CRISTA
A FAMILY OF MINISTRIES

Consolidated Financial Statements

For the Years Ended June 30, 2016 and 2015

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Clark Nuber PS

Independent Auditor's Report

To the Board of Trustees
CRISTA Ministries
Shoreline, Washington

We have audited the accompanying consolidated financial statements of CRISTA Ministries ("the Organization") which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of unrestricted activities, changes in net assets and cash flows for the years 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, and the results of its unrestricted activities and change in nets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 31 through 32 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Clark Nuber P S

Certified Public Accountants
October 13, 2016

CRISTA MINISTRIES

Consolidated Balance Sheets - Assets
June 30, 2016 and 2015
(In Thousands)

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)-		
Available for current ministries	$ 17,103	$ 12,744
Held for donor restricted ministry purposes	9,312	6,889
Held by field operations	2,523	2,326
Total cash and cash equivalents	28,938	21,959
Grants receivable	137	446
Pledges receivable, current portion (Note 3)	287	383
Trade receivables, net	3,866	4,391
Bond funds held in trust	1,378	
Prepaid expenses and supplies	719	745
Total Current Assets	**35,325**	**27,924**
Investments (Note 4)-		
Available for current ministries	16,406	16,752
Endowment accounts	7,889	7,938
Other investments	366	849
Total investments	24,661	25,539
Long-term pledges receivable, net (Note 3)	488	312
Planned giving program assets (Notes 4 and 7)	3,262	3,164
Property held for sale (Note 6)	1,630	3,150
Property and equipment used in ministries, net (Note 6)	66,143	64,555
Assets held by field operations (Note 8)	3,265	4,016
Radio licenses and other intangibles, net	6,477	6,431
Total Assets	**$ 141,251**	**$ 135,091**

See accompanying notes.

CRISTA MINISTRIES

Consolidated Balance Sheets - Liabilities and Net Assets
June 30, 2016 and 2015
(In Thousands)

	2016	2015
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 8,745	$ 8,817
Accounts payable held in field offices	2,194	2,291
Deferred revenue	1,342	1,618
Current portion of long-term obligations (Note 10)	840	810
Total Current Liabilities	**13,121**	**13,536**
Long-term obligations, net (Note 10)	12,064	9,868
Refundable entry fees	6,813	7,221
Nonrefundable entry fees	6,002	5,377
Deposits and deferred rent	175	196
Planned giving program obligations (Note 7)	1,487	1,467
Total Liabilities	**39,662**	**37,665**
Commitments and contingencies (Note 13)		
Net Assets:		
Unrestricted-		
General	15,377	12,220
Represented by property, equipment and intangibles owned by the Organization	62,906	63,938
Total unrestricted assets	78,283	76,158
Temporarily restricted-		
Restricted for program activities	10,836	11,347
Restricted for capital acquisitions	2,546	41
The Organization's portion of irrevocable trust agreements	149	114
Restricted for endowment funds (Note 11)	3,819	3,956
Total temporarily restricted assets	17,350	15,458
Permanently restricted-		
Endowments for student financial aid and teacher excellence (Note 11)	2,451	2,335
Endowment for senior financial aid (Note 11)	2,097	1,979
Perpetual trust (Note 7)	1,408	1,496
Total permanently restricted assets	5,956	5,810
Total Net Assets	**101,589**	**97,426**
Total Liabilities and Net Assets	**$ 141,251**	**$ 135,091**

See accompanying notes.

CRISTA MINISTRIES

Consolidated Statements of Unrestricted Activities
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
Revenues, Gains and Losses:		
Fees for services	$ 67,979	$ 66,370
Contributions	13,249	12,930
Contributions released from restrictions	12,759	11,784
Gifts-in-kind (Note 9)	16,456	10,940
Government grants	214	1,520
Other program revenue	914	1,032
Income on investments	647	738
Net realized and unrealized losses on investments and planned giving program	(942)	(84)
Foreign exchange losses	(167)	(128)
Gain on sale of property, net	411	
Miscellaneous income	557	376
Total Revenues, Gains and Losses	**112,077**	**105,478**
Expenses:		
Program services	98,478	92,131
Fundraising	6,268	5,536
Management and general	5,206	5,269
Total Expenses	**109,952**	**102,936**
Change in Unrestricted Net Assets	**$ 2,125**	**$ 2,542**

See accompanying notes.

CRISTA MINISTRIES

Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
Unrestricted Net Assets:		
Total unrestricted revenues, gains and losses	$ 99,318	$ 93,694
Contributions released from restrictions	12,759	11,784
Total unrestricted expenses	(109,952)	(102,936)
Change in Unrestricted Net Assets	**2,125**	**2,542**
Temporarily Restricted Net Assets:		
Contributions	14,870	12,412
Contributions released from restrictions	(12,759)	(11,784)
Income on investments	196	297
Net realized and unrealized losses on investments and planned giving program	(153)	(134)
Loss from Micro-enterprise loan program	(262)	
Change in Temporarily Restricted Net Assets	**1,892**	**791**
Permanently Restricted Net Assets:		
Contributions	234	1,247
Net realized and unrealized losses on investments	(88)	(16)
Change in Permanently Restricted Net Assets	**146**	**1,231**
Total Change in Net Assets	**4,163**	**4,564**
Net assets, beginning of year	97,426	92,862
Net Assets, End of Year	**$ 101,589**	**$ 97,426**

See accompanying notes.

