

Catholic Charities of the Archdiocese of Chicago

Combined Financial Statements as of and
for the Years Ended June 30, 2017 and 2016,
Supplementary Information as of and for the
Year Ended June 30, 2017, and
Independent Auditors' Report

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

His Eminence Cardinal Blase J. Cupich
Archbishop of Chicago

The Board of Directors of
Catholic Charities of the Archdiocese of Chicago:

We have audited the accompanying combined financial statements of Catholic Charities of the Archdiocese of Chicago ("Catholic Charities"), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities' preparation and fair presentation of the combined 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 Catholic Charities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Catholic Charities as of June 30, 2017 and 2016, and the combined changes in their net assets (deficit) and their combined 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 2017 audit was conducted for the purpose of forming an opinion on the 2017 combined financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of combined financial statements. This supplementary information is the responsibility of Catholic Charities' management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2017 combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the 2017 combined financial statements as a whole.

Deloitte & Touche LLP

December 15, 2017

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,755,720	\$ 22,921,391
Program receivables—net of allowance for doubtful accounts—\$546,896 and \$537,920 in 2017 and 2016, respectively	29,569,573	26,449,259
Legacies and pledges receivable—net	2,737,175	1,486,631
United Way receivable	2,704,918	1,614,534
Prepaid and other assets	2,003,331	1,502,866
Due from affiliates—net	<u>879,392</u>	<u>996,158</u>
Total current assets	62,650,109	54,970,839
INVESTMENTS	82,679,298	77,575,150
INVESTMENT IN AFFILIATES	632,210	632,210
LOANS RECEIVABLE	5,434,850	5,434,850
LONG-TERM LEGACIES AND PLEDGES RECEIVABLE—Net	635,850	879,401
SPLIT-INTEREST TRUST AGREEMENTS	753,848	883,629
ASSETS WHOSE USE IS LIMITED	10,612,446	10,171,689
LAND, BUILDINGS, AND EQUIPMENT—Net	<u>180,388,984</u>	<u>183,500,680</u>
TOTAL ASSETS	<u>\$ 343,787,595</u>	<u>\$ 334,048,448</u>

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued compensation	\$ 10,625,605	\$ 10,712,721
Interest payable	89,735	85,681
Due to governmental agencies	6,596,781	2,350,914
Current portion of deferred revenue and other liabilities	1,043,123	1,170,211
Current portion of gift annuities payable	251,547	368,424
Current portion of postretirement benefits liability	1,412,301	2,222,966
Contractual current portion of long-term debt	<u>360,226</u>	<u>341,807</u>
Total current liabilities	20,379,318	17,252,724
DEFERRED REVENUE	421,529	421,529
SECURITY DEPOSITS	694,472	719,061
GIFT ANNUITIES PAYABLE	1,209,381	1,701,177
OTHER LIABILITIES	847,739	592,814
PENSION LIABILITY	91,547,066	106,316,000
POSTRETIREMENT BENEFITS LIABILITY	21,637,582	40,123,135
REFUNDABLE GRANT ADVANCES	154,894,908	154,894,908
LONG-TERM DEBT, NET	<u>20,833,172</u>	<u>21,204,060</u>
Total liabilities	<u>312,465,167</u>	<u>343,225,408</u>
NET ASSETS (DEFICIT):		
Unrestricted:		
Undesignated	(48,737,444)	(80,686,445)
Designated by the Board for endowment	51,984,026	46,658,330
Temporarily restricted	20,906,282	17,572,360
Permanently restricted	<u>7,169,564</u>	<u>7,278,795</u>
Total net assets (deficit)	<u>31,322,428</u>	<u>(9,176,960)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 343,787,595</u>	<u>\$ 334,048,448</u>

See notes to combined financial statements.

(Concluded)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	\$ 147,748,068	\$ -	\$ -	\$ 147,748,068
Program service fees	20,145,675			20,145,675
Program-related contributions	3,240,717	1,622,587		4,863,304
Program-related in-kind donations	1,541,394			1,541,394
United Way pledges	335,179	2,674,081		3,009,260
Net assets released from restrictions	<u>3,734,711</u>	<u>(3,734,711)</u>		<u>-</u>
Total revenue	<u>176,745,744</u>	<u>561,957</u>	<u>-</u>	<u>177,307,701</u>
EXPENSES:				
Seniors	68,836,446			68,836,446
Children	19,740,335			19,740,335
Basic human needs	30,480,467			30,480,467
Families and individuals	65,648,435			65,648,435
Management and general	16,154,020			16,154,020
Fundraising	<u>2,278,387</u>			<u>2,278,387</u>
Total expenses	<u>203,138,090</u>	<u>-</u>	<u>-</u>	<u>203,138,090</u>
(LOSS) GAIN FROM PROGRAM OPERATIONS	<u>(26,392,346)</u>	<u>561,957</u>	<u>-</u>	<u>(25,830,389)</u>
SUPPORT:				
Contributions	5,718,678	2,468,363	20,550	8,207,591
Special events—net of special event expenses—\$1,866,331	4,698,777			4,698,777
In-kind donations	1,290,000			1,290,000
Bequests	4,343,188	789,395		5,132,583
Net assets released from restrictions	<u>333,524</u>	<u>(333,524)</u>		<u>-</u>
Total support	<u>16,384,167</u>	<u>2,924,234</u>	<u>20,550</u>	<u>19,328,951</u>
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,669,174	20,196		1,689,370
Net realized gain (loss) on investments	1,156,778	(1,400)		1,155,378
Net unrealized gain (loss) on investments	4,585,389	(87,725)		4,497,664
Net assets released from restrictions	83,340	(83,340)		-
Change in fair value of split-interest trusts			(129,781)	(129,781)
Loss on disposal of land, building and equipment, net	(1,321,159)			(1,321,159)
Other revenue	<u>189,656</u>			<u>189,656</u>
Total other revenue (expense)	<u>6,363,178</u>	<u>(152,269)</u>	<u>(129,781)</u>	<u>6,081,128</u>
(DECREASE) INCREASE IN NET ASSETS (DEFICIT) BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(3,645,001)	3,333,922	(109,231)	(420,310)
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	<u>40,919,698</u>			<u>40,919,698</u>
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	37,274,697	3,333,922	(109,231)	40,499,388
NET ASSETS (DEFICIT)—Beginning of year	<u>(34,028,115)</u>	<u>17,572,360</u>	<u>7,278,795</u>	<u>(9,176,960)</u>
NET ASSETS (DEFICIT)—End of year	<u>\$ 3,246,582</u>	<u>\$ 20,906,282</u>	<u>\$ 7,169,564</u>	<u>\$ 31,322,428</u>

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	\$ 155,212,106	\$ -	\$ -	\$ 155,212,106
Program service fees	18,023,103			18,023,103
Program-related contributions	2,941,354	2,206,074		5,147,428
Program-related in-kind donations	1,364,864			1,364,864
United Way pledges	473,997			473,997
Net assets released from restrictions	<u>3,298,047</u>	<u>(3,298,047)</u>		<u>-</u>
Total revenue	<u>181,313,471</u>	<u>(1,091,973)</u>		<u>180,221,498</u>
EXPENSES:				
Seniors	68,765,812			68,765,812
Children	20,471,661			20,471,661
Basic human needs	31,118,592			31,118,592
Families and individuals	66,550,113			66,550,113
Management and general	15,730,919			15,730,919
Fundraising	<u>2,345,144</u>			<u>2,345,144</u>
Total expenses	<u>204,982,241</u>	<u>-</u>	<u>-</u>	<u>204,982,241</u>
LOSS FROM PROGRAM OPERATIONS	<u>(23,668,770)</u>	<u>(1,091,973)</u>	<u>-</u>	<u>(24,760,743)</u>
SUPPORT:				
Contributions	9,717,262	31,072	58,771	9,807,105
Special events—net of special event expenses—\$1,628,012	3,764,264			3,764,264
In-kind donations	62,325			62,325
Bequests	4,939,866	686,120		5,625,986
Net assets released from restrictions	<u>112,130</u>	<u>(112,130)</u>		<u>-</u>
Total support	<u>18,595,847</u>	<u>605,062</u>	<u>58,771</u>	<u>19,259,680</u>
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,782,891	57,848		1,840,739
Net realized gain (loss) on investments	72,479	(3,035)		69,444
Net unrealized (loss) gain on investments	(858,818)	113,039		(745,779)
Net assets released from restrictions	91,829	(91,829)		-
Change in fair value of split-interest trusts			(50,660)	(50,660)
Loss on sale of other assets	(130,746)			(130,746)
Inherent contributions	3,539,834			3,539,834
Other revenue	<u>217,093</u>			<u>217,093</u>
Total other revenue (expense)	<u>4,714,562</u>	<u>76,023</u>	<u>(50,660)</u>	<u>4,739,925</u>
(DECREASE) INCREASE IN NET (DEFICIT) ASSETS BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST, RESIDUAL RECEIPT RECAPTURE, AND INTERAGENCY TRANSFER	(358,361)	(410,888)	8,111	(761,138)
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(27,419,870)			(27,419,870)
RESIDUAL RECEIPT RECAPTURE	(1,165,297)			(1,165,297)
INTERAGENCY TRANSFER	<u>44,550</u>			<u>44,550</u>
(DECREASE) INCREASE IN NET ASSETS (DEFICIT)	(28,898,978)	(410,888)	8,111	(29,301,755)
NET ASSETS (DEFICIT)—Beginning of year	<u>(5,129,137)</u>	<u>17,983,248</u>	<u>7,270,684</u>	<u>20,124,795</u>
NET ASSETS (DEFICIT)—End of year	<u>\$ (34,028,115)</u>	<u>\$ 17,572,360</u>	<u>\$ 7,278,795</u>	<u>\$ (9,176,960)</u>

