Financial Statements and Report of
Independent Certified Public Accountants

St. Gabriel's System

June 30, 2014 and 2013

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Report of Independent Certified Public Accountants

Board of Directors
St. Gabriel's System
Philadelphia, Pennsylvania

Report on the financial statements
We have audited the accompanying financial statements of St. Gabriel's System (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel's System as of June 30, 2014 and 2013, and its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

December 10, 2014

St. Gabriel's System

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 16,795	$ -	$ -	$ 16,795
Accounts receivable - DHS and CBH, less allowance of $95,000	4,126,679	-	-	4,126,679
Accounts receivable - State Act 30 educational funding, less allowance of $30,000	6,557,526	-	-	6,557,526
Accounts receivable - other governmental	328,055	-	-	328,055
Accounts receivable - other	444,134	-	-	444,134
Pledges receivable - Office of Development, United Way, net	344	-	-	344
Prepaid expenses and other assets	556,876	-	-	556,876
Total current assets	12,030,409	-	-	12,030,409
Property, plant and equipment, net	6,909,778	-	-	6,909,778
Investments	831,529	-	-	831,529
Trusts held by third parties	-	375	235,139	235,514
Total assets	$ 19,771,716	$ 375	$ 235,139	$ 20,007,230
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 307,343	$ -	$ -	$ 307,343
Salaries and wages payable	2,188,565	-	-	2,188,565
Due to Archdiocese of Philadelphia - Catholic Social Services and related entities	4,400,875	-	-	4,400,875
Related party term loan - St. Joseph's House for Homeless Industrious Boys	109,545	-	-	109,545
Total current liabilities	7,006,328	-	-	7,006,328
Related party term loan - St. Joseph's House for Homeless Industrious Boys, net of current portion	5,910,651	-	-	5,910,651
Total liabilities	12,916,979	-	-	12,916,979
Net assets				
Unrestricted	6,854,737	-	-	6,854,737
Temporarily restricted	-	375	-	375
Permanently restricted	-	-	235,139	235,139
Total net assets	6,854,737	375	235,139	7,090,251
Total liabilities and net assets	$ 19,771,716	$ 375	$ 235,139	$ 20,007,230

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

St. Gabriel's System

STATEMENT OF FINANCIAL POSITION

June 30, 2013

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 17,875	$ -	$ -	$ 17,875
Accounts receivable - DHS and CBH, less allowance of $95,000	2,191,324	-	-	2,191,324
Accounts receivable - State Act 30 educational funding, less allowance of $30,000	9,730,040	-	-	9,730,040
Accounts receivable - other governmental	521,222	-	-	521,222
Accounts receivable - other	348,149	-	-	348,149
Pledges receivable - Office of Development, United Way, net	527	-	-	527
Prepaid expenses and other assets	415,922	-	-	415,922
Total current assets	13,225,059	-	-	13,225,059
Property, plant and equipment, net	7,635,450	-	-	7,635,450
Investments	714,509	-	-	714,509
Trusts held by third parties	-	375	235,326	235,701
Total assets	$ 21,575,018	$ 375	$ 235,326	$ 21,810,719
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 361,039	$ -	$ -	$ 361,039
Salaries and wages payable	1,836,951	-	-	1,836,951
Due to Archdiocese of Philadelphia - Catholic Social Services	6,689,698	-	-	6,689,698
Related party term loan - St. Joseph's House for Homeless Industrious Boys	115,018	-	-	115,018
Total current liabilities	9,002,706	-	-	9,002,706
Related party term loan - St. Joseph's House for Homeless Industrious Boys, net of current portion	6,020,197	-	-	6,020,197
Total liabilities	15,022,903	-	-	15,022,903
Net assets				
Unrestricted	6,552,115	-	-	6,552,115
Temporarily restricted	-	375	-	375
Permanently restricted	-	-	235,326	235,326
Total net assets	6,552,115	375	235,326	6,787,816
Total liabilities and net assets	$ 21,575,018	$ 375	$ 235,326	$ 21,810,719