CRISTA MINISTRIES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 4,163	$ 4,564
Adjustments to reconcile change in net assets to		
net cash provided by operating activities-		
Items considered financing activities:		
Capital campaign contributions	(1,687)	(73)
Permanently restricted endowment contributions	(234)	(1,247)
Noncash changes:		
Depreciation and amortization	5,455	5,453
Entry fees earned	(1,149)	(1,220)
(Gain) loss on sale of property	(411)	31
Loss from Micro-enterprise loan program	262	
Net realized and unrealized losses on		
long-term investments and planned giving program	1,183	234
Nonrefundable entry fees received	825	1,081
Changes in assets and liabilities:		
Grants receivable	309	694
Pledges receivable	244	126
Trade receivables	525	(694)
Prepaid expenses and supplies	26	(88)
Assets held by field operations	489	823
Accounts payable and accrued expenses	(169)	438
Deferred revenue, deposits and deferred rent	(297)	548
Planned giving program obligations	20	(303)
Net Cash Provided by Operating Activities	**9,554**	**10,367**
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(8,403)	(5,224)
Proceeds from disposal of property and equipment		7
Proceeds from sale of property held for sale	3,577	
Purchases of investments	(9,651)	(8,602)
Proceeds from sale of investments	8,998	7,685
Net Cash Used by Investing Activities	**(5,479)**	**(6,134)**
Cash Flows From Financing Activities:		
Principal payments on long-term obligations	(826)	(834)
Proceeds from long-term obligations	1,674	
Refundable entry fees received	1,243	1,579
Entry fee refunds paid	(702)	(480)
Payments of bond issuance costs	(82)	
Proceeds from capital campaign contributions	1,363	76
Proceeds from permanently restricted endowment contributions	234	1,247
Net Cash Provided by Financing Activities	**2,904**	**1,588**
Net Change in Cash and Cash Equivalents	**6,979**	**5,821**
Cash and Cash Equivalents:		
Beginning of year	21,959	16,138
End of Year	**$ 28,938**	**$ 21,959**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 363	$ 398
Capital acquisitions included in accounts payable	$ 873	$ 829
Income taxes paid	$ 346	$ -

See accompanying notes.

Note 1 - Nature of Operations and Significant Accounting Policies

Business Purpose and Organization - To Love God by Serving People.

CRISTA Ministries, headquartered at 19303 Fremont Avenue North, Shoreline, Washington 98133-3800, is a Christian not-for-profit organization made up of seven distinct ministries with one common purpose. The mission of CRISTA Ministries is to love God by serving people - meeting practical and spiritual needs so that those we serve locally and internationally will be built up in love, united in faith and maturing in Christ. We seek to see people drawn into a transformational relationship with Christ.

CRISTA Ministries was founded in 1948 as King's Garden. Today, its seven ministries serving locally and internationally are: CRISTA Senior Living, World Concern, King's Schools, CRISTA Media, CRISTA Camps, Christian Veterinary Mission, and Seattle Urban Academy.

World Concern Development Organization ("WCDO"), a separate not-for-profit organization, is the non-ecclesiastical arm of World Concern, shares common facilities and management with World Concern, and is reported in these consolidated financial statements as part of World Concern. WCDO is responsible for administering governmental and other grants.

CRISTA Ministries Canada ("CRISTA Canada") is a not-for-profit organization incorporated under the Canada Corporation Act and registered as a Charitable Organization. CRISTA Canada has an agreement with CRISTA Media to provide programming designed to support individuals in their commitment to practice their Christian beliefs and live the Christian life. CRISTA Canada also has an agreement with World Concern and Christian Veterinary Mission to help provide for the spiritual and physical needs of families in the poorest countries of the world.

Principles of Consolidation - The consolidated financial statements include the accounts of CRISTA Ministries, WCDO, and CRISTA Canada (collectively, the "Organization"). All significant inter-organization transactions have been eliminated upon consolidation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash in excess of daily requirements is invested in interest-bearing instruments with maturities of three months or less. Such investments are considered to be cash equivalents, except for those included in the Organization's investment portfolio and subject to its investment policy.

Cash Held by Field Operations - Cash held by field operations represents cash forwarded to project field sites for use in carrying out ministry activities.

Note 1 - Continued

Grants Receivable - Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. Grants receivable are due primarily from government agencies and are deemed by management to be fully collectible. Therefore, an allowance for doubtful accounts was not recorded at June 30, 2016 and 2015.

Pledges Receivable - Pledges receivable, unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Management provides for probable uncollectible amounts through a charge to contribution revenue and a credit to a valuation allowance based on historical trends. The allowance for doubtful accounts was $222,000 and $360,000 at June 30, 2016 and 2015, respectively.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated 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. A present value discount was deemed immaterial and thus not recorded at June 30, 2016 and 2015.

Trade Receivables - Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade receivables. The allowance for doubtful accounts was $510,000 and $587,000 at June 30, 2016 and 2015, respectively.

Bond Funds Held in Trust - Bond funds held in trust consist of proceeds from tax-exempt private placement bonds issued in October 2015 (Note 10).

Property Held for Sale - Property held for sale consists of real property and buildings for which the Organization has entered into sales agreements. Property held for sale is presented at the lower of net book value or fair value.

Property and Equipment Used in Ministries and Depreciation - The Organization capitalizes assets with a cost greater than $3,000 and an estimated useful life of three or more years, except for assets purchased for use in Senior Ministries, which capitalizes assets of $750 or more to meet state Medicare guidelines. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	5 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 7 years

Investments and Planned Giving Program Assets - Investments and planned giving program assets consist primarily of marketable debt and equity securities, mutual funds, limited partnerships and nonmarketable securities. Investments in marketable securities, limited partnerships and the perpetual trust are stated at fair value. Investments in nonmarketable securities, cash and cash equivalents, and real property are stated at the lower of cost or net realizable value.

