# Consolidated Financial Statements, Supplementary Information and Report of Independent Certified Public Accountants

**Saint John Vianney Center**

June 30, 2015 and 2014

# Contents

Grant Thornton LLP
Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T 215.561.4200
F 215.561.1066
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

# Report of Independent Certified Public Accountants

The Board of Directors
Saint John Vianney Center
Downingtown, Pennsylvania

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of Saint John Vianney Center, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint John Vianney Center as of June 30, 2015 and 2014, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheets as of June 30, 2015 and 2014 and the consolidating statements of operations and changes in net assets for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 14, 2015

Saint John Vianney Center

## CONSOLIDATED BALANCE SHEETS

June 30,

| | 2015 | 2014 |
|---|---|---|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | $ 1,500 | $ 1,500 |
| Patient accounts receivable | | |
| Residents | 1,650,818 | 1,200,741 |
| Outpatient | 20,619 | 47,127 |
| Allowance for doubtful accounts | (152,143) | (97,315) |
| Net patient accounts receivable | 1,519,294 | 1,150,553 |
| Other receivables | - | 3,251 |
| Prepaid expenses | 71,978 | 113,071 |
| Related party receivables | 3,144,267 | 2,219,918 |
| Total current assets | 4,737,039 | 3,488,293 |
| Investments | | |
| Unrestricted | 2,749,301 | 2,699,058 |
| Unrestricted - board-designated depreciation reserve fund | 263,734 | 255,287 |
| Total investments | 3,013,035 | 2,954,345 |
| Property, plant and equipment, net | 2,377,234 | 2,337,542 |
| Total assets | $ 10,127,308 | $ 8,780,180 |
| LIABILITIES AND NET ASSETS | | |
| Current | | |
| Accounts payable | $ 224,400 | $ 267,407 |
| Accrued salaries | 305,335 | 370,878 |
| Accrued expenses | 161,863 | 189,764 |
| Related party payables | 1,770,315 | 996,273 |
| Total current liabilities | 2,461,913 | 1,824,322 |
| Total liabilities | 2,461,913 | 1,824,322 |
| Unrestricted net assets | 7,665,395 | 6,955,858 |
| Total net assets | 7,665,395 | 6,955,858 |
| Total liabilities and net assets | $ 10,127,308 | $ 8,780,180 |

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

Saint John Vianney Center

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30,

| | 2015 | 2014 |
|---|---|---|
| Operating revenues: | | |
| Net resident revenue, net of contractual allowances | $ 8,740,039 | $ 8,652,418 |
| Provision for bad debt | (54,825) | (22,712) |
| Net resident revenue, net of bad debt | 8,685,214 | 8,629,706 |
| Contribution of rental at fair value | 744,372 | 744,372 |
| Other operating revenue | 280,936 | 400,820 |
| Total operating revenues | 9,710,522 | 9,774,898 |
| Operating expenses: | | |
| Administration | 1,310,355 | 1,308,031 |
| Annex program | 269,334 | 256,117 |
| Chapel | 124,832 | 162,008 |
| Community counseling | 243,672 | 331,826 |
| Consultation and education services | 110,819 | 126,297 |
| Depreciation | 246,502 | 237,102 |
| Dietary | 510,407 | 506,970 |
| Fringe benefits | 1,129,760 | 1,078,420 |
| Geriatric services | 311,718 | 429,741 |
| Housekeeping | 105,105 | 99,342 |
| Marketing | 308,721 | 190,845 |
| Nurse administration | 407,433 | 484,656 |
| Outpatient services | 257,209 | 207,421 |
| Plant operation and maintenance | 604,156 | 889,804 |
| Professional care | 2,194,192 | 2,133,723 |
| Recreation | 57,524 | 57,804 |
| Rent expense | 744,372 | 744,372 |
| Social services | 132,537 | 120,582 |
| Total operating expenses | 9,068,648 | 9,365,061 |
| Operating income | 641,874 | 409,837 |
| Nonoperating revenue, gains and losses: | | |
| Contributions and bequests | 1,800 | 2,488 |
| Interest and investment income | 46,984 | 38,398 |
| Realized gain on sale of investments | 502,794 | 225,583 |
| Unrealized (loss) gain in fair market value of investments | (483,915) | 156,080 |
| Nonoperating revenue, gains and losses, net | 67,663 | 422,549 |
| Excess of revenues over expenses | 709,537 | 832,386 |
| Increase in net assets | 709,537 | 832,386 |
| Net assets | | |
| Beginning of year | 6,955,858 | 6,123,472 |
| End of year | $ 7,665,395 | $ 6,955,858 |