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

St. Gabriel's System

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	$ 26,327,996	$ -	$ -	$ 26,327,996
Contributed services	23,672	-	-	23,672
Contributed rent	168,600	-	-	168,600
Contributed services - Archdiocese of Philadelphia - Catholic Social Services	207,817	-	-	207,817
Other revenues	5,009	-	-	5,009
Total operating revenue	26,733,094	-	-	26,733,094
Operating expenses				
Salaries, wages and other payroll costs	19,768,735	-	-	19,768,735
Administrative and general expenses	2,900,653	-	-	2,900,653
Occupancy	1,691,564	-	-	1,691,564
Direct expenses of care	1,371,727	-	-	1,371,727
Depreciation	981,805	-	-	981,805
Interest	352,315	-	-	352,315
Bad debt expense	79,558	-	-	79,558
Total operating expenses	27,146,357	-	-	27,146,357
Deficiency of operating revenue under operating expenses	(413,263)	-	-	(413,263)
Other revenue (expenses)				
Donations/bequests/other	98,775	-	-	98,775
Catholic Charities Appeal	100,000	-	-	100,000
Trust income	400,000	-	-	400,000
Dividends and interest income	8,884	-	-	8,884
Net realized gains (losses) on investments	69,972	-	(187)	69,785
Net unrealized gains on investments	38,164	-	-	38,164
Total other revenue (expenses)	715,795	-	(187)	715,608
Change in net assets	302,622	-	(187)	302,435
Net assets				
Beginning of year	6,552,115	375	235,326	6,787,816
End of year	$ 6,854,737	$ 375	$ 235,139	$ 7,090,251

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

St. Gabriel's System

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	$ 26,337,489	$ -	$ -	$ 26,337,489
Contributed services	89,213	-	-	89,213
Contributed rent	168,600	-	-	168,600
Contributed services - Archdiocese of Philadelphia - Catholic Social Services	197,198	-	-	197,198
Other revenues	7,759	-	-	7,759
Total operating revenue	26,800,259	-	-	26,800,259
Operating expenses				
Salaries, wages and other payroll costs	21,090,599	-	-	21,090,599
Administrative and general expenses	3,223,504	-	-	3,223,504
Occupancy	1,868,519	-	-	1,868,519
Direct expenses of care	1,525,840	-	-	1,525,840
Depreciation	951,177	-	-	951,177
Interest	415,578	-	-	415,578
Bad debt expense	1,480	-	-	1,480
Total operating expenses	29,076,697	-	-	29,076,697
Deficiency of operating revenue under operating expenses	(2,276,438)	-	-	(2,276,438)
Other revenue (expenses)				
Donations/bequests/other	125,129	-	-	125,129
Capital contributions - related party - Heritage of Faith - Vision of Hope	304,015	-	-	304,015
Catholic Charities Appeal	100,000	-	-	100,000
Trust income	500,000	-	-	500,000
Dividends and interest income	11,109	-	-	11,109
Net realized gains on investments	44,426	-	-	44,426
Net unrealized gains (losses) on investments	17,725	-	(8,670)	9,055
Total other revenue (expenses)	1,102,404	-	(8,670)	1,093,734
Change in net assets	(1,174,034)	-	(8,670)	(1,182,704)
Net assets				
Beginning of year	7,726,149	375	243,996	7,970,520
End of year	$ 6,552,115	$ 375	$ 235,326	$ 6,787,816

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

St. Gabriel's System

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 302,435	$ (1,182,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	981,805	951,177
Bad debt expense	79,558	1,480
Net unrealized gains on investments	(38,164)	(9,055)
Net realized gains on investments	(69,785)	(44,426)
Changes in operating assets and liabilities		
Accounts receivable - DHS and CBH	(1,935,355)	(274,346)
Accounts receivable - State Act 30 educational funding	3,172,514	(3,161,626)
Accounts receivable - other governmental	193,167	(93,493)
Accounts receivable - other	(95,985)	(10,118)
Pledges receivable - Office of Development, United Way	183	(320)
Prepaid expenses and other assets	(140,954)	(361,506)
Accounts payable and accrued expenses	(53,697)	(440,216)
Salaries and wages payable	351,614	(172,799)
Due to Archdiocese of Philadelphia - Catholic Social Services	(2,288,823)	5,295,118
Net cash provided by operating activities	458,513	497,166
Cash flows from investing activities		
Capital expenditures	(256,133)	(375,587)
Net purchases and sales of investments	(88,441)	(11,109)
Payments on related party term loan - St. Joseph's House for Homeless Industrious Boys	(115,019)	(110,515)
Net cash used in investing activities	(459,593)	(497,211)
Change in cash and cash equivalents	(1,080)	(45)
Cash and cash equivalents		
Beginning of year	17,875	17,920
End of year	$ 16,795	$ 17,875

