		2,000
	$	**365,124**

5. CONTRIBUTED SERVICES AND MATERIALS

During the year ended September 30, 2013, 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, 2013.

Professional services	$	59,474
Goods and equipment		82,331
Facilities		12,000
Meals		13,262
TOTAL CONTRIBUTED SERVICES AND MATERIALS	**$**	**167,067**

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, 2013, the estimated value of these services was $68,723.

6. LEASE COMMITMENTS

Calvary leased office space on a month-to-month basis until the move into the new building on December 1, 2012. In addition to base monthly rent, the leases required reimbursement of real property taxes. Rent expense, including reimbursement of real property taxes, totaled $21,637 for the year ended September 30, 2013.

7. 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.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Calvary has evaluated events and transactions for potential recognition or disclosure through December 11, 2013, the date the financial statements were issued.

Subsequent to September 30, 2013, the Board of Directors directed management to establish and maintain a separate bank account with funds designated for capital repairs and improvements of its building. The Board designated the reserve be established in the amount of $50,000. Management shall, at its discretion, use the funds as deemed necessary for substantial repairs and maintenance. Accounting for the use of these funds shall be included in the regular financial reporting to the Board.