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	2017							2016 Total
	Programs				Supporting Services			
	Senior Services	Children's Services	Basic Human Needs	Family and Individuals Services	Management and General	Fund- Raising	Total	
EXPENSES:								
Salaries	\$ 33,247,223	\$ 8,967,257	\$ 8,879,597	\$ 14,104,653	\$ 8,672,167	\$ 1,112,076	\$ 74,982,973	\$ 77,159,359
Employee benefits and payroll taxes	<u>13,705,826</u>	<u>4,437,710</u>	<u>4,128,200</u>	<u>7,094,005</u>	<u>3,911,047</u>	<u>457,575</u>	<u>33,734,363</u>	<u>32,654,371</u>
Total salaries and related expenses	46,953,049	13,404,967	13,007,797	21,198,658	12,583,214	1,569,651	108,717,336	109,813,730
Food purchases	2,321,922	1,009,010	29,423	28,675,117			32,035,472	33,963,261
Specific assistance to individuals	215,896	787,600	11,744,753	1,649,435			14,397,684	14,464,214
Occupancy	3,935,452	854,560	1,033,819	5,447,850	1,279,250	151,141	12,702,072	12,340,141
Supplies	2,174,657	284,338	555,849	1,307,981	519,855	81,077	4,923,757	4,399,394
Professional fees and contract service payments	5,671,833	718,602	2,542,156	5,465,588	1,077,848	539,931	16,015,958	14,968,379
Telephone	695,410	171,371	275,923	445,367	222,092	57,433	1,867,596	1,992,846
Outside printing	60,770	12,648	50,558	74,598	70,854	201,327	470,755	438,415
Local transportation	760,600	191,776	380,283	353,915	65,148	22,694	1,774,416	2,223,770
Conferences, conventions, and meetings	144,445	37,051	64,020	102,657	148,454	1,422,787	1,919,414	1,758,214
Membership dues and subscriptions	56,060	14,110	9,351	28,425	98,513	8,768	215,227	239,667
Awards and grants	24,010	2,598	9,403	20,524	13,415		69,950	30,844
Interest and financing costs	598,274	34,537	17,047	45,515			695,373	648,343
Payments to affiliates	1,640	470	726	1,564			4,400	4,284
Distribution of in-kind gifts		1,541,394					1,541,394	1,427,189
Miscellaneous	<u>533,341</u>	<u>92,262</u>	<u>325,435</u>	<u>348,152</u>	<u>30</u>	<u>84,764</u>	<u>1,383,984</u>	<u>1,572,136</u>
Total expenses before depreciation	64,147,359	19,157,294	30,046,543	65,165,346	16,078,673	4,139,573	198,734,788	200,284,827
Depreciation	<u>4,689,087</u>	<u>583,041</u>	<u>433,924</u>	<u>483,089</u>	<u>75,347</u>	<u>5,145</u>	<u>6,269,633</u>	<u>6,325,426</u>
Total functional expenses	68,836,446	19,740,335	30,480,467	65,648,435	16,154,020	4,144,718	205,004,421	206,610,253
Less expenses related to special events						<u>(1,866,331)</u>	<u>(1,866,331)</u>	<u>(1,628,012)</u>
TOTAL EXPENSES	<u>\$ 68,836,446</u>	<u>\$ 19,740,335</u>	<u>\$ 30,480,467</u>	<u>\$ 65,648,435</u>	<u>\$ 16,154,020</u>	<u>\$ 2,278,387</u>	<u>\$ 203,138,090</u>	<u>\$ 204,982,241</u>

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	2016							2015 Total
	Programs				Supporting Services			
	Senior Services	Children's Services	Basic Human Needs	Family and Individuals Services	Management and General	Fund- Raising	Total	
EXPENSES:								
Salaries	\$ 34,189,249	\$ 9,568,742	\$ 9,461,806	\$ 14,270,637	\$ 8,534,841	\$ 1,134,084	\$ 77,159,359	\$ 76,570,535
Employee benefits and payroll taxes	<u>13,213,494</u>	<u>4,509,842</u>	<u>4,169,099</u>	<u>6,804,913</u>	<u>3,520,534</u>	<u>436,489</u>	<u>32,654,371</u>	<u>32,563,777</u>
Total salaries and related expenses	47,402,743	14,078,584	13,630,905	21,075,550	12,055,375	1,570,573	109,813,730	109,134,312
Food purchases	2,038,691	1,190,686	40,092	30,693,354		438	33,963,261	37,581,017
Specific assistance to individuals	267,455	763,838	12,241,062	1,191,121		738	14,464,214	14,839,764
Occupancy	3,553,104	889,442	1,166,412	5,355,534	1,222,547	153,102	12,340,141	15,519,462
Supplies	1,947,721	226,146	460,025	1,025,493	631,278	108,731	4,399,394	5,552,830
Professional fees and contract service payments	5,672,966	695,504	1,876,821	5,186,176	1,031,789	505,123	14,968,379	15,205,526
Telephone	694,785	178,121	275,876	459,263	296,769	88,032	1,992,846	2,040,337
Outside printing	72,866	8,899	46,820	58,143	73,877	177,810	438,415	457,772
Local transportation	916,168	237,250	514,737	491,600	44,892	19,123	2,223,770	2,419,685
Conferences, conventions, and meetings	150,569	29,684	75,202	120,843	157,400	1,224,516	1,758,214	2,079,548
Membership dues and subscriptions	89,738	8,863	8,753	35,115	93,346	3,852	239,667	239,732
Awards and grants	16,096	1,524	14	9,485	3,725		30,844	81,008
Interest and financing costs	572,562	35,039	12,981	27,761			648,343	616,978
Payments to affiliates	1,593	466	709	1,516			4,284	4,636
Distribution of in-kind gifts		1,352,635	74,554				1,427,189	1,429,860
Miscellaneous	<u>730,733</u>	<u>117,172</u>	<u>235,866</u>	<u>372,273</u>	<u>120</u>	<u>115,972</u>	<u>1,572,136</u>	<u>1,455,068</u>
Total expenses before depreciation	64,127,790	19,813,853	30,660,829	66,103,227	15,611,118	3,968,010	200,284,827	208,657,535
Depreciation	<u>4,638,022</u>	<u>657,808</u>	<u>457,763</u>	<u>446,886</u>	<u>119,801</u>	<u>5,146</u>	<u>6,325,426</u>	<u>6,028,059</u>
Total functional expenses	68,765,812	20,471,661	31,118,592	66,550,113	15,730,919	3,973,156	206,610,253	214,685,594
Less expenses related to special events						<u>(1,628,012)</u>	<u>(1,628,012)</u>	<u>(1,754,453)</u>
TOTAL EXPENSES	<u>\$ 68,765,812</u>	<u>\$ 20,471,661</u>	<u>\$ 31,118,592</u>	<u>\$ 66,550,113</u>	<u>\$ 15,730,919</u>	<u>\$ 2,345,144</u>	<u>\$ 204,982,241</u>	<u>\$ 212,931,141</u>

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets (deficit)	\$ 40,499,388	\$(29,301,755)
Adjustments to reconcile increase (decrease) in net assets (deficit) to net cash provided by operating activities:		
Interagency transfer		(44,550)
Retirement benefit changes other than net periodic cost	(40,919,698)	27,419,870
Bad debt expense	723,503	574,140
Loss on disposal of land, building and equipment, net	1,321,159	130,746
Depreciation	6,269,633	6,325,426
Residual receipt recapture		1,217,921
Amortization of debt issuance costs	5,111	5,111
Net realized gain on investments	(1,155,378)	(69,444)
Net unrealized (gain) loss on investments	(4,497,664)	745,779
Change in fair value of split-interest trusts	129,781	50,660
Gain in charitable gift annuities	(678,048)	
Amortization of discount on note payable	77,053	83,523
Contributions restricted for permanent endowment	(20,550)	(58,771)
Contributed investments	(890,824)	(690,887)
Fair value of donated fixed assets	(1,290,000)	
Inherent contributions		(3,539,834)
Changes in operating accounts:		
Receivables	(6,184,745)	976,573
Prepaid and other assets	(500,465)	183,752
Long-term receivable	243,551	1,415,708
Due from affiliates	116,766	1,344,953
Accounts payable and accrued compensation	(234,146)	(2,060,886)
Interest payable	4,054	(4,291)
Other liabilities	6,854,546	5,467,147
Due to governmental agencies	4,245,867	(1,917,170)
Deferred revenue and other liabilities	(517,535)	30,661
Security deposits	(24,589)	79,164
Gift annuities payable	<u>69,375</u>	<u>(138,144)</u>
 Net cash provided by operating activities	 <u>3,646,145</u>	 <u>8,225,402</u>

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Land, buildings, and equipment purchased or constructed	\$ (2,111,915)	\$ (2,116,890)
Purchases of investments	(19,601,788)	(15,572,244)
Proceeds from sale of investments	21,041,506	15,657,679
Proceeds from sale of fixed assets	2,799	3,942
Assets transferred—affiliate		44,550
Cash acquired in acquisition of other entities		537,783
Change in assets whose use is limited	<u>(440,757)</u>	<u>687,634</u>
Net cash used in investing activities	<u>(1,110,155)</u>	<u>(757,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(434,633)	(407,364)
Repayments of capital lease obligations	(287,578)	
Contributions restricted for permanent endowment	<u>20,550</u>	<u>58,771</u>
Net cash used in financing activities	<u>(701,661)</u>	<u>(348,593)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,834,329	7,119,263
CASH AND CASH EQUIVALENTS—Beginning of year	<u>22,921,391</u>	<u>15,802,128</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 24,755,720</u>	<u>\$ 22,921,391</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 691,320</u>	<u>\$ 652,634</u>
Contributed investments	<u>\$ 890,824</u>	<u>\$ 690,887</u>
Accounts payable for fixed asset additions	<u>\$ 299,553</u>	<u>\$ 152,523</u>
Inherent contribution	<u>\$ -</u>	<u>\$ 3,539,834</u>
Fair value of donated assets	<u>\$ 1,290,000</u>	<u>\$ -</u>
Fixed assets acquired with capital lease obligations	<u>\$ 932,950</u>	<u>\$ -</u>

See notes to combined financial statements.

(Concluded)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. NATURE OF OPERATIONS

Catholic Charities of the Archdiocese of Chicago (“Catholic Charities”) provides assistance to people in need through four primary service areas. Senior Services provides in-home or personal care and residential and health care facilities. Children’s Services provides early childhood education, counseling, adoption, and maternity services; protects children from abuse and neglect; and assists with obtaining health care. Basic Human Needs Services includes emergency shelter, food, and clothing. Family and Individuals Services help address unemployment, poverty, inadequate housing, illness, addiction, physical limitations, nutritional needs, and domestic violence.

The combined financial statements include 21 senior housing facilities whose funding is provided primarily by the U.S. Department of Housing and Urban Development (HUD). These housing facilities include Roseland Manor, Hayes Manor, Matthew Manor, Tolton Manor, Frances Manor, Lawrence Manor, Bernardin Manor, St. Ailbe Faith Apartments, St. Sabina Elders Village, St. Ailbe Hope Apartments, Ozanam Village Apartments, St. Ailbe Love Apartments, St. Peter Claver Courts, St. Brendan Apartments, Bishop Goedert Residence, St. Vincent De Paul Residence, Donald W. Kent Residence, Pope John Paul II Residence, St. Francis of Assisi Residence, All Saints Residence and Porta Coeli Residence (collectively, the “Residences”). The combined financial statements also include four other legal tax-exempt entities: Options for Housing, Inc.; Holy Family Villa; Cooke’s Manor LLC; and Catholic Charities Housing Development Corporation (CCHDC). In addition, included in the combined financial statements are two legal for profit entities: Veterans Independent Painting L3C and Crisp!Mobile Grocery L3C. On July 1, 2015, Catholic Charities obtained control of House of the Good Shepherd of Chicago (“House of the Good Shepherd”) and on January 1, 2016, Catholic Charities obtained control of The Peace Corner, Incorporated (“Peace Corner”). The combined financial statements include these two entities from the date Catholic Charities obtained control. See note 17 for a discussion of these acquisitions. All of the aforementioned organizations are operated under the auspices of Catholic Charities, whose sole member is the Catholic Bishop of Chicago, an Illinois corporation sole.

The financial information for Misericordia Home, Mission of Our Lady of Mercy, and Maryville Academy is combined with Catholic Charities and reported as “Charitable Activities” within the consolidated financial statements of the Archdiocese of Chicago. However, this information is not included within the combined financial statements of Catholic Charities herein.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination—The accompanying combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These combined financial statements reflect only the operations of the organizations that are noted above. These combined financial statements do not reflect the operations of other agencies and organizations that also are a part of the Archdiocese of Chicago, a corporation sole. All interagency transactions and balances have been eliminated in the combined financial statements.