Note 1 - Continued

Captive Insurance Company - The Organization has contracted with a captive insurance company to insure against professional liability, property damage, and business income/extra expense, and to reinsure against a portion of its general liability, auto liability, and physical damage. The Organization owns a noncontrolling share of the common stock of the captive insurance company and is accounting for this investment under the cost method of investment accounting. The value of this investment in the amount of $366,000 at June 30, 2016 and 2015, is included in investments.

Development Loans Receivable - Development loans receivable as of June 30, 2016, represent loans outstanding under the Micro-enterprise Loan Program (MLP) in the country of Bangladesh, while development loans receivable as of June 30, 2015 represent loans outstanding under the MLP in the countries of Bangladesh and Haiti.

The purpose of the MLP is to assist impoverished persons to become self-reliant, successful entrepreneurs. The MLP is administered in accordance with guidelines published by World Concern and is tailored to specific conditions of the host country. The majority of these loans mature in one to two years. Based on management's intent and ability to reinvest collected amounts in the MLP in those countries, the balance has been classified as a long-term receivable and included in assets held by field operations on the consolidated balance sheets (Note 8).

During the year ended June 30, 2016, the MLP was discontinued in Haiti, which resulted in a write-off of outstanding Haiti development loans receivable totaling $262,000. This write-off is reflected in the change in temporarily restricted net assets in the consolidated statements of changes in net assets.

Radio Licenses and Other Intangibles - The Organization has several radio licenses and has capitalized financing fees associated with the issuance of tax-exempt bonds. Financing fees are amortized to expense on a straight-line basis over the bond term. Radio licenses are considered indefinite-lived assets and thus are not amortized but are reviewed on an annual basis for any possible impairment. Management determined there were no events or changes in circumstance indicating an impaired value of the radio licenses at June 30, 2016 and 2015. Total accumulated amortization of intangible assets was $628,000 and $592,000 at June 30, 2016 and 2015, respectively.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of receivables, cash and cash equivalents, investments, and development loans receivable (Note 8). As of June 30, 2016 and 2015, concentration of credit risk with respect to receivables is limited due to a large base of customers consisting of public and private companies representing a variety of industries, government agencies, and individuals in the Pacific Northwest. Cash and cash equivalents are held with banks located in and outside of the United States. As of June 30, 2016 and 2015, 9% and 11% of cash and cash equivalents are held in banks outside of the United States. Investments are held with a variety of financial institutions. Cash, cash equivalents, and investment balances may at times exceed FDIC and SIPC insurance limits. Development loans receivable are due from a large number of loans granted under the Organization's MLP.

Financial Instruments - The carrying amount of financial instruments, including cash and cash equivalents, receivables, investments, payables, and long-term obligations, approximates fair value as of June 30, 2016 and 2015, with the exception of investments carried at cost and development loans receivable, which are carried at principal plus accrued interest. It is not practical to estimate the fair value of investments carried at cost.

Deferred Revenue - Cash from certain fees for services is received prior to the Organization providing the intended program services. These revenues are deferred until the period in which the services are rendered.

Note 1 - Continued

Entry Fees - Entry fees represent advance payment for use of retirement facilities. Entry fees are subject to contractual refunds upon death or other termination of residency. The refunds on a majority of the contracts range from 0% to 80% of the entry fees paid, depending upon length of residency. Refundable entry fees are reported as a liability on the consolidated balance sheets. The nonrefundable portion of the entry fee is considered deferred revenue and is amortized to income based upon the life expectancy of the residents.

The present value of the net cost of future services to current residents is calculated annually to determine if an unfunded liability for those services should be recorded. A discount rate of 6% was used as of June 30, 2016 and 2015. No unfunded liability exists for obligations to provide future services as of June 30, 2016 and 2015. There were refundable entry fees totaling $699,000 as of June 30, 2015 that became nonrefundable after year end. There were no such changes as of June 30, 2016.

Basis of Presentation - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> <u>Unrestricted Net Assets</u> - Net assets on which there are no donor-imposed restrictions for use or such donor-imposed restrictions were temporary and expired or were met during the current or previous years.
>
> <u>Temporarily Restricted Net Assets</u> - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization, the passage of time, or for endowment funds.
>
> <u>Permanently Restricted Net Assets</u> - Net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions where restrictions are satisfied within the same year are reported as unrestricted revenue.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, and equipment) are reported as temporarily restricted. When the long-lived assets are acquired, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in contributions released from restrictions.

Foreign Currency Translation - The functional currency of World Concern's field offices is the local currency in which the office is located. Assets and liabilities of the offices have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Any translation adjustments are included in the consolidated statements of unrestricted activities.

Revenues and Gains - Fees for services, government grants, and miscellaneous income consist of revenues earned during the year. Earned revenue is recognized in the period the service is performed. Government grant revenue is recognized in the period the related expenses are incurred. Contributions are recognized as revenues in the period received, except for unconditional promises to give, which are recognized in the period the unconditional promise is made. Contributions also include noncash gifts (gifts-in-kind), which are valued at estimated fair value at the date of gift (Note 9).

Note 1 - Continued

Senior Living recognizes revenue based on estimated net realizable amounts from patients and third-party payors, which includes the Medicaid and Medicare programs. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates may change.

Functional Allocation of Expenses - The cost of providing program services, fundraising, and general administration of the Organization has been summarized on a functional basis in supplementary schedules to the consolidated financial statements. Accordingly, certain costs have been allocated between program services, fundraising, and management and general expenses based on actual usage or square footage.

Income Taxes - The Internal Revenue Service (IRS) has determined that CRISTA and WCDO are exempt from federal income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code, with the exception of certain activities that result in unrelated business income which are taxable. The Organization had a federal income tax overpayment of $119,000 that is included in trade receivables on the consolidated balance sheets at June 30, 2016. There was a federal income tax obligation outstanding of $17,000 that is included in accounts payable and accrued expenses on the consolidated balance sheets at June 30, 2015. There are open tax years that may be subject to IRS review; however, management has determined that no provision for uncertain tax positions was required at June 30, 2016 and 2015.