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A - ORGANIZATION

St. Gabriel's System ("St. Gabriel's") is a multi-service agency of the Archdiocese of Philadelphia providing residential and community based services for court adjudicated delinquent boys and young men at five facilities. These facilities are St. Gabriel's Hall, De La Salle Vocational, De La Salle in Towne, Rousseau Academy, and Aftercare Programs.

The accompanying financial statements include programs operated and administered by St. Gabriel's.

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services of the Archdiocese of Philadelphia ("CSS") established in 1919, is a multi-faceted social services organization whose departments offer a wide range of services to meet the needs of children, adults and families including adoption and foster care programs. CSS functions as a self-contained entity and maintains separate financial statements for each of its operations. St. Gabriel's is one of the organizations.

The Archdiocese of Philadelphia (the "Archdiocese") was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the "Church") for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. St. Gabriel's, which is related, is operated separately and distinctly from the Archdiocese of Philadelphia.

Catholic Charities Appeal, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including St. Gabriel's.

Heritage of Faith - Vision of Hope, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including St. Gabriel's.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). St. Gabriel's presents its financial statements in accordance with the guidance set forth by the Financial Accounting Standards Board ("FASB") in regard to *Financial Statements of Not-for-Profit and Healthcare Organizations*. Accordingly, St. Gabriel's net assets and its revenues, expenses, gains and losses are classified into three categories, based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets.

Permanently restricted net assets include the historical dollar amounts of contributions, including pledges, trusts, and remainder interests, which are required by donors to be permanently retained. Capital appreciation, if permanently restricted by the donor or a third party, is included in permanently restricted net assets.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Temporarily restricted net assets include contributions, including pledges, trusts, remainder interests, income and appreciation which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

2. Use of Estimates

The preparation of financial statements in conformity with US 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions include the allowance for doubtful accounts, useful lives of depreciable assets and the fair values of investments. Actual results could differ from those estimates.

3. Accounting for Long-Lived Assets

St. Gabriel's continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, St. Gabriel's uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based on market prices where available, or discounted cash flows. St. Gabriel's believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2014 and 2013.

4. Investments

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

The investments are held within a pool of investments with the Archdiocese or within trusts held by third parties.

Unrealized gains and losses arising from increases or decreases in fair value are recognized in the period in which they occur. Realized gains and losses on the sale of investments are determined on the trade date. Dividend and interest income are accrued as earned.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Governmental Revenue

St. Gabriel's receives its funding through contracts with Pennsylvania, New Jersey and Delaware, various cities and counties, federal programs and agreements with managed care and insurance organizations. These contracts/agreements generally fall into two categories: cost reimbursement and fee-for-service. The ultimate determination of amounts reimbursable under cost reimbursement contracts/agreements is based upon allowable costs to be reported and subject to audit by grantors and/or their agents.

Net program service revenues are from funding sources under cost reimbursement-type contracts for several of St. Gabriel's programs. St. Gabriel's records revenues under such contracts as costs are incurred. For other programs, St. Gabriel's receives program service fees from funding sources under per diem-type contracts for certain programs and unit prices for outpatient services. Revenue for these programs is recorded when the services are provided. Retroactive adjustments are recorded in the period that final settlements are determined. St. Gabriel's recorded $-0- and $145,000 as of June 30, 2014 and 2013, respectively, related to a settlement received for fiscal years 2012 and 2011, respectively.

St. Gabriel's is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of client services.

As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

6. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, St. Gabriel's reports the support as unrestricted. When a stipulated time restriction or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of long-lived assets received without donor stipulations are reported as unrestricted revenue at the fair value of the date of the gift. Contributions of other assets specified for the acquisition or construction of long-lived assets are reported as restricted support; those restrictions expire when the assets are placed in service.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unconditional promises to give ("pledges") are recorded as receivables and revenues within the appropriate net asset category, all of which will be collected within one year. See Note F for more information on pledges.