Use of Estimates—The preparation of combined financial statements in conformity with 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 combined 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—Catholic Charities considers all cash maintained on premises or at financial institutions for day-to-day operations as operating cash. Cash equivalents are defined as all liquid investments with purchased maturities of three months or less and stated at cost, which approximates fair value. Cash equivalents represent money market bank accounts. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Management does not expect losses on these balances to occur.

Investments—Investments in short-term investments, equity securities, fixed income securities, mutual funds, and alternative investments are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

Split-Interest Trust Agreements—Catholic Charities is an income beneficiary of certain irrevocable trusts held by third parties. Catholic Charities has the irrevocable right to receive the income earned on the trust assets in perpetuity. Catholic Charities records an asset equal to the fair value of its beneficial interest in these trusts.

Assets Whose Use is Limited—Assets not available for operations include cash and cash equivalents set aside in accordance with the requirements of various governmental agencies and are stated at cost that approximates fair value.

Land, Buildings, and Equipment—Land, buildings, and equipment are stated at cost. Major renewals and improvements are charged to the property accounts, while replacement, maintenance, and repairs that do not improve or extend the life of the respective assets are charged directly to expense.

Depreciation is computed using the straight-line, half-year method based upon the following lives:

Land and building improvements	10–20 years
Buildings	30–60 years
Equipment, furniture, and fixtures	3–10 years

Title to certain properties of Catholic Charities rests with the Catholic Bishop of Chicago.

Gifts of long-lived assets, such as land, buildings, or equipment, recorded at fair value at the date of donation, are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Due to Governmental Agencies—Due to governmental agencies represents unexpended government funding received in advance for various programs, including the Women, Infants, and Children (WIC) program. These advances are offset by WIC inventory on hand at year-end, which primarily represents food at WIC food centers. WIC inventory was \$13,086,124 and \$14,599,916 as of June 30, 2017 and 2016, respectively.

Deferred Revenue—Special event-related contributions received in advance are deferred to the period of the event at which time they are earned.

Classification of Net Assets—Resources are classified into three classifications of net assets according to externally (donor) imposed restrictions.

Unrestricted—Net assets which are expendable for any purpose in performing the primary objectives of the organization. Included in unrestricted net assets are board-designated funds for endowment purposes. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Temporarily Restricted—Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets (deficit) as net assets released from restrictions. Included in temporarily restricted net assets are United Way pledges, bequests, and other contributions that have been classified as temporarily restricted. Temporarily restricted net assets that are available as of June 30, 2017 and 2016, are for the following purposes:

	2017	2016
Purchase of land, building, and equipment	\$ 7,030,718	\$ 6,574,847
Program operations and support	11,676,449	8,707,225
Time-restricted contributions	1,049,261	1,090,509
Program-restricted contributions from donor-restricted endowment funds	<u>1,149,854</u>	<u>1,199,779</u>
Total temporarily restricted net assets	<u>\$ 20,906,282</u>	<u>\$ 17,572,360</u>

Permanently Restricted—Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. Included in permanently restricted net assets are contributions that have been classified as permanently restricted. Permanently restricted net assets as of June 30, 2017 and 2016, are for the following purposes:

	2017	2016
Donor-restricted endowment funds primarily for program operations	\$ 6,415,716	\$ 6,395,166
Split-interest trust agreements	<u>753,848</u>	<u>883,629</u>
Total permanently restricted net assets	<u>\$ 7,169,564</u>	<u>\$ 7,278,795</u>

Refundable Grant Advances—Development and construction are being or have been substantially funded under non-interest-bearing mortgage agreements with HUD for the Residences. The Residences are not required to make principal or interest payments on the mortgage notes, provided they maintain housing in accordance with the Capital Advance Program Use and Regulatory Agreements. If all requirements continue to be met, the grant

advances will be considered earned between 40 and 55 years after such advance or an earlier date if approved by HUD. The refundable grant advances are collateralized by the Residences' property and equipment associated with the advance.

Gift Annuities Payable—Gift annuities payable result from funds granted to Catholic Charities by individuals in return for annuities payable to those individuals during their lifetime. Annuities payable are actuarially determined using the discount rate at the time of the annuity agreement and are based upon the annuitant's age and life expectancy. Assets received under these arrangements are recorded as investments in the combined statements of financial position. The excess of the funds granted to Catholic Charities over the calculated annuity payable is recorded as a contribution in the year of the grant.

Contributions—Unconditional promises to give cash and other assets to Catholic Charities are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the contribution is received. The contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. In the absence of donor stipulations, Catholic Charities classifies the contribution as unrestricted.

Revenue Recognition—The majority of funding for Catholic Charities' operations is provided by governmental agencies. Catholic Charities recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that they are received. Grant revenue is recognized when the related grant expenditure has been incurred.

United Way Funding—Catholic Charities recognizes United Way contributions when funding is confirmed by United Way.

Management and General Expenses—Management and general expenses represent the expenses incurred to provide overall management and direction to all entities.

Acquisitions—The identifiable assets and liabilities of an acquisition of a business or nonprofit activity are recorded at fair value. If the fair value of the net assets acquired is greater than the consideration transferred at the date of acquisition, an inherent contribution is recognized as a separate credit in the combined statement of activities and changes in net assets (deficit).

Tax Status—The agencies that comprise Catholic Charities are tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code with the exception of Veterans Independent Painting L3C and Crisp!Mobile Grocery L3C which are social enterprise entities subject to corporate income taxes.

Accounting Standards Updates—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and

uncertainty of revenue and cash flows arising from contracts with customers. ASU 2015-14 deferred the effective date of ASU 2014-09. ASU 2014-09 is now effective for Catholic Charities beginning on July 1, 2018. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements.

On May 1, 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2015-07"). ASU 2015-07 addresses the diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized. The amendments in this ASU remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 is effective for the Catholic Charities beginning on July 1, 2017. The adoption of ASU 2015-07 is not expected to have a material impact on the Catholic Charities' combined financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 was adopted retrospectively effective July 1, 2016 and did not have a material impact on the Catholic Charities' combined financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* ("ASU 2016-01"). The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments for all entities that hold financial assets or owe financial liabilities. One of the amendments in this update eliminates the requirement to disclose the fair value of financial instruments not recognized at fair value in the combined statement of financial position for entities that are not public business entities. Effective July 1, 2016, Catholic Charities early adopted the portion of this amendment related to the elimination of the fair value disclosure of financial instruments measured at historical cost in the Catholic Charities' combined statements of financial position on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. The guidance will be effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 reexamines existing standards for financial statement presentation by not-for-profit entities (NFP), focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this ASU include presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions. Additionally, an NFP shall continue to present on the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but is no longer required to present or disclose the indirect

method (reconciliation) if using the direct method. Furthermore, an NFP shall enhance disclosures about governing board imposed restrictions and liquidity. ASU 2016-14 is effective for Catholic Charities beginning on July 1, 2018. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU 2017-07”). This standard requires reporting the service cost component of net periodic pension in operating expenses, while all other components of net periodic pension costs are reported as part of non-operating revenues and expenses. The provisions of this standard are effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Catholic Charities is currently evaluating the impact adopting this standard will have on their combined financial statements.

3. INVESTMENTS

Catholic Charities’ investments are overseen by the Investment Committee of the Board of Directors. The Investment Committee administers the investment of the endowment, restricted assets, and certain working capital, collectively, the “investment portfolio.” These assets are managed by external investment managers and include various equity securities, fixed income securities, mutual funds, and alternative investments.

Catholic Charities has established a fund to meet future capital needs of its facilities. The fund is included in investments in the combined statements of financial position and is invested in domestic and international mutual funds and corporate and government-backed bonds with fair values of \$18,298,403 and \$17,387,888 at June 30, 2017 and 2016, respectively.

The components of total investment return as of June 30, 2017 and 2016, are as follows:

	2017	2016
Interest and dividends	\$ 1,689,370	\$ 1,840,739
Net realized gain	1,155,378	69,444
Net unrealized gain (loss)	<u>4,497,664</u>	<u>(745,779)</u>
 Total	 <u>\$ 7,342,412</u>	 <u>\$ 1,164,404</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the investment amounts reported in the accompanying combined financial statements.

Fair value of investments as of June 30, 2017 and 2016, is as follows:

	2017	2016
Short-term investments	\$ 858,024	\$ 1,128,166
Equity securities	139,532	2,721,922
Mutual funds—equity strategy	21,667,622	15,974,386
Mutual funds—fixed-income strategy	9,868,628	8,344,274
Fixed income securities	18,516,218	21,445,733
Commingled fund	<u>19,950,742</u>	<u>16,074,248</u>
Subtotal	<u>71,000,766</u>	<u>65,688,729</u>
Alternative investments:		
Marketable alternative equity	5,015,324	5,691,887
Real estate	5,113,507	4,892,898
Private equity	<u>1,549,701</u>	<u>1,301,636</u>
Total alternative investments	<u>11,678,532</u>	<u>11,886,421</u>
Total	<u>\$82,679,298</u>	<u>\$77,575,150</u>

4. LAND, BUILDINGS, AND EQUIPMENT

Major classes of property and equipment as of June 30, 2017 and 2016, are as follows:

	2017	2016
Land and land improvements	\$ 13,399,725	\$ 13,146,629
Buildings and building improvements	224,777,662	224,345,569
Equipment, furniture, and fixtures	12,993,219	12,492,787
Capital lease equipment	1,102,093	
Construction in progress	<u>886,916</u>	<u>761,611</u>
Total land, buildings, and equipment	253,159,615	250,746,596
Less accumulated depreciation	<u>(72,770,631)</u>	<u>(67,245,916)</u>
Land, buildings, and equipment—net	<u>\$ 180,388,984</u>	<u>\$ 183,500,680</u>

Catholic Charities recorded depreciation expense of \$6,269,633 and \$6,325,426 for the years ended June 30, 2017 and 2016, respectively.