CRISTA Canada is registered as a Charitable Organization under tax laws established by the Canada Revenue Agency. It had no taxable income for the years ended June 30, 2016 and 2015.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications have no effect on the consolidated change in net assets or consolidated net asset balances as previously reported.

Subsequent Events - The Organization has evaluated subsequent events through October 13, 2016, the date on which the consolidated financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

	(In Thousands) 2016	2015
Cash	$ 21,349	$ 21,376
Money market, CDs and other	7,589	583
Total Cash and Cash Equivalents	**$ 28,938**	**$ 21,959**

Cash and cash equivalents include $2,523,000 and $2,326,000 at June 30, 2016 and 2015, respectively, of funds on deposit in banks in foreign countries.

Note 3 - Pledges Receivable

Pledges receivable are due as follows as of June 30:

	(In Thousands) 2016	2015
Pledges due in less than one year	$ 368	$ 528
Pledges due in one to five years	629	527
	997	1,055
Less allowance for uncollectible pledges	(222)	(360)
Pledges Receivable, Net	**$ 775**	**$ 695**

The allowance for uncollectible pledges was determined by management based on historical trends. A present value discount was deemed immaterial and thus not recorded at June 30, 2016 and 2015.

Pledges receivable are presented on the consolidated balance sheets as follows as of June 30:

	(In Thousands) 2016	2015
Pledges receivable, current portion	$ 287	$ 383
Long-term pledges receivable, net	488	312
Pledges Receivable, Net	**$ 775**	**$ 695**

Note 4 - Investments and Planned Giving Program Assets

Investments and planned giving program assets consisted of the following as of June 30:

	(In Thousands) 2016	2015
Investments-		
Cash and cash equivalents (at cost)	$ 152	$ 414
Marketable equity securities	19,413	16,144
Marketable debt securities	4,730	8,146
Nonmarketable debt securities (at cost)		219
Nonmarketable equity securities (at cost)	366	366
Real property (at cost)		250
	24,661	25,539
Planned giving program assets-		
Cash and cash equivalents (at cost)	36	28
Marketable equity securities	1,354	722
Marketable debt securities	464	918
Beneficial interest in perpetual trust held by third party	1,408	1,496
	3,262	3,164
Total Investments and Planned Giving Program Assets	**$ 27,923**	**$ 28,703**

Note 5 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. These financial instruments were valued using a market approach.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Organization at year end.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Fixed Income and Mortgage Backed Securities - Valued using bid evaluations from similar instruments in actively traded markets.

Limited Partnerships and Real Estate Investment Trust - Valued at NAV per share, or its equivalent, as a practical expedient, as reported by the general partner or investment manager unless specific evidence indicated the NAV should be adjusted.

Perpetual Trust - Valued at the Organization's share of the trust's assets, which are reported at fair value.

During the year ended June 30, 2016, the Organization implemented ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent),* which removes the requirement that investments for which fair value is measured using the NAV per share, or its equivalent, be categorized in the fair value hierarchy. The change was implemented retrospectively for all periods presented.

Note 5 - Continued

Assets recorded at fair value on a recurring basis were as follows as of June 30, 2016:

	(In Thousands)			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Growth	$ 1,067	$ -	$ -	$ 1,067
Value	587			587
Blended	5,139			5,139
International	3,124			3,124
Bond	6,825			6,825
Long/short equity	51			51
Managed futures	742			742
Real estate	93			93
Commodity	55			55
Total mutual funds	17,683			17,683
Equity securities-				
International	434			434
Value	834			834
Total equity securities	1,268			1,268
Fixed income	641	1,676		2,317
Mortgage backed securities		1,003		1,003
Perpetual trust held by third party			1,408	1,408
Total Investments in the Fair Value Hierarchy	**$ 19,592**	**$ 2,679**	**$ 1,408**	23,679
Investments measured at NAV[(a)]				3,690
Investments at Fair Value				**$ 27,369**

(a) In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent),* certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table, and the table for fiscal year 2015 on the next page, are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

Note 5 - Continued

Assets recorded at fair value on a recurring basis were as follows as of June 30, 2015:

	(In Thousands)			
	Level 1	Level 2	Level 3	Total
Mutual funds-				
Growth	$ 2,753	$ -	$ -	$ 2,753
Value	680			680
Blended	5,859			5,859
International	2,820			2,820
Bond	5,266			5,266
Long/short equity	39			39
Managed futures	1,243			1,243
Real estate	33			33
Commodity	30			30
Total mutual funds	18,723			18,723
Equity funds-				
International	586			586
Value	820			820
Total equity funds	1,406			1,406
Fixed income	745	1,589		2,334
Mortgage backed securities		947		947
Perpetual trust held by third party			1,496	1,496
Total Investments in the Fair Value Hierarchy	**$ 20,874**	**$ 2,536**	**$ 1,496**	24,906
Investments measured at NAV[(a)]				2,520
Investments at Fair Value				**$ 27,426**

Note 5 - Continued

The following table lists by category, investments in limited partnerships and real estate investment trust accounts for which fair value is measured using the NAV per share practical expedient; it summarizes significant terms of the agreements with certain investment companies; and it discloses unfunded investment commitments:

	(In Thousands)				
Strategy	Fair Value June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Limited partnerships- Long/short equity	$ 2,447	$ -	Quarterly	65 days' notice prior to each quarter-end	None
Private equity	724	457	Not currently redeemable	Not currently redeemable	Not currently redeemable
Real estate investment trust	519		(b)	(b)	(b)
	$ 3,690	**$ 457**			

(b) While the real estate investment trust asset is intended as a long-term holding, shares may be redeemed under the Trust's redemption program. Any shareholder that has held shares for at least one year from the date of acquisition may present all or any portion of such shares for redemption at any time. However, share redemptions may be limited by the Trust's available cash flow. The Organization plans to liquidate its shares in the Trust and expects to receive the full distribution from the Trust by December 31, 2016.