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

Saint John Vianney Center

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30,

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities | | |
| Increase in net assets | $ 709,537 | $ 832,386 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Provision for bad debt | 54,825 | 22,712 |
| Unrealized loss (gain) in fair market value of investments | 483,915 | (156,080) |
| Realized gain on sale of investments | (502,794) | (225,583) |
| Depreciation | 246,502 | 237,102 |
| Write-off of medical software | - | 206,000 |
| Changes in working capital which (used) or provided cash | | |
| Accounts receivable | (423,566) | 25,625 |
| Other receivables | 3,251 | 6,305 |
| Related party receivables | (924,349) | (1,364,969) |
| Prepaid expenses | 41,093 | (110,322) |
| Accounts payable | (43,007) | (59,038) |
| Accrued salaries | (65,543) | 21,037 |
| Accrued expenses | (27,901) | (90,675) |
| Related party payable | 774,042 | 302,958 |
| Net cash provided by (used in) operating activities before trading securities | 326,005 | (352,542) |
| Change in investments trading securities, net | (39,811) | 475,719 |
| Net cash provided by operating activities | 286,194 | 123,177 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment, net | (286,194) | (122,677) |
| Net cash used in investing activities | (286,194) | (122,677) |
| Net increase in cash and cash equivalents | - | 500 |
| Cash and cash equivalents | | |
| Beginning of year | 1,500 | 1,000 |
| End of year | $ 1,500 | $ 1,500 |

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

## NOTE A - NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

Saint John Vianney Center (the "Center") provides inpatient and outpatient psychological care to priests and religious personnel and bills the respective insurance companies, religious orders or diocese. The Center is a corporation whose members consist of the following: the Archbishop of Philadelphia, the Moderator of the Curia and the Secretary for Clergy.

The Center is the sole corporate member of Catholic Clinical Consultants ("CCC"). CCC provides behavioral health management and clinical services to skilled nursing facilities, adult day care programs, assisted living facilities and other community based programs. The financial statements consolidate CCC into the Center (collectively referred to as the "Organization").

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization'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.

Unrestricted net assets are free of donor-imposed restrictions.

Temporarily restricted net assets include gifts, pledges, trusts, remainder interests, income and appreciation, for which donor-imposed restrictions have not been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift.

Permanently restricted net assets include gifts, pledges, trusts and remainder interests, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

As of June 30, 2015 and 2014, there were no temporarily or permanently restricted net assets.

2. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates include depreciation on property, plant and equipment and allowance for doubtful accounts on patient accounts receivable. Actual results could differ from those estimates.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

The Organization considers investments in highly liquid securities, authorized by management, purchased with a maturity of three months or less from the date purchased to be cash equivalents. The Organization maintains cash balances with financial institutions that at times may exceed Federal Deposit Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

4. Pledges/Contributions

Unconditional promises to give (pledges) are recorded as receivables and revenues at fair value at the date the promise is received within the appropriate net asset category. Donor-restricted gifts which are received and either spent or deemed spent within the same year are reported as unrestricted revenues and expenses. Gifts of long-lived assets are reported at fair value as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

5. Resident Service Revenues and Allowances

Resident service revenue is accounted for at various established rates according to patient classification as the services are provided.

The Organization provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of residents to make payments for services. The allowance is determined by analyzing historical data and trends. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Organization ceases collection efforts. Write-offs have been consistent with management's expectations.