5. LONG-TERM DEBT

Long-term debt as of June 30, 2017 and 2016, consisted of the following:

	2017	2016
CCHDC:		
Illinois Finance Authority—revenue refunding bond: Series 2014, loan payable to Wintrust Bank, due January 1, 2028, interest rate adjusted monthly, weighted-average interest rate 1.46% in 2017	\$ 10,070,000	\$ 10,070,000
St. Sabina note payable to City of Chicago, due in a lump sum on June 1, 2039; interest free	387,800	387,800
Porta Coeli note payable to City of Chicago, due in a lump sum on December 1, 2054; interest free	759,865	759,865
All Saints note payable to City of Chicago, due in a lump sum on December 2, 2052; interest free	892,678	892,678
Catholic Charities note payable to Illinois Facilities Fund, due in monthly installments through July 1, 2023, interest rate 4.30%	507,480	578,938
Catholic Charities note payable to Sisters of Saint Casimir, due in annual installments through December 1, 2034, interest free	3,600,000	3,800,000
Roseland Manor mortgage payable to HUD, due in monthly installments through 2032, interest rate 8.375%	2,333,435	2,410,487
Hayes Manor mortgage payable to HUD, due in monthly installments through 2033, interest rate 8.375%	2,489,805	2,561,028
Ozanam Village note payable to Illinois Housing Development Authority, due in equal monthly installments, with additional principal payments required based on residual receipts, interest free	260,526	274,226
Cooke's Manor LLC note payable to Illinois Housing Development Authority, due in equal monthly installments of \$100, with remaining principal due May 1, 2021, interest free	<u>736,600</u>	<u>737,800</u>
Total, before deferred debt issuance costs and discount of interest free note payable	22,038,189	22,472,822
Less deferred debt issuance costs	(53,665)	(58,776)
Less discount of interest free note payable	<u>(791,126)</u>	<u>(868,179)</u>
Total, net contractual portion and current portion of discount of interest free note payable	<u>21,193,398</u>	<u>21,545,867</u>
Less contractual current portion	(437,279)	(422,139)
Current portion of discount of interest free note payable	<u>77,053</u>	<u>80,332</u>
Total current portion less current portion of discount of interest free note payable	<u>(360,226)</u>	<u>(341,807)</u>
Total	<u>\$ 20,833,172</u>	<u>\$ 21,204,060</u>

Debt—During fiscal year 2015, Catholic Charities purchased the Saint Casimir Motherhouse and in exchange entered into a loan agreement with the Sisters of Saint Casimir. The terms of the loan require Catholic Charities to make \$200,000 equal payments over 20 years at 0% interest. The total payments were discounted using a 2.74% interest rate. The discounted value of the total sum payments is \$2,808,874 and \$2,931,821 at June 30, 2017 and 2016, respectively.

Future maturities of long-term debt as of June 30, 2017, are as follows:

Years Ending June 30	
2018	\$ 437,279
2019	455,480
2020	474,146
2021	494,289
2022	516,031
Thereafter	<u>19,660,964</u>
Total	<u>\$ 22,038,189</u>

Debt Covenants—Catholic Charities was in compliance with all financial debt covenants at June 30, 2017.

Deferred Debt Issuance Costs—Expenses related to the procurement and underwriting of the direct obligation notes and revenue bonds have been deferred and are being amortized over the life of the bonds. The deferred debt issuance costs are shown net of accumulated amortization of \$15,475 and \$10,364 at June 30, 2017 and 2016, respectively. Net deferred debt issuance costs are classified as a deduction from long-term debt on the combined statements of financial position.

Unsecured Line of Credit—Catholic Charities maintains unsecured lines of credit with two banks for its working capital requirements. Borrowings against the lines of credit are presented in the combined statements of financial position as short-term debt. The lines of credit permit a maximum amount of \$15,000,000 outstanding at one time, of which \$0 was outstanding at June 30, 2017 and 2016. For one of the lines of credit, the interest rate is the either the reference rate as defined by the bank or the London InterBank Offered Rate (LIBOR). This line of credit matures July 5, 2019. For the other line of credit, the interest rate is the prime rate for borrowings that are held for less than one month (the prime rate was 4.25% at June 30, 2017 and 3.5% at June 30, 2016). For borrowings that will be held for more than one month, the interest rate is LIBOR, plus 1.0% (the LIBOR was 1.74% at June 30, 2017 and 1.33% at June 30, 2016) or the bank offered rate. This line of credit has no formal maturity; however, borrowings are due on demand if the bank requests repayment or cancellation.

6. LEASES

Catholic Charities leases office space under conditional operating leases that generally contain rent escalation provisions. Rent expense under the leases is recognized based on straight-line amortization of total rent over the term of the lease. Rent expense of \$5,781,229 and \$5,636,292 was incurred for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments as of June 30, 2017, are as follows:

Years Ending June 30	
2018	\$ 5,390,822
2019	4,096,144
2020	1,840,004
2021	555,634
2022	271,694
Thereafter	<u>6,489,991</u>
Total	<u>\$ 18,644,289</u>

Catholic Charities leases certain equipment under capital leases. The total obligation at June 30, 2017 is \$750,767. The current portion of \$412,486 and the long-term obligation of \$338,281 are classified as current portion of deferred revenue and other liabilities and other liabilities, respectively. The net book value of equipment leased under capital leases is \$705,018 as of June 30, 2017. Future lease payments as of June 30, 2017 are as follows:

Years Ending June 30	
2018	\$ 522,361
2019	255,529
2020	158,467
2021	<u>30,520</u>
Total	966,877
Less fees and interest	<u>(216,110)</u>
Net	<u>\$ 750,767</u>

7. REFUNDABLE GRANT ADVANCES

Under the terms of the federally funded program, Catholic Charities received certain HUD Supportive Housing for the Elderly (Section 202) grant advances and Affordable Housing Project Loans.

Total advances as of June 30, 2017 and 2016, are as follows:

Project	Advance 2017	Advance 2016	End of Commitment
Matthew Manor	\$ 4,015,901	\$ 4,015,901	December 2035
Tolton Manor	5,514,800	5,514,800	July 2036
Frances Manor	4,822,997	4,822,997	April 2037
Lawrence Manor	8,215,354	8,215,354	October 2039
Bernardin Manor	13,990,100	13,990,100	June 2040
St. Ailbe Faith Apartments	6,836,400	6,836,400	July 2040
St. Sabina Elders Village	6,727,600	6,727,600	September 2040
St. Ailbe Hope Apartments	813,900	813,900	March 2041
Ozanam Village Apartments	5,151,900	5,151,900	May 2041
St. Ailbe Love Apartments	6,300,300	6,300,300	February 2042
St. Peter Claver Courts	7,748,942	7,748,942	March 2043
Bishop Goedert Residence	9,592,300	9,592,300	December 2044
St. Vincent De Paul Residence	10,891,000	10,891,000	November 2045
Donald W. Kent Residence	8,975,400	8,975,400	January 2046
Pope John Paul II Residence	2,253,000	2,253,000	September 2046
Roseland Manor	912,093	912,093	March 2047
St. Francis of Assisi Residence	11,319,300	11,319,300	November 2047
Hayes Manor	631,227	631,227	June 2048
St. Brendan Apartments	8,827,641	8,827,641	July 2060
All Saints Residence	7,017,100	7,017,100	November 2052
Porta Coeli Residence	<u>14,355,768</u>	<u>14,355,768</u>	November 2054
Total HUD grant advances	144,913,023	144,913,023	
Affordable housing project loans	<u>9,981,885</u>	<u>9,981,885</u>	Various through 2060
Total refundable grant advances	<u>\$154,894,908</u>	<u>\$154,894,908</u>	

8. RETIREMENT BENEFITS

Pension Benefits—Eligible employees of Catholic Charities and Holy Family Villa participate in a noncontributory pension plan administered by the Benefits Committee, a committee of the Board of Directors of Catholic Charities, the plan's sponsor, which covers substantially all lay employees.

The plan provides annual retirement benefits (over and above normal social security benefits) equal to 1.125% of average earnings within the last five years of service multiplied by the number of years of full-time service up to 15 years, plus 1.5% of average earnings, as defined above, multiplied by the number of years of service in excess of 15 years. Plan assets consist primarily of equity securities, mutual funds, commingled funds, fixed income securities, and alternative investments.

As of June 30, 2017, the assumptions used reflect mortality projections for the measurement of the pension benefits that reflect longevity improvements of plan participants, resulting in an increase to future pension expense and to the benefit obligation. In addition, the discount rate used reflects current market conditions.

Effective July 1, 2016, the plan was amended and no employees hired after June 30, 2016 will be eligible to participate in the plan. Effective May 2, 2017, the plan was additionally amended to remove the lump sum death benefit. This change resulted in a reduction of the pension obligation by \$1,285,906.

Postretirement Benefits—Catholic Charities offers certain medical and dental benefits for retired employees. Catholic Charities amended this policy as of February 1, 2002. A cap was placed on the net employer contribution to the cost of medical coverage for employees retiring on or after July 1, 2002. The cap is equal to \$500 per month for retirees with single coverage and \$700 per month for retirees with family coverage. The amended policy stated that all new employees hired after July 1, 2002, would not be offered postretirement medical and dental benefits and employees must maintain coverage in the active employee medical plan to be eligible for medical coverage during retirement. Employees hired before July 1, 2002, had a choice of continuing their eligibility for postretirement medical and dental benefits or electing to participate in an employer sponsored 403(b) plan (see Retirement Savings Plan below) and permanently forgo any eligibility for future postretirement medical and dental benefits. Effective April 1, 2009, the plan was amended to remove the requirement that employees maintain continuous coverage in the active employee medical plan and replaced with elect medical coverage in the final year of employment. Effective January 1, 2017, the plan was amended to revise the cap to \$400 per month for retirees with single coverage and \$600 per month for retirees with family coverage.

The postretirement benefit liability of \$23,049,883 and \$42,346,101 at June 30, 2017 and 2016, respectively, includes an unrecognized prior-service gain of \$8,916,026 and \$232,525, respectively, due to the plan changes on January 1, 2017 and April 2, 2009. The plan changes reduced the monthly caps and modified the requirement that continuous coverage in the active employee medical plan is necessary to qualify for medical benefits in retirement.

For the years ended June 30, 2017 and 2016, plan measures of the benefit obligation and net periodic postretirement benefit cost are actuarially equivalent and include Medicare Part D subsidies. However, future obligations have not been reduced for anticipated subsidy collections because the amount is difficult to determine and management believes the effect is not material.

Retirement Savings Plan—Catholic Charities has a defined contribution plan under Internal Revenue Code Section 403(b) covering all new employees hired after July 1, 2002, as well as employees hired before July 1, 2002, who have opted out of the postretirement medical and dental benefit policy. For eligible employees, Catholic Charities contributes 1% of each individual participant's compensation, plus a matching contribution of up to 1.5% of the individual participant's compensation. Total employer contribution expense for the years ended June 30, 2017 and 2016, was \$940,408 and \$719,783, respectively.