7. Allowance for Doubtful Accounts

St. Gabriel's continually monitors accounts receivable for collectability issues. The allowance is based upon management's judgment and is determined by considering a number of factors, including the length of time accounts receivable are past due, St. Gabriel's previous loss history, the nature of the service provided and other pertinent factors. St. Gabriel's writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

8. Contributed Services, Goods and Rent

Contributed services and goods represents the difference between the stipend allowance paid for the religious personnel performing work for St. Gabriel's and the compensation which would be paid to lay persons possessing similar qualifications and performing similar work. Contributed rent includes rent on the premises used by St. Gabriel's which are owned by other entities within the Archdiocese of Philadelphia and for which no rent is charged. These amounts are reported as both revenue and expenses in the statement of activities.

9. Allocated Expenses - Archdiocese of Philadelphia - Catholic Social Services

CSS provides administrative and accounting services for institutions and group homes, including St. Gabriel's. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statement of activities. Any difference between the allocation and the amount charged to the institutions and group homes during the year is considered a contribution of services from CSS.

10. Property, Plant and Equipment

Buildings, building improvements and equipment are capitalized at cost or at their fair market value if donated. Depreciation for fixed assets is computed on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Building	20 years
Building improvements	20 years
Equipment	3 - 5 years

11. Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

NOTE C - INVESTMENTS AND TRUSTS HELD BY THIRD PARTIES

St. Gabriel's investments at June 30, 2014 and 2013 are summarized and classified as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2014				
Archdiocese of Philadelphia Non-Pension Assets Portfolio	$ 831,529	$ -	$ -	$ 831,529
Trusts held by third parties	-	375	235,139	235,514
	$ 831,529	$ 375	$ 235,139	$ 1,067,043
2013				
Archdiocese of Philadelphia Non-Pension Assets Portfolio	$ 714,509	$ -	$ -	$ 714,509
Trusts held by third parties	-	375	235,326	235,701
	$ 714,509	$ 375	$ 235,326	$ 950,210

For administrative and other needs, the Archdiocese of Philadelphia formed the Non-Pension Assets Portfolio (the "NPAP") to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese. The investments in the NPAP are held by a custodian and are managed based on sub-accounts as follows:

Equity Sub-Account (or "fund") - Invests in common stocks and is managed by multiple investment managers.

Fixed Income Sub-Account (or "fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by multiple investment managers.

The NPAP is unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. The Archdiocese's investment in the NPAP is stated at unit value.

The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining the allocation of amounts to be invested among the funds. Management of the Archdiocese is responsible for ensuring that investment allocations among the funds are maintained as determined by the Investment Committee of the Archdiocese of Philadelphia.

(Continued)

NOTE C - INVESTMENTS AND TRUSTS HELD BY THIRD PARTIES - Continued

At June 30, 2014 and 2013, St. Gabriel's held the following within the NPAP:

	2014	2013
Equity sub-account	$ 469,638	$ 478,720
Fixed income sub-account	361,891	235,789
Total ownership	$ 831,529	$ 714,509

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation consist of the following at June 30, 2014 and 2013:

	2014	2013
Buildings	$ 6,250	$ 6,250
Building improvements	16,736,416	16,615,111
Equipment	3,616,393	3,481,565
	20,359,059	20,102,926
Accumulated depreciation	(13,449,281)	(12,467,476)
Property, plant and equipment, net	$ 6,909,778	$ 7,635,450

Depreciation expense of $981,805 and $951,177 was incurred for the years ended June 30, 2014 and 2013, respectively.

NOTE E - ACCOUNTS RECEIVABLE - DHS, CBH AND OTHER GOVERNMENTAL AGENCIES

At June 30, 2014 and 2013, St. Gabriel's had uncollateralized accounts receivable from Philadelphia Department of Human Services ("DHS") and Community Behavioral Health ("CBH") of $4,126,679 and $2,191,324, respectively. The receivable due from other governmental agencies was $328,055 and $521,222 as of June 30, 2014 and 2013, respectively. The receivable due from the State of Pennsylvania was $6,557,526 and $9,730,040 as of June 30, 2014 and 2013, respectively. These balances potentially subject St. Gabriel's to a concentration of credit risk. St. Gabriel's monitors its funding arrangements with CBH and DHS and other governmental agencies.