The perpetual trust represents the Organization's interest in trust assets (Note 7). Annual distributions are made from the trust by the trustees; therefore, no redemption terms or restrictions apply. There are no unfunded commitments on these investments at June 30, 2016 and 2015.

A reconciliation of the beginning and ending balance of the perpetual trust, measured using significant unobservable inputs (Level 3) follows:

	(In Thousands)
Balance as of July 1, 2014	$ 1,512
Total realized and unrealized gains (losses)	(16)
Balance as of June 30, 2015	**1,496**
Total realized and unrealized gains (losses)	(88)
Balance as of June 30, 2016	**$ 1,408**

Note 5 - Continued

A reconciliation of the investments and planned giving assets measured at fair value on a recurring basis to total investments is as follows as of June 30:

	(In Thousands)	
	2016	2015
Assets recorded at fair value on a recurring basis	$ 27,369	$ 27,426
Assets recorded at cost	554	1,277
Total Investments and Planned Giving	**$ 27,923**	**$ 28,703**

Note 6 - Property and Equipment Used in Ministries

Property and equipment used in ministries consisted of the following as of June 30:

	(In Thousands)	
	2016	2015
Land	$ 6,586	$ 6,385
Buildings and improvements	108,338	109,470
Furniture, equipment, and other	19,109	18,531
Construction in progress	6,554	4,020
Total property and equipment before depreciation	140,587	138,406
Less accumulated depreciation	(74,444)	(73,851)
Property and Equipment, Net	**$ 66,143**	**$ 64,555**

During the year ended June 30, 2015, the Organization placed its Everett property up for sale. The property was included in the consolidated balance sheets as property held for sale at the net carrying value of the property, $3,150,000, as of June 30, 2015. The property was sold in January 2016 for $3,577,000, resulting in a gain on the sale of the property of $427,000.

During the year ended June 30, 2016, the Organization placed its South Seattle property up for sale. The property is included in the consolidated balance sheets as property held for sale at the net carrying value of the property, $250,000, as of June 30, 2016. On September 19, 2016, the Organization signed a purchase and sale agreement to sell the property for the price of $384,000. Closing on the sale is contingent upon the buyer not terminating the agreement during the feasibility period, which ends on November 18, 2016.

During the year ended June 30, 2012, the Organization signed an agreement to lease its Crosspoint Academy building to another entity (Note 12). This agreement includes a purchase option, which the other entity agreed to exercise in January 2016. As such, the net carrying value of the land and building of $1,380,000 is included in property held for sale on the consolidated balance sheets as of June 30, 2016.

Note 7 - Planned Giving Program

Irrevocable Trusts - The Organization is a beneficiary of irrevocable unitrusts and testamentary trusts administered by the Organization. The trusts provide for annual distributions of 6% to 7% of the value of trust assets to be paid to the trust grantors. The trusts all terminate upon the death of the various grantors, at which time the remaining assets will be distributed to the Organization and other beneficiaries. The trust assets are valued at fair value and totaled $852,000 and $829,000 at June 30, 2016 and 2015, respectively. The trust liabilities are valued at the present value of the estimated future distributions to be paid to the trust grantors discounted at rates of 6% to 7% and totaled $703,000 and $715,000 and at June 30, 2016 and 2015, respectively.

When trusts are initially established the Organization records temporarily restricted contribution revenue equal to the value of trust assets received less the trust liability. The Organization recorded a gain of $35,000 and a loss of ($44,000) during the years ended June 30, 2016 and 2015, respectively, related to the change in trust assets and liabilities. This gain or loss is included in the temporarily restricted net realized and unrealized losses on investments on the consolidated statements of changes in net assets. There were no contributions to irrevocable trusts during the years ended June 30, 2016 and 2015.

Annuities - The Organization administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. When contributed assets are initially received, the assets are recorded at fair value as general assets of the Organization, and temporarily restricted contribution revenue is recorded equal to the value of contributed assets received less the annuity liability. The fair value of annuity assets totaled $985,000 and $822,000 as of June 30, 2016 and 2015, respectively. The present values of the payments due to the beneficiaries are recorded as liabilities and totaled $767,000 and $735,000 as of June 30, 2016 and 2015, respectively. Net present values are calculated based on the expected lives of the beneficiaries and using the applicable federal discount rate at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. The segregated funds the Organization maintains exceed the actuarial value of the annuity liability by at least 10% as required by Washington state law.

Gift Loan Agreements - Gift loan agreements represent demand notes with interest rates of 5% that become contributions to the Organization upon the death of the note holder. Gift loan agreement liabilities totaled $17,000 at both June 30, 2016 and 2015, and the Organization has set aside sufficient assets to cover these liabilities.

Perpetual Trust - The Organization is named as one of several beneficiaries of a perpetual trust. Under the terms of the trust, an independent trustee will make annual distributions, in perpetuity, to the Organization based upon the Organization's 3% percent share of the trust assets' fair value. That share totaled $1,408,000 and $1,496,000 at June 30, 2016 and 2015, respectively, and is included in permanently restricted net assets. The Organization received distributions totaling $69,000 and $73,000 for the years ended June 30, 2016 and 2015, respectively. The distributions are available for general operations. Changes in the value of the underlying assets of ($88,000) and ($16,000) for the years ended June 30, 2016 and 2015, respectively, have been recorded in the accompanying consolidated statements of changes in permanently restricted net assets as net realized and unrealized losses on investments.