Catholic Charities uses a June 30 measurement date for its pension and postretirement obligations. Summary information for pension and postretirement benefits as of June 30, 2017 and 2016, is as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Change in benefit obligation:				
Benefit obligation—				
beginning of year	\$ 183,124,405	\$ 151,951,486	\$ 42,346,101	\$ 39,990,913
Service cost	7,529,045	6,449,028	446,420	554,776
Interest cost	6,515,450	6,837,367	1,100,640	1,502,625
Actuarial (gains) losses	(14,180,953)	24,283,604	(10,499,190)	1,737,712
Benefits paid	(10,102,746)	(4,960,246)	(2,130,428)	(2,170,056)
Medicare Part D subsidy			217,532	100,934
Participant contributions			448,329	331,888
Special termination benefits				297,309
Plan amendments	<u>(1,285,906)</u>	<u>(1,436,834)</u>	<u>(8,879,521)</u>	
Benefit obligation—				
end of year	<u>171,599,295</u>	<u>183,124,405</u>	<u>23,049,883</u>	<u>42,346,101</u>
Change in plan assets:				
Fair value of plan assets—				
beginning of year	76,808,405	76,167,315		
Actual return on plan assets	8,251,915	1,031,810		
Employer contributions	5,094,655	4,569,526	1,464,567	1,737,234
Benefits paid	(10,102,746)	(4,960,246)	(2,130,428)	(2,170,056)
Participant contributions			448,329	331,888
Medicare Part D subsidy			<u>217,532</u>	<u>100,934</u>
Fair value of plan				
assets—end of year	<u>80,052,229</u>	<u>76,808,405</u>	<u>-</u>	<u>-</u>
Funded status—end				
of year	<u>(91,547,066)</u>	<u>(106,316,000)</u>	<u>(23,049,883)</u>	<u>(42,346,101)</u>
Net accrued benefit cost	<u>\$ (91,547,066)</u>	<u>\$ (106,316,000)</u>	<u>\$ (23,049,883)</u>	<u>\$ (42,346,101)</u>
Amounts recognized in the				
combined statements of				
financial position—accrued				
liability	<u>\$ (91,547,066)</u>	<u>\$ (106,316,000)</u>	<u>\$ (23,049,883)</u>	<u>\$ (42,346,101)</u>

The components of net periodic benefit cost for the years ended June 30, 2017 and 2016, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Components of net periodic benefit cost:				
Service cost	\$ 7,529,045	\$ 6,449,028	\$ 446,420	\$ 554,776
Interest cost	6,515,450	6,837,367	1,100,640	1,502,625
Expected return on plan assets	(5,933,457)	(6,094,510)		
Amortization of unrecognized net loss	4,441,256	2,602,155		162,541
Amortization of unrecognized prior service credit	(489,566)	(341,364)	(196,020)	(196,020)
Special termination benefits				297,309
Total net periodic benefit cost	<u>\$ 12,062,728</u>	<u>\$ 9,452,676</u>	<u>\$ 1,351,040</u>	<u>\$ 2,321,231</u>

The pension plan and postretirement benefit plan accumulated losses and prior-service credits not yet recognized as a component of periodic pension and postretirement expense, but accumulated in unrestricted net assets as of June 30, 2017 and 2016, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Unrecognized actuarial loss (gain)	\$ 46,273,480	\$ 67,214,147	\$(1,028,701)	\$ 9,470,489
Unrecognized prior service credit	<u>(3,727,510)</u>	<u>(2,931,170)</u>	<u>(8,916,026)</u>	<u>(232,525)</u>
Total accumulated in unrestricted net assets	<u>\$ 42,545,970</u>	<u>\$ 64,282,977</u>	<u>\$ (9,944,727)</u>	<u>\$ 9,237,964</u>

An estimated \$613,429 in prior service credit and \$2,804,331 in net actuarial loss will be included as components of periodic pension expense in 2018. An estimated \$988,386 in prior service credit and \$0 in net actuarial loss will be included as components of periodic postretirement expense in 2018.

The pension and postretirement benefit items not yet recognized as a component of periodic pension and postretirement expense, but included as a separate charge to net assets during 2017 and 2016, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Actuarial (gain) loss arising during the period	\$(17,785,317)	\$ 27,909,470	\$(19,378,711)	\$ 1,737,712
Reclassification adjustment for recognition of prior service cost (credit)	<u>(3,951,690)</u>	<u>(2,260,791)</u>	<u>196,020</u>	<u>33,479</u>
Total recognized as a separate (increase) decrease to net assets	<u>\$ (21,737,007)</u>	<u>\$ 25,648,679</u>	<u>\$ (19,182,691)</u>	<u>\$ 1,771,191</u>

Actuarial assumptions for the pension and postretirement benefits as of June 30, 2017 and 2016, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2017	2016	2017	2016
Weighted-average assumptions:				
Discount rate—benefit obligation	3.87 %	3.53 %	3.70 %	3.18 %
Discount rate—benefit cost	3.53	4.38	3.18	3.18
Expected return on plan assets	8.00	8.00		
Rate of compensation increase	0.00–3.50	0.00–3.50		

For measurement purposes, a 8% gross health care trend rate was used for the 2017 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2022, and beyond.

For measurement purposes, a 8.5% gross health care trend rate was used for the 2016 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2023, and beyond.

For the year ending June 30, 2018, Catholic Charities expects to contribute \$5,246,461 to its pension plan and to pay \$1,412,301 for health care premiums on behalf of the retirees covered under its postretirement benefit policy.

The benefit payments, which reflect expected future services, as appropriate, are expected to be paid as of June 30, 2017, as follows:

Years Ending June 30	Pension Benefits	Postretirement Benefits
2018	\$ 6,312,837	\$ 1,412,301
2019	6,404,333	1,402,402
2020	6,657,026	1,403,994
2021	7,052,506	1,412,356
2022	7,261,998	1,408,722
2023–2027	<u>41,434,302</u>	<u>6,911,688</u>
Total	<u>\$ 75,123,002</u>	<u>\$ 13,951,463</u>

Pension Plan Assets—The primary return objectives of the plan are a) the preservation of principal, b) to earn a competitive total return consistent with prudent levels of risk, and c) to create a stream of investment returns to ensure the systematic and adequate funding of actuarially determined benefits through contributions from Catholic Charities and professional management of the pension plan assets.

This is accomplished through diversification of assets in accordance with the investment policy. Periodic rebalancing occurs after the end of each calendar quarter, as required by the policy.

The target allocations for plan assets are 37.5% domestic equity securities or mutual funds, 15% international equity mutual funds, 17.5% fixed income securities or mutual funds, 12% hedge fund of funds, 10% commercial real estate, 5% low volatility global core equity and 3% mezzanine private equity.

Short-term investments include invested cash, money market mutual funds, and certificates of deposit, and are generally categorized in Level 1 of the fair value hierarchy.

Domestic equity securities include investments in large-cap and mid-cap companies located in the United States. Equity securities are valued based on quoted prices from an exchange. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the net asset value (NAV) as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Commingled funds are unregistered investment funds with a daily NAV that invests in large-cap and small-cap companies located in the United States. The commingled funds allow investors to sell their interests with a one-day notice. Such commingled funds are categorized in Level 2 of the fair value hierarchy.

Fixed income securities are comprised of U.S. Treasuries, U.S. government agency securities, and corporate bonds. U.S. Treasuries are valued using quoted market prices for similar securities and, accordingly, are categorized in Level 2 of the fair value hierarchy. U.S. government agency securities are comprised of noncallable agency-issued debt securities and are generally valued using quoted market prices. Actively traded noncallable agency-issued debt securities are categorized in Level 2 of the fair value hierarchy. The fair value of corporate bond securities is estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that references a comparable issuer are used. These corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are comprised of investments in a hedge fund of funds. Marketable alternative equity investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after June 30, 2017. These marketable alternative equity investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate alternative investments are comprised of investments in diversified real estate funds. Real estate alternative investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after June 30, 2017. These real estate alternative investments cannot be redeemed within the "near term" and are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

The following fair value hierarchy table presents information about Catholic Charities' pension plan investments measured at fair value as of June 30, 2017 and 2016:

	2017	2016
Level 1—quoted prices in active markets for identical securities:		
Short-term investments	\$ 1,505,795	\$ 1,275,226
Domestic equity securities	9,069,031	13,417,636
Mutual funds—domestic equity	5,023,036	
Mutual funds—international strategy	12,074,154	10,840,871
Mutual funds—domestic fixed income strategy	<u>2,271,012</u>	<u>2,341,049</u>
Subtotal	<u>29,943,028</u>	<u>27,874,782</u>
Level 2—significant other observable inputs:		
Fixed income securities:		
U.S. treasuries	1,138,472	1,978,296
U.S. government agencies	4,298,156	4,624,929
Corporate	3,062,438	2,549,370
Commingled fund	<u>22,366,682</u>	<u>18,404,601</u>
Subtotal	<u>30,865,748</u>	<u>27,557,196</u>
Level 3—significant unobservable inputs:		
Alternative investments:		
Marketable alternative equity	9,152,165	11,727,761
Real estate	<u>10,091,288</u>	<u>9,648,666</u>
Subtotal	<u>19,243,453</u>	<u>21,376,427</u>
Total fair value of plan assets	<u>\$ 80,052,229</u>	<u>\$ 76,808,405</u>

The table below presents the reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and presents changes in unrealized gains or losses recorded in change in net assets for the years ended June 30, 2017 and 2016, for Level 3 assets and liabilities.

	2017	2016
Beginning of year	\$ 21,376,427	\$ 19,136,462
Purchases	6,552,425	6,775,524
Sales	(7,714,407)	(4,780,391)
Realized and unrealized (loss) gain—net	<u>(970,992)</u>	<u>244,832</u>
End of year	<u>\$ 19,243,453</u>	<u>\$ 21,376,427</u>
The amount of total (loss) gain for the year included in changes in net assets attributable to the change in unrealized gains relating to assets still held at June 30		
	<u>\$ (970,992)</u>	<u>\$ 244,832</u>

9. ENDOWMENT NET ASSETS

Catholic Charities endowment net assets consist of approximately 42 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with permanently restricted funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Catholic Charities has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted 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 UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (105,343)	\$ 2,199,116	\$ 6,415,716	\$ 8,509,489
Split-interest trust agreements			753,848	753,848
Board-designated endowment funds	<u>52,089,369</u>	<u> </u>	<u> </u>	<u>52,089,369</u>
Total endowment funds	<u>\$ 51,984,026</u>	<u>\$ 2,199,116</u>	<u>\$ 7,169,564</u>	<u>\$ 61,352,706</u>

Endowment net asset composition by type of fund as of June 30, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (28,363)	\$ 2,290,288	\$ 6,395,166	\$ 8,657,091
Split-interest trust agreements			883,629	883,629
Board-designated endowment funds	<u>46,686,693</u>	<u> </u>	<u> </u>	<u>46,686,693</u>
Total endowment funds	<u>\$ 46,658,330</u>	<u>\$ 2,290,288</u>	<u>\$ 7,278,795</u>	<u>\$ 56,227,413</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	<u>\$ 46,658,330</u>	<u>\$ 2,290,288</u>	<u>\$ 7,278,795</u>	<u>\$ 56,227,413</u>
Investment return:				
Dividend and interest income	956,660	54,992	149,702	1,161,354
Realized and unrealized gains (losses)—net	<u>4,331,200</u>	<u>(106,642)</u>	<u>(138,604)</u>	<u>4,085,954</u>
Total investment return	<u>5,287,860</u>	<u>(51,650)</u>	<u>11,098</u>	<u>5,247,308</u>
Contributions and other additions	<u>2,205,132</u>	<u>61,096</u>	<u>20,550</u>	<u>2,286,778</u>
Appropriation of endowment assets for expenditures	<u>(2,167,296)</u>	<u>(100,618)</u>	<u>(140,879)</u>	<u>(2,408,793)</u>
Endowment net assets—end of year	<u>\$ 51,984,026</u>	<u>\$ 2,199,116</u>	<u>\$ 7,169,564</u>	<u>\$ 61,352,706</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	<u>\$ 46,556,339</u>	<u>\$ 2,194,265</u>	<u>\$ 7,270,684</u>	<u>\$ 56,021,288</u>
Investment return:				
Dividend and interest income	1,080,834	57,848	164,509	1,303,191
Realized and unrealized (losses) gains—net	<u>(278,699)</u>	<u>110,004</u>	<u>(86,883)</u>	<u>(255,578)</u>
Total investment return	<u>802,135</u>	<u>167,852</u>	<u>77,626</u>	<u>1,047,613</u>
Contributions and other additions	<u>1,186,638</u>	<u>20,000</u>	<u>58,771</u>	<u>1,265,409</u>
Appropriation of endowment assets for expenditures	<u>(1,886,782)</u>	<u>(91,829)</u>	<u>(128,286)</u>	<u>(2,106,897)</u>
Endowment net assets—end of year	<u>\$ 46,658,330</u>	<u>\$ 2,290,288</u>	<u>\$ 7,278,795</u>	<u>\$ 56,227,413</u>

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires Catholic Charities to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were \$105,343 and \$28,363 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted net assets during fiscal year 2017 and 2016.