NOTE F - PLEDGES RECEIVABLE - OFFICE OF DEVELOPMENT, UNITED WAY

Pledges receivable - Office of Development, United Way were $344 and $527, respectively, net of an allowance of $-0- for fiscal years 2014 and 2013. Pledges receivable are expected to be realized in the following year.

NOTE G - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

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

Level 3 Inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although St. Gabriel's believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements of investments in entities that calculate the net asset value ("NAV") per share or its equivalent as of June 30, 2014 and 2013 are as follows:

	Fair value		Unfunded	Redemption	Redemption notice
	2014	2013	commitments	frequency	2014
Archdiocese NPAP [a]	$ 831,529	$ 714,509	$ -	daily	1 day

[a] A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the NPAP is preservation of capital while reducing, to the greatest extent possible, the possibility of loss. The investment strategy and long-term asset allocation for the NPAP takes into consideration the specific spending requirements and the present and future needs of the Archdiocese of Philadelphia and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return is equal to the Consumer Price Index ("CPI") plus three percent (3%) on an annualized basis. The fair values are estimated using the NAV per share of the investments.

(Continued)

NOTE G - FAIR VALUE MEASUREMENTS - Continued

Fair value for Level 3 is based on valuation techniques that trade infrequently or not at all. Trusts held by third parties is considered to be Level 3 in the fair value hierarchy and valued using the market approach of the underlying holdings.

The following table presents the fair values of the investments held by St. Gabriel's by level within the fair value hierarchy, as of June 30, 2014 and 2013:

2014	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Archdiocese NPAP	$ -	$ 831,529	$ -	$ 831,529
Trusts held by third parties	-	-	235,514	235,514
Total assets	$ -	$ 831,529	$ 235,514	$ 1,067,043
2013				
Assets				
Archdiocese NPAP	$ -	$ 714,509	$ -	$ 714,509
Trusts held by third parties	-	-	235,701	235,701
Total assets	$ -	$ 714,509	$ 235,701	$ 950,210

The following table is a rollforward of the statement of financial position amounts for financial instruments classified within Level 3 of the fair value hierarchy defined above:

	Trusts held by third parties
Fair value July 1, 2012	$ 244,371
Unrealized losses, net	(8,670)
Fair value June 30, 2013	235,701
Unrealized losses, net	(187)
Fair value June 30, 2014	$ 235,514

St. Gabriel's is required to disclose the fair value of financial instruments for which it is practical to estimate fair value. The fair value of short-term financial instruments such as cash, accounts receivable and accounts payable approximates their carrying value due to their short-term nature.

NOTE H - PENSION PLAN

The eligible lay employees of St. Gabriel's are covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan that covers substantially all lay employees, once age and service requirements are met, of the Archdiocese, its institutions and parishes. The Plan is administered by the Trustees of the Lay Employees' Retirement Plan. St. Gabriel's made annual contributions to the Plan at a rate of 7.5% and 5.0% for the years ended June 30, 2014 and 2013, respectively, of salaries of the eligible employees. The amount of expense related to the Plan was $846,313 and $710,277 for the fiscal years ended June 30, 2014 and 2013, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

The Archdiocese froze the Plan effective June 30, 2014. All current employees will retain benefits they have earned through the effective date of the freeze. After the date of the freeze, accrued pension benefits under the Plan will not increase for current employees with additional service or increases in pay after the freeze date. Effective July 1, 2014, the Archdiocese established a 403(b) defined contribution plan for all eligible employees.

St. Gabriel's also makes contributions to the various orders of the religious personnel who provide services at its institutions and parishes. The amount of expense related to these contributions was $13,066 and $21,350 for the years ended June 30, 2014 and 2013, respectively.

NOTE I - RELATED PARTY TRANSACTIONS

St. Gabriel's leases certain facilities and equipment, utilized in the delivery of its services, from the Archdiocese and is covered under various insurance and retirement plans administered by the Archdiocese.

CSS provides administrative and accounting services for related institutions and group homes, including St. Gabriel's. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statement of activities. Any difference between the allocation and the amount charged to the institution during the year is considered a contribution of services from CSS. Repayment of amounts due to CSS is expected when cash is available. The amount due to CSS was $4,400,875 and $6,689,698 for the years ended June 2014 and 2013, respectively.