Note 7 - Continued

Planned giving program assets were as follows as of June 30:

	(In Thousands) 2016	2015
Irrevocable trusts	$ 852	$ 829
Annuities	985	822
Gift loan agreements	17	17
Perpetual trust	1,408	1,496
Total Planned Giving Assets	**$ 3,262**	**$ 3,164**

Planned giving program liabilities were as follows as of June 30:

	(In Thousands) 2016	2015
Irrevocable trusts	$ 703	$ 715
Annuities	767	735
Gift loan agreements	17	17
Total Planned Giving Liabilities	**$ 1,487**	**$ 1,467**

Note 8 - Development Loans Receivable

The Organization makes loans under the Micro-enterprise Loan Program (MLP) to assist impoverished persons to become self-reliant, successful entrepreneurs in the countries of Bangladesh and Haiti. The loans are funded by temporarily restricted contributions, and amounts collected on these loans are reinvested in the MLP to fund future loans. The MLP balance is included in the consolidated balance sheets as a part of assets held by field operations.

Note 8 - Continued

Development loans receivable, by country, and the allowance for doubtful accounts were as follows as of June 30:

	(In Thousands)	
	2016	2015
Receivables from individuals in-		
Bangladesh	$ 3,460	$ 3,489
Haiti		906
	3,460	4,395
Less allowance for doubtful accounts-		
Beginning balance	(589)	(421)
Provision for loan losses	(58)	(196)
Loans written off	2	28
Loss from Haiti Micro-enterprise loan program (Note 1)	262	
	(383)	(589)
Microloans Receivable, Net	**$ 3,077**	**$ 3,806**

The following amounts were past due under the MLP as of June 30:

	(In Thousands)	
	2016	2015
Less than two years	$ 145	$ 622
Two to five years	156	261
Five years or greater		6
Total Loans Past Due	**$ 301**	**$ 889**

The average loan size was $247 and $291 at June 30, 2016 and 2015, respectively. Maturities on the loans range from two months to two years. Allowances for doubtful accounts are established based on prior collection experience, current economic factors and management's review of individual account balances. Loans under the MLP are written off only when they are deemed to be permanently uncollectible, and interest continues to accrue until the loan balances are paid in full. Assessed impairment of certain loans is included in the allowance for doubtful accounts.

Note 8 - Continued

The Organization is subject to certain business risks that could affect net assets. These risks include geographic concentrations in the following developing countries which represent 15% or more of the total development loans receivable at June 30:

Country	2016	2015
Bangladesh	100%	79%
Haiti		21%

A summary of assets held by field operations is as follows for the years ended June 30:

	(In Thousands)	
	2016	2015
Microloans receivable, net	$ 3,077	$ 3,806
Other overseas assets	188	210
Assets Held by Field Operations	**$ 3,265**	**$ 4,016**

Note 9 - Gifts-in-Kind

The Organization receives contributions of clothing, health supplies, and other commodities for use in its various programs and medicines at amounts significantly below fair value. Such gifts are recorded as inventory and revenue at the time received and as a reduction of inventory and as a program services expense when the distributing agency has received the goods. These gifts are recorded at their fair value based on product like-kind analysis and current estimated wholesale prices as available. Gifts-in-kind (GIK) are recorded in accordance with U.S. GAAP and in consideration of Accord GIK Interagency Standards.

The Organization obtains deworming medicine that is distributed to children and adults in Haiti and several countries in Africa and Asia. The Organization purchases this deworming medicine and records such purchases at cost and records any difference between cost and fair value as a contribution, where fees paid are significantly below fair values, per applicable accounting standards.

The Organization obtains market data that it believes is representative of the fair value for the deworming medicine it distributes in multiple relevant international markets. Such industry standards are subject to review and adjustment; therefore, estimates of the fair value of donated medicines may vary in the future.

The Organization only records the value of GIK for which the Organization was the original recipient of the gift, was the end use agency, was involved in partnership with another organization for distribution internationally, or used the GIK in its own programs.

Note 9 - Continued

A summary of GIK revenue is as follows for the years ended June 30:

	(In Thousands)	
	2016	2015
Medicines and medical supplies	$ 15,667	$ 10,002
Clothing	13	348
Advertising	458	278
Other supplies	318	312
Total Gifts-in-Kind Revenue	**$ 16,456**	**$ 10,940**

For the year ended June 30, 2016, the Organization distributed approximately 14.2 million deworming pills to children and adults in several countries compared to approximately 8.8 million pills distributed during the year ended June 30, 2015. Of the total GIK for both years ended June 30, 2016 and 2015, 95% and 91%, respectively, came from a single source.

Note 10 - Long-Term Obligations

Long-term obligations consisted of the following as of June 30:

	(In Thousands)	
	2016	2015
Tax exempt private placement bonds reissued in October 2015 to refinance prior bonds issued in December 2010, and provide for refurbishment of senior living facilities - interest was fixed at 3.45% per annum until the rate was adjusted to 2.61% in September 2016. Payments are due in monthly installments through January 1, 2026.	$ 9,389	$ 10,199
Tax exempt private placement bonds issued in October 2015 to provide for refurbishment of senior living facilities - interest is fixed at 2.99% per annum. Payments are due in monthly installments through October 1, 2030.	3,000	
Deferred employee benefits	253	207
Obligations for future services	262	272
	12,904	10,678
Less current portion	(840)	(810)
Total Long-Term Obligations	**$ 12,064**	**$ 9,868**

Note 10 - Continued

Interest expense, including letter of credit fees, was $363,000 and $398,000, for the years ended June 30, 2016 and 2015, respectively.