Return Objectives and Risk Parameters—Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowments that Catholic Charities must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, the Board-designated endowment assets are invested in a manner that is intended to produce a return that exceeds the level of inflation as measured by the Consumer Price Index (CPI) by at least 5% on a rolling three-year basis. Catholic Charities expects its Board-designated endowment funds, over time, to provide an average rate of return of approximately 5% annually, plus CPI, which is in excess of inflation. Actual returns in any given year may vary from this amount. Donor-restricted endowments are invested in fixed-income securities and cash equivalents or as the donor specifically requests.

Strategies Employed for Achieving Objectives—To satisfy its long term rate-of-return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy—Catholic Charities has a policy of appropriating endowment distributions each year of up to 5% of a rolling three-year average of its Board-designated endowment fund's average fair value. In establishing this policy, Catholic Charities considered the long-term expected

return on its Board-designated endowment. Accordingly, over the long term, Catholic Charities expects the current spending policy to allow its endowment to grow on average at a rate equal to or higher than CPI. This is consistent with the organization's objective to maintain the fair value of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Donor-restricted endowments are spent in accordance with the donors' wishes and distributions are made annually to the programs and activities of Catholic Charities for the purposes, which conform to the donors' stated intentions.

10. FAIR VALUE MEASUREMENT

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs are not observable.

In addition, investments that Catholic Charities are able to fully redeem at the NAV at the combined statement of financial position date, or in the "near term," have been classified as Level 2 investments. Investments that cannot be fully redeemed at the NAV in the "near term" have been classified as Level 3 investments. Investments that are not able to be redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after the combined statement of financial position date.

Catholic Charities attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. Catholic Charities is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, Catholic Charities uses independent pricing services to establish fair value.

Assets Measured at Fair Value—Assets measured at fair value on a recurring basis as of June 30, 2017, are as follows:

	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 858,024	\$ -	\$ -	\$ 858,024
Equity securities	139,532			139,532
Mutual funds—equity strategy	21,667,622			21,667,622
Mutual funds—fixed income strategy	9,868,628			9,868,628
Fixed income securities:				
U.S. Treasuries		4,110,832		4,110,832
U.S. government agencies		9,680,574		9,680,574
Corporate		4,724,812		4,724,812
Commingled fund		<u>19,950,742</u>		<u>19,950,742</u>
Subtotal	<u>32,533,806</u>	<u>38,466,960</u>	<u>-</u>	<u>71,000,766</u>
Alternative investments:				
Marketable alternative equity			5,015,324	5,015,324
Real estate			5,113,507	5,113,507
Private equity			<u>1,549,701</u>	<u>1,549,701</u>
Total alternative investments	<u>-</u>	<u>-</u>	<u>11,678,532</u>	<u>11,678,532</u>
Split-interest trust agreements			<u>753,848</u>	<u>753,848</u>
Total	<u>\$ 32,533,806</u>	<u>\$ 38,466,960</u>	<u>\$ 12,432,380</u>	<u>\$ 83,433,146</u>

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

	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 1,128,166	\$ -	\$ -	\$ 1,128,166
Equity securities	2,721,922			2,721,922
Mutual funds—equity strategy	15,974,386			15,974,386
Mutual funds—fixed income strategy	8,344,274			8,344,274
Fixed income securities:				
U.S. Treasuries		4,948,566		4,948,566
U.S. government agencies		9,240,877		9,240,877
Corporate		7,256,290		7,256,290
Commingled fund		<u>16,074,248</u>		<u>16,074,248</u>
Subtotal	<u>28,168,748</u>	<u>37,519,981</u>	<u>-</u>	<u>65,688,729</u>
Alternative investments:				
Marketable alternative equity			5,691,887	5,691,887
Real estate			4,892,898	4,892,898
Private equity			<u>1,301,636</u>	<u>1,301,636</u>
Total alternative investments	<u>-</u>	<u>-</u>	<u>11,886,421</u>	<u>11,886,421</u>
Split-interest trust agreements			<u>883,629</u>	<u>883,629</u>
Total	<u>\$28,168,748</u>	<u>\$37,519,981</u>	<u>\$12,770,050</u>	<u>\$78,458,779</u>

A reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and changes in unrealized gains or losses recorded in change in net assets for the years ended June 30, 2017 and 2016, for Level 3 assets is as follows:

	2017	2016
Beginning of year	\$ 11,886,421	\$ 8,002,487
Purchases	1,454,120	4,268,654
Sales	(2,225,312)	(385,675)
Realized and unrealized gains—net	<u>563,303</u>	<u>955</u>
End of year	<u>\$ 11,678,532</u>	<u>\$ 11,886,421</u>

The amount of total gains or losses for the year included in changes in net assets attributable to the change in unrealized gains relating to assets still held at June 30

	<u>\$ 563,303</u>	<u>\$ 955</u>
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The following section describes the valuation methodologies used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instrument is generally classified. Catholic Charities uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services. Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* also requires disclosure to assist in understanding the nature and risk of investments by major category for those investments that calculate an NAV.

Short-term investments include invested cash, money market mutual funds, and certificates of deposit, and are generally categorized in Level 1 of the fair value hierarchy.

Equity securities are valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Fixed income securities are composed of U.S. Treasuries, U.S. government agency securities, and corporate bonds. U.S. Treasuries are valued using quoted market prices of similar securities and, accordingly, are categorized in Level 2 of the fair value hierarchy. U.S. government agency securities are composed of noncallable agency issued debt securities and are generally valued using quoted market prices. Actively traded noncallable agency issued debt securities are categorized in Level 2 of the fair value hierarchy. The fair value of corporate bond securities is estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Commingled funds are an unregistered investment fund with a daily NAV that invests in large-cap and small-cap companies located in the United States. The commingled funds allow investors to sell their interests with a one-day notice. Such commingled funds are categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in a fund of funds and hedge funds. Marketable alternative equity investments that cannot be fully redeemed at NAV in the "near term" are investments that cannot be redeemed at NAV within 90 days after the statement of financial position date. These marketable alternative equity investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These Level 3 investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management. Marketable alternative equity investments that can be redeemed within the "near term" are categorized in Level 2 of the fair value hierarchy. These Level 2 investments are composed of funds whose underlying securities are primarily valued based on quoted prices from an exchange.

Fixed income alternative investments are composed of hedge funds that invest in bonds. Fixed income alternative investments whose underlying assets are composed of securities that are valued based on observable transactions are generally categorized in Level 2 of the fair value hierarchy. Fixed income alternative investments whose underlying assets are not observable or whose value for underlying assets is determined using unobservable

inputs are categorized as Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate alternative investments are comprised of investments in diversified real estate funds. Real estate alternative investments that cannot be fully redeemed at NAV in the "near term" are investments that cannot be redeemed at NAV within 90 days after the combined statement of financial position date. These real estate alternative investments cannot be redeemed within the "near term" and are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Private equity investments are comprised of investments in limited partnerships and private equity funds. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management. Private equity investments are categorized in Level 3 of the fair value hierarchy.

Split-interest trust agreements are valued as an annuity in perpetuity and generally categorized in Level 3 of the fair value hierarchy.

The unfunded commitments, redemption frequency, and redemption notice period of investments held at NAV or its equivalent as of June 30, 2017 and 2016, are as follows:

	2017				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup or Gate
Commingled fund	\$ 19,950,742	\$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	5,015,324		Quarterly	>90 days	n/a
Real estate	5,113,507		Quarterly	>90 days	2–6 years
Private equity	<u>1,549,701</u>	<u>3,450,299</u>	Quarterly	>90 days	3–5 years
Total	<u>\$ 31,629,274</u>	<u>\$ 3,450,299</u>			
	2016				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup or Gate
Commingled fund	\$ 16,074,248	\$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	5,691,887		Quarterly	>90 days	n/a
Real estate	4,892,898		Quarterly	>90 days	2–6 years
Private equity	<u>1,301,636</u>	<u>3,698,364</u>	Quarterly	>90 days	3–5 years
Total	<u>\$ 27,960,669</u>	<u>\$ 3,698,364</u>			

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of current assets, trustee funds and current liabilities approximate their fair value, as they are short term in nature. The carrying value of gift annuities payable approximates fair value as of June 30, 2017 and 2016.

12. NONCASH ASSISTANCE

During the years ended June 30, 2017 and 2016, Catholic Charities received certain food commodities with a value of \$4,064,523 and \$3,866,990, respectively, under the terms of the federally funded programs whereby Catholic Charities acts as a distributor. The receipt and subsequent distribution of these commodities are not shown as revenues or expenditures in the combined financial statements of Catholic Charities.

Catholic Charities recorded program-related in-kind donations of gifts in the amount of \$1,541,394 and \$1,364,865 during the years ended June 30, 2017 and 2016, respectively, which it distributed to the families it serves.

On June 19, 2017, Catholic Charities received a donation of a property, Augustus Tolton Peace Center. The fair value of this property of \$1,290,000 was recorded as an in-kind donation for the year ended June 30, 2017.

13. CONCENTRATION OF RISK

A significant portion of the funding for several of the programs is received from federal, state, or local governmental agencies. Fees and grants from these governmental agencies represent approximately 75% of total revenues and support for the years ended June 30, 2017 and 2016.

Major Funder—Catholic Charities' largest government funder is the State of Illinois, who accounted for approximately 69% of the fees and grants from government agencies for the years ended June 30, 2017 and 2016. The funds received from the State of Illinois originate both from the federal government and the State of Illinois. The funds originating with the State of Illinois represented approximately 26% and 19% of the total amount of fees and grants from government agencies for the years ended June 30, 2017 and 2016, respectively. The loss of, or significant adverse change in, the relationship between the Catholic Charities and the State of Illinois could have a material effect on Catholic Charities' programs and financial results.

The State of Illinois also accounted for 69% and 72% of Catholic Charities' program receivables at June 30, 2017 and 2016, respectively. Although Catholic Charities is directly affected by the financial condition of its funders, management does not believe significant credit risks exist at this time.

14. COMMITMENTS AND CONTINGENCIES

Catholic Charities participates in a self-insurance program managed by the Archdiocesan Pastoral Center—Catholic Bishop of Chicago. In the event that Catholic Charities withdraws from participation in the program, amounts may be payable to the Archdiocesan Pastoral Center for residual liabilities relating to historical claims experience or for claims incurred but not yet reported.

Catholic Charities is occasionally party to lawsuits and claims arising out of the conduct of its business. While the ultimate results of lawsuits or other proceedings against Catholic Charities cannot be predicted with certainty, management of Catholic Charities is of the opinion that the liabilities resulting from these contingencies are not material in relationship to the combined financial condition of Catholic Charities.

Catholic Charities is obligated to fund capital calls up to \$5,000,000 in total to two of its alternative investments. As of June 30, 2017, Catholic Charities has a remaining commitment to fund \$3,450,299 of the obligated \$5,000,000.