The transactions with the Archdiocese and CSS charged to expense for the fiscal years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Archdiocese of Philadelphia		
Insurance - auto and general	$ 176,606	$ 260,303
Rental of facility - contributed	168,600	168,600
Lay employee pension contributions	846,313	710,277
Religious employee pension contributions	13,066	21,350
	$ 1,204,585	$ 1,160,530

(Continued)

NOTE I - RELATED PARTY TRANSACTIONS - Continued

	2014	2013
Archdiocese of Philadelphia - Catholic Social Services		
Automobile leases	$ 36,990	$ 75,324
Allocated administrative and accounting costs	562,960	597,784
Allocated administrative and accounting costs - contributed	207,817	197,198
Information technology services	305,608	271,306
Human resources	87,186	123,998
	$ 1,200,561	$ 1,265,610

Catholic Charities Appeal donated $100,000 to St. Gabriel's during each of the fiscal years ended June 30, 2014 and 2013.

Included in accounts receivable - other are certain related party amounts. These amounts are as follows for June 30, 2014 and 2013:

	2014	2013
Heritage of Faith - Vision of Hope	$ -	$ 304,015

Included in accounts payable are certain related party amounts. These amounts are as follows for June 30, 2014 and 2013:

	2014	2013
Catholic Health Care Services	$ 93,399	$ 95,834
Archdiocese of Philadelphia	1,510	5,817

Related Party Term Loan

To finance the retirement of its portion of the 2001 Bonds, St. Gabriel's (borrower) entered into a term loan agreement with St. Joseph's House for Homeless Industrious Boys, a related party (lender). The loan is collateralized by a first priority mortgage lien encumbering the premises and all revenues and rights associated with the premises. The loan carries a fixed interest rate of 4% amortized over 28 years and matures on June 1, 2042.

(Continued)

NOTE I - RELATED PARTY TRANSACTIONS - Continued

The future principal payments relating to the related party term loan outstanding at June 30, 2014 are as follows:

2015	$ 109,545
2016	124,203
2017	129,246
2018	134,494
2019	139,954
Thereafter	5,382,754
	$ 6,020,196

NOTE J - INCOME TAX STATUS

St. Gabriel's is a nonprofit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

St. Gabriel's follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. St. Gabriel's has determined that there are no uncertain tax positions requiring recognition in the financial statements at June 30, 2014. The tax years ended June 30, 2011, 2012 and 2013 are still open to audit for both federal and state purposes.

NOTE K - FUNCTIONAL EXPENSES

St. Gabriel's provides residential and treatment services to court adjudicated delinquent boys and young men. These services include placement in an institutional setting, community group home placements, day treatment, aftercare services and counseling services. Expenses related to providing these services for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Program expenses	$ 24,392,665	$ 26,166,715
Support expenses	2,753,692	2,909,982
Total expenses	$ 27,146,357	$ 29,076,697

NOTE L - FUNDING

St. Gabriel's provides institutional care for delinquent children. Reimbursement of these services is provided primarily by the City of Philadelphia, DHS at a fixed per diem rate for each day of childcare. Effective January 1, 2005, St. Gabriel's began receiving reimbursement from CBH for treatment at a fixed per diem rate. Room and board is reimbursed by the City of Philadelphia DHS. St. Gabriel's per diem rates in effect for the years ended June 30, 2014 and 2013 with the City of Philadelphia and CBH were as follows:

	2014	2013
County Human Services		
De La Salle Vocational - day treatment	$ 107.46	$ 69.91
De La Salle in Towne - day treatment	113.63	69.91
Residential care	197.35	177.00
Short-term intensive DHS	239.94	206.00
Reintegration program	25.58	25.00
Day treatment - early intervention	143.73	157.44
Community Behavioral Health (Treatment)		
St. Gabriel's Hall - residential care	$ 142.00	$ 142.00
St. Gabriel's Hall - drug and alcohol	149.00	149.00
Short-term intensive DHS	200.00	200.00
Philadelphia DHS (room and board)	84.61	64.94

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2014, the date of the financial statements, through December 10, 2014, which is the date the financial statements were available to be issued. Pursuant to the requirements, there were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements, except as noted below:

Effective July 1, 2014, the Archdiocese established a 403(b) defined contribution plan for all eligible employees.