In October 2015, the Organization issued through the Washington State Housing Finance Commission (WSHFC) tax exempt Series 2015 bonds in the amount of $3,000,000. The Organization also reissued through the WSHFC tax exempt Series 2010 bonds in the amount of $9,999,000 to refinance prior bonds originally issued in December 2010. The $3,000,000 in Series 2015 bond proceeds is available to the Organization on a cost-reimbursement basis. As of June 30, 2016, the Organization incurred costs totaling approximately $1,622,000, leaving remaining available funds of $1,378,000 which were held in trust as of year end and included as bond funds held in trust in the accompanying consolidated balance sheets. The amounts were fully drawn subsequent to year end. The tax exempt bonds are secured by land, buildings, and equipment with aggregate net book values of $13,343,000 and $18,470,000, at June 30, 2016 and 2015, respectively. The Organization is in compliance with all restrictive covenants.

Principal maturities on long-term obligations are as follows:

For the Year Ending June 30,	(In Thousands)
2017	$ 840
2018	872
2019	905
2020	939
2021	974
Thereafter	8,374
Total Principal Maturities	**$ 12,904**

The Organization has a line-of-credit agreement expiring November 30, 2017, which provides for a total commitment of $2,500,000. There was no outstanding balance at June 30, 2016 and 2015. The Organization was in compliance with covenants on the line-of-credit agreement during fiscal years 2016 and 2015.

Deferred employee benefits include a salary continuation agreement with a former key officer and a reserve for workers' compensation liability (Note 13).

Note 11 - Endowment

The Organization's endowments consist of a number of funds established for a variety of purposes. Its endowments include both donor-restricted permanent endowment funds and temporarily restricted funds set up to function as endowments but allowing for the possibility of spending of corpus, if necessary. As required by U.S. GAAP and as disclosed below, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 - Continued

The Board of Trustees of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Organization classifies as permanently restricted net assets the original value of gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA.

In accordance with PMIFA, the Organization considers the:

- Duration and preservation of the fund;
- Purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- Investment policies of the Organization.

Endowment net assets consisted of the following as of June 30, 2016:

	(In Thousands)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted permanent endowments-				
Student financial aid and teacher excellence	$ (357)	$ -	$ 2,451	$ 2,094
Senior Living resident financial aid	(121)		2,097	1,976
Total donor restricted permanent endowments	(478)		4,548	4,070
Temporarily restricted, functioning as endowments-				
General program		904		904
Schools		980		980
Christian Veterinary Mission		1,144		1,144
Seattle Urban Academy		467		467
Camps		324		324
Total temporarily restricted, functioning as endowments		3,819		3,819
Endowment Net Assets, June 30, 2016	**$ (478)**	**$ 3,819**	**$ 4,548**	**$ 7,889**

Note 11 - Continued

Endowment net assets consisted of the following as of June 30, 2015:

	(In Thousands)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted permanent endowments-				
Student financial aid and teacher excellence	$ (248)	$ -	$ 2,335	$ 2,087
Senior Living resident financial aid	(84)		1,979	1,895
Total donor restricted permanent endowments	(332)		4,314	3,982
Temporarily restricted, functioning as endowments-				
General program		944		944
Schools		1,076		1,076
Christian Veterinary Mission		1,103		1,103
Seattle Urban Academy		490		490
Camps		334		334
World Concern		9		9
Total temporarily restricted, functioning as endowments		3,956		3,956
Endowment Net Assets, June 30, 2015	**$ (332)**	**$ 3,956**	**$ 4,314**	**$ 7,938**

Note 11 - Continued

Changes to endowment net assets are as follows for the year ended June 30, 2016:

	(In Thousands)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2015	$ (332)	$ 3,956	$ 4,314	$ 7,938
Endowment investment return-				
Interest and dividends		195		195
Realized and unrealized losses	(146)	(156)		(302)
Total endowment investment return	(146)	39		(107)
Contributions		122	210	332
Transfers to permanent endowments		(24)	24	
Distributions		(274)		(274)
Endowment Net Assets, June 30, 2016	**$ (478)**	**$ 3,819**	**$ 4,548**	**$ 7,889**

Changes to endowment net assets are as follows for the year ended June 30, 2015:

	(In Thousands)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2014	$ (403)	$ 4,139	$ 3,067	$ 6,803
Endowment investment return-				
Interest and dividends		297		297
Realized and unrealized gains (losses)	71	(152)		(81)
Total endowment investment return	71	145		216
Contributions		205	1,056	1,261
Transfers to permanent endowments		(191)	191	
Distributions		(342)		(342)
Endowment Net Assets, June 30, 2015	**$ (332)**	**$ 3,956**	**$ 4,314**	**$ 7,938**

Note 11 - Continued

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or U.S. GAAP requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were $478,000 and $332,000 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an average annual rate of return of approximately 7%, or the Consumer Price Index plus a risk premium of 3%, whichever is greater over a five-year investment horizon in a manner that seeks to minimize principal fluctuations over the investment time horizon. Actual returns may vary significantly from this objective in any given year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation, realized and unrealized gains, and current yield such as interest and dividends. The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution approximately 5% of the market value of endowment assets on an annual basis. In establishing this policy, the Organization considered the long-term expected return on its endowment and its desire to maintain a predictable stream of funding to programs supported by its endowment assets. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average 2% annually. This is consistent with the Organization’s objective to provide real growth to its endowment through new gifts and investment returns.