In 2017, Cooke's Manor LLC ("Cooke's Manor") closed an inpatient substance abuse treatment program that primarily served veterans. As part of the closure of this program, management has accrued \$115,219 for closing costs as of June 30, 2017. Management has estimated that closure of the program will be completed by December 31, 2018. Cooke's Manor currently has a lease for the property which expires November 16, 2036. The maximum remaining payments under this lease total \$930,799. In addition, Cooke's Manor has a note payable to Illinois Housing Development Authority and a refundable grant advance from Federal Home Loan Bank which have outstanding balances of \$736,600 and \$500,000, respectively, as of June 30, 2017. As of June 30, 2017, Cooke's Manor has \$171,030 in funds held by the Illinois Housing Development Authority.

15. TRANSACTIONS WITH RELATED PARTIES

Catholic Charities provides certain goods and services to various affiliated entities. A summary of the amounts due (to) from related parties, as of June 30, 2017 and 2016, is as follows:

	2017	2016
Due from (to):		
Maryville Academy	\$ (2,222)	\$ (2,164)
Little Sisters of the Poor	(2,169)	(2,121)
St. Leo Residence LLC	883,783	1,000,443
Cortland Manor LLC	<u>3,097,244</u>	<u>2,527,294</u>
Total due from affiliates	3,976,636	3,523,452
Less allowance for doubtful accounts	<u>(3,097,244)</u>	<u>(2,527,294)</u>
Total due from affiliates—net	<u>\$ 879,392</u>	<u>\$ 996,158</u>

St. Leo Residence LLC was formed in April 2003 for the purpose of constructing and operating a 141-unit residential apartment building located at 7750 South Emerald, Chicago, Illinois. The building was completed in August 2006. CCHDC is a controlling entity of the general partner of the limited partnership. As such, CCHDC has guaranteed to fund any operating deficits up to \$195,000 or reduced income tax benefits incurred by the limited partner during the duration of the partnership agreement. CCHDC has agreed to create and maintain required reserves totaling \$556,000, which was funded to the project at the conclusion of the development phase.

As of June 30, 2017 and 2016, CCHDC provided funding of \$526,476 in exchange for an equity ownership of .01% and a loan receivable of \$4,145,692, both of which are included in the combined statements of financial position. Future equity contributions of \$65,000 in total are expected to be made in subsequent periods. In addition, for the years ended June 30, 2017 and 2016, CCHDC and Catholic Charities collectively provided operating funding of \$424,883 and \$369,606, respectively, and received reimbursement of \$541,058 and \$430,808, respectively. As of June 30, 2017 and 2016, the net balance due from St Leo Residence LLC was \$883,783 and \$1,000,443, respectively. This amount is included in the combined statements of financial position as due from affiliates.

Cortland Manor LLC was formed in May 2001 for the purpose of rehabilitating and operating a 22-unit residential apartment building located at 1900 North Karlov Chicago, Illinois. The building was completed in July 2003. CCHDC is a controlling entity of the managing member of the limited liability company. As such, CCHDC has guaranteed to cover any operating deficits up to \$150,000 or reduced income tax benefits incurred by the limited partner during the duration of the operating agreement. CCHDC has agreed to create and maintain required reserves totaling \$170,000, which was funded to the project at the conclusion of the development phase.

As of June 30, 2017 and 2016, CCHDC has provided funding to the Cortland Manor LLC of \$105,734 in exchange for an equity ownership of .01% and a loan receivable of \$1,289,158, both of which are included in the combined statements of financial position. In addition, for the years ended June 30, 2017 and 2016, Catholic Charities provided operating funding of \$856,239 and \$767,209, respectively, and received reimbursement of \$286,280 and \$480,000, respectively. As of June 30, 2017 and 2016, the net balance due from Cortland Manor LLC was \$3,097,244 and \$2,527,294, respectively. As of June 30, 2017 and 2016, this receivable includes a reserve for doubtful accounts of \$3,097,244 and \$2,527,294, respectively. The net amount is included in the combined statements of financial position as due from affiliates.

16. RESIDUAL RECEIPT RECAPTURE

Residual receipts are generated through the operation of senior and disabled residences which are funded by HUD. At the end of the fiscal year, surplus cash is determined by subtracting certain liabilities from available unrestricted cash. The funds may be released from the reserve only with the prior written approval from HUD. In 2016, Catholic Charities received instruction from HUD that any residual receipts generated which are in excess of \$250 per unit will be required to be repaid to HUD. Prior to receiving this instruction, residual receipts were included in net assets. As of June 30, 2016, a residual receipts payable was established. The amount expected to be repaid to HUD is \$518,918 and \$1,217,921 as of June 30, 2017 and 2016, respectively. Residual receipt recapture expense of \$1,165,297 was recognized in fiscal year 2016 relating to residual receipts generated in prior years. Residual receipts recapture expense of \$28,820 and \$52,624 generated during fiscal year 2017 and 2016, respectively, is reflected as an adjustment to fees and grants from governmental agencies.

Residual receipts are included in the combined statements of financial position as other liabilities and are expected to be repaid to HUD as follows:

Years Ending	
June 30	
2018	\$ 9,459
2019	
2020	
2021	307,802
2022	
Thereafter	<u>201,657</u>
 Total	 <u>\$518,918</u>

17. ACQUISITIONS

Effective July 1, 2015, Catholic Charities entered into a transfer agreement with the Sisters of the Good Shepherd Province of Mid-North America to assume sponsorship and obtain control of the House of the Good Shepherd and its assets and liabilities. No consideration was paid for the acquisition. House of the Good Shepherd is a domestic violence shelter for women and children. The fair value of the net assets acquired on July 1, 2015 was \$1,622,449. As no consideration was paid for the acquisition, an inherent contribution of \$1,622,449 was recorded in the Statement of Activities and Changes in Net Assets (Deficit). The results of the operations beginning July 1, 2015 for House of the Good Shepherd are included in the combined financial statements of Catholic Charities.

Effective January 1, 2016, Catholic Charities entered into a transfer agreement with the Comboni Missionaries of the Heart of Jesus, Inc. to assume sponsorship and obtain control of Peace Corner and its assets and liabilities. No consideration was paid for the acquisition. Peace Corner operates a youth center which provides a safe haven for youth in a neighborhood usually characterized by violence and crime. The fair value of the net assets acquired on January 1, 2016 was \$1,917,385. As no consideration was paid for the acquisition, an inherent contribution of \$1,917,385 was recorded in the Combined Statements of Activities and Changes in Net Assets (Deficit). The results of the operations of Peace Corner beginning January 1, 2016 are included in the combined financial statements of Catholic Charities.

18. SUBSEQUENT EVENTS

On September 29, 2017, Cooke's Manor was notified that the refundable grant advance of \$500,000 through Federal Home Loan Bank is no longer required to be repaid.

On October 16, 2017, management announced that the pension plan has been amended. Effective July 1, 2019, employees with less than 20 years of credited service in the pension plan will not accrue any additional benefits after that date. Employees with more than 20 years of credited service will continue to accrue benefits under the pension plan. The impact of this amendment on the pension obligation has not yet been determined.

Management has evaluated all subsequent events through December 15, 2017, which is the date the combined financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

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SUPPLEMENTAL INFORMATION

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing Homelessness Prevention Call Center	Cooke's Manor, LLC	Other	St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
ASSETS													
CURRENT ASSETS:													
Cash and cash equivalents	\$ 23,408,475	\$ 33,412	\$ 904,108	\$ 100,366	\$ 2,111	\$(31,743)	\$ -	\$ 42,152	\$ 9,148	\$ 162,392	\$ 125,299	\$ -	\$ 24,755,720
Receivables—net	32,726,807		102,544	279,142					1,813,379	35,100	54,694		35,011,666
Prepaid and other assets	1,779,606	87,514	68,107	2,318	50	675			50,945	13,919	197		2,003,331
Due from affiliates—net	<u>1,649,491</u>	<u>17,686,291</u>								<u>966,221</u>		<u>(19,422,611)</u>	<u>879,392</u>
Total current assets	59,564,379	17,807,217	1,074,759	381,826	2,161	(31,068)	-	42,152	1,873,472	1,177,632	180,190	(19,422,611)	62,650,109
INVESTMENTS	82,506,328	632,210							172,970				83,311,508
LONG-TERM RECEIVABLES	635,850	8,029,028										(2,594,178)	6,070,700
OTHER NONCURRENT ASSETS	803,989		10,280,540		171,030				110,735				11,366,294
LAND, BUILDINGS, AND EQUIPMENT—Net	<u>23,461,448</u>	<u>284,853</u>	<u>137,317,591</u>	<u>4,815</u>		<u>71,975</u>			<u>17,461,270</u>	<u>204,446</u>	<u>1,582,586</u>		<u>180,388,984</u>
TOTAL	<u>\$ 166,971,994</u>	<u>\$ 26,753,308</u>	<u>\$ 148,672,890</u>	<u>\$ 386,641</u>	<u>\$ 173,191</u>	<u>\$ 40,907</u>	<u>\$ -</u>	<u>\$ 42,152</u>	<u>\$ 19,618,447</u>	<u>\$ 1,382,078</u>	<u>\$ 1,762,776</u>	<u>\$ (22,016,789)</u>	<u>\$ 343,787,595</u>
LIABILITIES AND NET ASSETS (DEFICIT)													
CURRENT LIABILITIES:													
Accounts payable and accrued compensation	\$ 8,700,417	\$ 1,367	\$ 1,115,158	\$ 5,023	\$ 115,493	\$ 1,015	\$ -	\$ 500	\$ 596,498	\$ 63,654	\$ 26,480	\$ -	\$ 10,625,605
Interest payable	41,533	14,541	33,661										89,735
Due to governmental agencies	6,589,996										6,785		6,596,781
Due to affiliates—net			4,984,576	1,922,072	1,225,900	58,828	(34,784)	475,258	13,330,311	92,164	(37,536)	(22,016,789)	-
Current portion of other liabilities	1,250,136		9,459						21,200	13,875			1,294,670
Contractual current portion of long-term debt	<u>197,539</u>		<u>162,387</u>		<u>300</u>								<u>360,226</u>
Total current liabilities	16,779,621	15,908	6,305,241	1,927,095	1,341,693	59,843	(34,784)	475,758	13,948,009	169,693	(4,271)	(22,016,789)	18,967,017
OTHER NONCURRENT LIABILITIES	1,982,986		936,611			1,580			250,718	1,226			3,173,121
RETIREMENT BENEFITS LIABILITIES (Current and noncurrent)	114,596,949												114,596,949
REFUNDABLE GRANT ADVANCES		934,629	153,460,279		500,000								154,894,908
LONG-TERM DEBT—Less current portion	<u>3,118,815</u>	<u>10,016,335</u>	<u>6,961,722</u>		<u>736,300</u>								<u>20,833,172</u>
Total liabilities	136,478,371	10,966,872	167,663,853	1,927,095	2,577,993	61,423	(34,784)	475,758	14,198,727	170,919	(4,271)	(22,016,789)	312,465,167
NET ASSETS (DEFICIT)	<u>30,493,623</u>	<u>15,786,436</u>	<u>(18,990,963)</u>	<u>(1,540,454)</u>	<u>(2,404,802)</u>	<u>(20,516)</u>	<u>34,784</u>	<u>(433,606)</u>	<u>5,419,720</u>	<u>1,211,159</u>	<u>1,767,047</u>		<u>31,322,428</u>
TOTAL	<u>\$ 166,971,994</u>	<u>\$ 26,753,308</u>	<u>\$ 148,672,890</u>	<u>\$ 386,641</u>	<u>\$ 173,191</u>	<u>\$ 40,907</u>	<u>\$ -</u>	<u>\$ 42,152</u>	<u>\$ 19,618,447</u>	<u>\$ 1,382,078</u>	<u>\$ 1,762,776</u>	<u>\$ (22,016,789)</u>	<u>\$ 343,787,595</u>

See accompanying independent auditors' report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2017

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing Homelessness Prevention Call Center	Cooke's Manor, LLC	Other	St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
REVENUE:													
Fees and grants from governmental agencies	\$ 127,559,867	\$ -	\$ 12,724,439	\$ 566,130	\$ 112,242	\$ -	\$ -	\$ -	\$ 6,703,821	\$ -	\$ 81,569	\$ -	\$ 147,748,068
Program service fees	10,717,568	79,212	5,225,060	550	9,680	19,176		15,173	5,659,152	68,041	1,175	(1,649,112)	20,145,675
Contributions	26,160,274	408	1,006	127,778	79,478				272,991	931,785	184,604	(158,344)	27,599,980
United Way	3,004,118			3,333						1,809			3,009,260
Other revenue	59,875												59,875
Inherent contributions													
Investment income	6,730,480	263,117			188,677				11,541	148,597			7,342,412
Total revenue	<u>174,232,182</u>	<u>342,737</u>	<u>17,950,505</u>	<u>697,791</u>	<u>390,077</u>	<u>19,176</u>	<u>-</u>	<u>15,173</u>	<u>12,647,505</u>	<u>1,150,232</u>	<u>267,348</u>	<u>(1,807,456)</u>	<u>205,905,270</u>
EXPENSES:													
Salaries	65,013,675	18,267	3,221,513	484,157	95,860			14,402	5,532,327	472,143	130,629		74,982,973
Employee benefits/payroll taxes	29,627,183	11,088	1,752,072	227,208	35,042		(130)	1,364	1,896,629	152,310	31,597		33,734,363
Total salaries and related expenses	94,640,858	29,355	4,973,585	711,365	130,902	-	(130)	15,766	7,428,956	624,453	162,226	-	108,717,336
Food purchases	31,666,189				952				368,331				32,035,472
Specific assistance to individuals	14,375,209			6					(1,083)	3,680	19,872		14,397,684
Occupancy	8,286,969	8,278	3,669,603	62,496	79,276	10,806		2,151	491,115	79,521	26,697	(14,840)	12,702,072
Supplies	3,314,435	215	779,785	24,209	11,520				756,101	18,011	19,481		4,923,757
Professional fees and contract service payments	10,663,025	66,013	3,066,074	121,911	69,892	274		1,413	2,074,708	180,659	100,093	(328,104)	16,015,958
Telephone	1,594,364	1,964	176,237	29,583	6,984			97	37,359	15,143	5,865		1,867,596
Outside printing	450,862	50	450	339	50				3,962	14,133	909		470,755
Local transportation	1,676,352	1,517	71,959	3,959	(5,983)				21,192	5,334	86		1,774,416
Conferences, conventions, and meetings	1,872,217	1,253	1,332,441	1,161	7,436				9,088	747	1,239	(1,306,168)	1,919,414
Membership dues and subscriptions	176,399	55	16,391	1,138	35				21,209				215,227
Awards and grants	60,762		8,618	57							513		69,950
Interest and financing costs	135,598	116,365	409,723						33,687				695,373
Loss on disposal of land, building and equipment, net	(2,799)				1,323,958								1,321,159
Payments to affiliates	4,400												4,400
Distribution of in-kind gifts	1,541,394									158,344		(158,344)	1,541,394
Retirement benefit-related changes other than net periodic cost	(40,919,698)												(40,919,698)
Miscellaneous	1,098,589	21,121	43,197	476	115,658			866	93,356	10,210	511		1,383,984
Total expenses before depreciation and allocation of management and general expenses	130,635,125	246,186	14,548,063	956,700	1,740,680	11,080	(130)	20,293	11,337,981	1,110,235	337,492	(1,807,456)	159,136,249
Depreciation	2,166,689	8,298	3,218,607	1,051	53,388	6,537			724,120	44,228	46,715		6,269,633
Allocation of management and general expenses	(2,821,319)	22,647	1,514,551	81,654	40,080	1,502		1,730	1,028,363	98,522	32,270		
Total expenses	<u>129,980,495</u>	<u>277,131</u>	<u>19,281,221</u>	<u>1,039,405</u>	<u>1,834,148</u>	<u>19,119</u>	<u>(130)</u>	<u>22,023</u>	<u>13,090,464</u>	<u>1,252,985</u>	<u>416,477</u>	<u>(1,807,456)</u>	<u>165,405,882</u>
CHANGE IN NET ASSETS (DEFICIT)	44,251,687	65,606	(1,330,716)	(341,614)	(1,444,071)	57	130	(6,850)	(442,959)	(102,753)	(149,129)	-	40,499,388
NET ASSETS (DEFICIT)—Beginning of year	(13,758,064)	15,720,830	(17,660,247)	(1,198,840)	(960,731)	(20,573)	34,654	(426,756)	5,862,679	1,313,912	1,916,176		(9,176,960)
INTERAGENCY TRANSFER													
NET ASSETS (DEFICIT)—End of year	<u>\$ 30,493,623</u>	<u>\$ 15,786,436</u>	<u>\$ (18,990,963)</u>	<u>\$ (1,540,454)</u>	<u>\$ (2,404,802)</u>	<u>\$ (20,516)</u>	<u>\$ 34,784</u>	<u>\$ (433,606)</u>	<u>\$ 5,419,720</u>	<u>\$ 1,211,159</u>	<u>\$ 1,767,047</u>	<u>\$ -</u>	<u>\$ 31,322,428</u>

See accompanying independent auditors' report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
CASH FLOWS FROM OPERATING ACTIVITIES:													
Increases (decreases) in net assets (deficit)	\$ 44,251,687	\$ 65,606	\$(1,330,716)	\$(341,614)	\$(1,444,071)	\$ 57	\$ 130	\$ (6,850)	\$(442,959)	\$(102,753)	\$(149,129)	\$ -	\$ 40,499,388
Adjustments to reconcile increases (decreases) in net assets (deficit) to net cash provided by (used in) operating activities:													
Retirement benefit changes other than net periodic cost	(40,919,698)												(40,919,698)
Bad debt expense	631,544								91,959				723,503
Loss on the disposal of land, building and equipment, net	(2,799)				1,323,958								1,321,159
Depreciation	2,166,689	8,298	3,218,607	1,051	53,388	6,537			724,120	44,228	46,715		6,269,633
Amortization of deferred debt issuance costs		5,111											5,111
Net realized gain on investments	(1,153,800)								(1,578)				(1,155,378)
Net unrealized gain on investments	(4,492,077)								(5,587)				(4,497,664)
Change in fair value of split-interest trust agreements	129,781												129,781
Contributions restricted for permanent endowment	(20,550)												(20,550)
Contributed investments	(890,824)												(890,824)
Inherent contributions	(1,290,000)												(1,290,000)
Actuarial gain on charitable gift annuities	(678,048)												(678,048)
Amortization of discount on note payable	77,053												77,053
Changes in operating accounts:													
Receivables	(5,139,062)		66,699	(172,686)	45,025			3,379	(809,442)	57,087	7,806		(5,941,194)
Prepaid and other assets	(470,285)	6,218	(15,710)	(332)	1,836	(16)		541	(28,483)	5,665	101		(500,465)
Due (to) from affiliates	(179,215)	(8,183,070)	(541,479)	577,188	(100,254)	(15,916)	(130)	(18,608)	765,691	(151,622)	(64,847)	8,029,028	116,766
Accounts payable and accrued compensation	(380,459)	(38,023)	(1,034)	(6,355)	109,289	8		(5,913)	55,025	9,666			(257,796)
Pension and postretirement benefits	6,854,546												6,854,546
Security deposits			6,720			(2,202)			(28,372)	(734)			(24,588)
Gift annuities payable	69,375												69,375
Other liabilities	4,404,266	3,723	(696,296)						3,775	13,875	26,692		3,756,035
Net cash provided by (used in) operating activities	2,968,124	(8,132,137)	706,791	57,252	(10,829)	(11,532)	-	(27,451)	324,149	(124,588)	(132,662)	8,029,028	3,646,145
CASH FLOWS FROM INVESTING ACTIVITIES:													
Land, buildings, and equipment purchased or constructed	(1,514,958)	38,325	(316,022)						(259,460)	(59,800)			(2,111,915)
Net purchases/sales of investments	1,444,028								(4,310)				1,439,718
Cash in loan receivable		8,029,028										(8,029,028)	-
Assets transferred—affiliate													-
Proceeds from sale of fixed assets	2,799												2,799
Cash transferred from acquisition of other entities													-
Changes in assets whose use is limited	1,971		(328,735)		(14,823)				(99,170)				(440,757)
Net cash (used in) provided by investing activities	(66,160)	8,067,353	(644,757)	-	(14,823)	-	-	-	(362,940)	(59,800)	-	(8,029,028)	(1,110,155)

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
CASH FLOWS FROM FINANCING ACTIVITIES:													
Repayments of long-term debt	\$ (271,458)	\$ -	\$ (161,975)	\$ -	\$ (1,200)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (434,633)
Repayments of capital lease obligations	(287,578)												(287,578)
Contributions restricted for permanent endowment	20,550												20,550
Net cash (used in) provided by financing activities	<u>(538,486)</u>	<u>-</u>	<u>(161,975)</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(701,661)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	2,363,478	(64,784)	(99,941)	57,252	(26,852)	(11,532)	-	(27,451)	(38,791)	(184,388)	(132,662)	-	1,834,329
CASH AND CASH EQUIVALENTS—Beginning of year	<u>21,044,997</u>	<u>98,196</u>	<u>1,004,049</u>	<u>43,114</u>	<u>28,963</u>	<u>(20,211)</u>		<u>69,603</u>	<u>47,939</u>	<u>346,780</u>	<u>257,961</u>		<u>22,921,391</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 23,408,475</u>	<u>\$ 33,412</u>	<u>\$ 904,108</u>	<u>\$ 100,366</u>	<u>\$ 2,111</u>	<u>\$ (31,743)</u>	<u>\$ -</u>	<u>\$ 42,152</u>	<u>\$ 9,148</u>	<u>\$ 162,392</u>	<u>\$ 125,299</u>	<u>\$ -</u>	<u>\$ 24,755,720</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:													
Cash paid for interest	<u>\$ 134,233</u>	<u>\$ 112,642</u>	<u>\$ 410,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,320</u>
Contributed investments	<u>\$ 890,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,824</u>
Accounts payable for fixed asset additions	<u>\$ 299,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,553</u>
Fair value of donated fixed assets	<u>\$ 1,290,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,290,000</u>
Fixed assets acquired with capital lease obligations	<u>\$ 932,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 932,950</u>

See accompanying independent auditors' report

(Concluded)