Note 12 - Crosspoint Academy Lease

On June 29, 2012, the Organization signed an agreement to lease its Crosspoint Academy building to another entity (the “Lessee”). Crosspoint Academy is a K-12 school located in Bremerton, Washington. The Lessee operates its own Christian school in the Crosspoint building beginning July 1, 2012. The agreement allows for below market rent beginning in July 2012 and includes clauses increasing rent during the term of the lease based on enrollment. The agreement also includes a purchase option that must be exercised in writing no later than sixty days prior to the end of the lease term. During the year ended June 30, 2016, the lease was amended to extend the lease term from June 30, 2016 to August 31, 2016. In the amendment, the Lessee elected to exercise the purchase option to purchase the property for $2,000,000 less a $50,000 rent credit, for a net purchase price of $1,950,000. The Lessee will make a down payment of $250,000 with the remaining amount financed through a promissory note. The promissory note carries an interest rate of 5% with $150,000 payments due each year beginning on September 1, 2017 through September 1, 2021, and payments of $200,000 beginning September 1, 2022, until the balance of the note is paid in full. The net carrying value of the Crosspoint property is included on the consolidated balance sheets as property held for sale as of June 30, 2016 (Note 6).

Note 13 - Commitments and Contingencies

Leases - The Organization is obligated under various operating leases for office equipment, office and radio tower space. Lease expense for the years ended June 30, 2016 and 2015, was $609,000 and $610,000, respectively. Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

For the Year Ending June 30,		(In Thousands)
2017	$	548
2018		527
2019		437
2020		406
2021		387
Thereafter		708
Total Future Minimum Lease Payments	**$**	**3,013**

Construction Commitments - The Organization has entered into construction contracts to remodel the junior high building of King's School and to replace the roof of the Cristwood Park building. As of June 30, 2016, the total estimated contract costs remaining to complete the remodel of the junior high building and the roof replacement of the Cristwood Park building were $3,375,000 and $1,409,000, respectively.

Employee Retirement Benefits - The Organization offers a Section 403(b) savings plan to eligible employees. Employees may contribute amounts from their salaries to the plan up to the limits specified by the Internal Revenue Service. The Organization contributes 3% of earnings annually to each eligible employee's account. The Organization matches up to 4% additional contributions to an eligible employee's account based upon years of service to the Organization. Employer provided funds are vested to the employee at 20% per year until fully vested after five years. Total employer contributions expensed during the years ended June 30, 2016 and 2015, were $1,526,000 and $1,638,000, respectively.

Other Employee Benefits - The Organization offers employees an option to participate in a self-insured health plan. The Organization also maintains a self-insured workers' compensation plan. Claims under these plans are self-insured with stop-loss umbrella policies in place to limit maximum potential liability for both individual claims and total claims for a plan year. Claims are paid as they are submitted to the plan administrators. The Organization maintains an accrual for claims that have been incurred but not yet reported (IBNR) to the plan administrators. The IBNR reserve is based on the historical lag period and current payment trends of health insurance claims (generally 2-3 months) and workers compensation claims (generally 1 - 3 years). The IBNR reserve for health care is based on the historical claims as computed by the insurance broker's actuaries (generally 15 months), less payments made, and is included in accounts payable and accrued expenses on the consolidated balance sheets. The IBNR totaled $444,000 and $436,000 as of June 30, 2016 and 2015, respectively. The liability for the workers' compensation benefit claims due in less than one year totaled $168,000 and $115,000 as of June 30, 2016 and 2015, respectively, and are recorded in accounts payable and accrued expenses. The liability for claims greater than one year are recorded in long-term obligations (Note 10) in the accompanying consolidated balance sheets and totaled $167,000 and $116,000 as of June 30, 2016 and 2015, respectively.

Note 13 - Continued

Contingencies - Amounts received under federal grant-in-aid programs are subject to audit and adjustment by the granting agency. Any adjusted amounts, including funds already received, may constitute a liability of the Organization. Management believes adjustments required, if any, as a result of audits will not have a material effect on the Organization's financial position or results of activities.

In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

SUPPLEMENTARY INFORMATION

CRISTA MINISTRIES

Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2016
(In Thousands)

	Program Services	Fundraising	Management and General	Total
Salaries	$ 38,208	$ 2,536	$ 2,548	$ 43,292
Payroll taxes	3,522	200	182	3,904
Employee benefits	6,768	357	357	7,482
Professional services	1,772	1,476	425	3,673
Advertising and promotion	1,232	409	5	1,646
Office expenses	1,339	370	304	2,013
Information technology	520	148	162	830
Occupancy	3,687	6	1	3,694
Travel	1,355	137	84	1,576
Conferences and training	555	21	126	702
Interest	363			363
Depreciation and amortization	5,305	2	148	5,455
Insurance	1,492	15	134	1,641
Dues and fees	677	5	76	758
Purchased services	3,332	509	541	4,382
Taxes	94		34	128
Grants	78			78
Program supplies	28,087	77	17	28,181
Other	92		62	154
Total Expenses	**$ 98,478**	**$ 6,268**	**$ 5,206**	**$ 109,952**

See independent auditor’s report.

CRISTA MINISTRIES

Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2015
(In Thousands)

	Program Services	Fundraising	Management and General	Total
Salaries	$ 36,403	$ 1,858	$ 2,579	$ 40,840
Payroll taxes	3,001	166	173	3,340
Employee benefits	6,223	267	311	6,801
Professional services	2,509	237	478	3,224
Advertising and promotion	1,174	451		1,625
Office expenses	2,120	318	135	2,573
Information technology	627	158	75	860
Occupancy	3,919	82	98	4,099
Travel	1,869	118	59	2,046
Conferences and training	383	17	91	491
Interest	398			398
Depreciation and amortization	5,312	1	140	5,453
Insurance	1,600		149	1,749
Dues and fees	695	5	52	752
Purchased services	2,032	1,668	631	4,331
Taxes	548	8	58	614
Grants	110			110
Program supplies	23,180	182	7	23,369
Other	28		233	261
Total Expenses	**$ 92,131**	**$ 5,536**	**$ 5,269**	**$ 102,936**

See independent auditor's report.