Net residential fees and net health care revenues for the years ended June 30, 2015 and 2014, net of contractual allowances and discounts (but before the provision for bad debt), recognized in the periods from these major payor sources based on primary insurance designation, are as follows:

| Net resident revenue | Third-party payors | Self-pay | Total all payors |
|---|---|---|---|
| 2015 | $ 310,971 | $ 8,429,068 | $ 8,740,039 |
| 2014 | $ 552,470 | $ 8,099,948 | $ 8,652,418 |

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the residents' responsibility, and the Organization considers these amounts in its determination of the provision for bad debt based on collection experience.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization records a significant provision for bad debt on the basis of its past experience and on its review of individual receivable accounts to evaluate the ability and willingness of residents to pay amounts due for the portion of their bill for which they are financially responsible. The Organization has not experienced significant changes in write-off trends for the years ended June 30, 2015 and 2014.

6. Investments

On April 30, 2015, Trust Accounts previously held in the Non-Pension Assets Portfolio (the "NPAP") were liquidated and re-invested with two publicly traded SEI Catholic Values public mutual funds. The Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds") provide Catholic institutions with high quality products that align with their core values, without sacrificing diversification or return potential. Specifically, the funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese of Philadelphia appointed SEI Private Trust Company to act as custodian (the "Custodian") of the Trustee Accounts. The investment in the Trustee Account and other investments are reported at fair value.

Realized gains and losses are reported to the participant monthly. Gains and losses created at the participant level due to sales are recorded in the specific participant accounts. Unrealized gains and losses are included in the consolidated statement of operations and changes in net assets as net appreciation or depreciation in the fair value of investments.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost. Expenditures for major renewals and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Recovery periods are based on the following ranges of useful lives:

| | |
|---|---|
| Land improvements | 5 - 20 years |
| Building improvements | 5 - 40 years |
| Furniture and fixtures | 3 - 20 years |

8. Long-Lived Assets

The Organization 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, the Organization 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. Management believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2015 and 2014.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, included permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

NOTE C - INVESTMENTS

The investment in the Trustee Account and other investments are reported at fair value and consist of the following:

*Catholic Values Equity Fund (or "fund")* - Invests in common stocks and is managed by SEI.

*Catholic Values Fixed Income Fund (or "fund")* - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI.

*Liquidity Sub-Account (or "fund")* - Investments are liquid in nature and invested in short duration U.S. government bonds.

Trust Account holders have the option of six asset classifications in which to invest. The options include a short-duration U.S. government bond fund, a 100% fixed income bond fund and four equity funds with varying fixed income to equity mixes of 30/70, 50/50, 60/40 or 70/30. The Investment Committee of the Archdiocese of Philadelphia ("Investment Committee") has primary responsibility for determining fixed income to equity mix. The asset mix of the mutual funds is SEI's responsibility.

At June 30, 2015, the Organization's investments are summarized as follows:

| | Ownership 2015 |
|---|---|
| Catholic Values Equity Fund | $ 1,925,252 |
| Catholic Values Fixed Income Fund | 1,087,783 |
| Total ownership | $ 3,013,035 |

(Continued)

NOTE C - INVESTMENTS - Continued

Prior to April 30, 2015, the investment in the Trustee Account consisted of investments in the NPAP and other investment accounts. For administrative and other needs, the Archdiocese of Philadelphia formed the NPAP to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP were held by a custodian and are managed based on sub-accounts as follows:

*Equity Sub-Account (or "fund")* - Invested in common stocks and was managed by multiple investment managers.

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

*Liquidity Sub-Account (or "fund")* - Investments were liquid in nature and were used to buy and sell units of the equity and fixed income funds or for expected short-term needs.

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

The Investment Committee has primary responsibility for determining the asset investment allocations to be used. Management is responsible for ensuring that asset investment allocations among the funds are maintained as determined by the Investment Committee.

At June 30, 2014, the Organization's investments are summarized as follows:

| | Ownership 2014 |
|---|---|
| Equity sub-account | $ 1,667,486 |
| Fixed income sub-account | 1,286,859 |
| Total ownership | $ 2,954,345 |

NOTE D - PROPERTY, PLANT AND EQUIPMENT

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Land improvements | $ 207,059 | $ 203,559 |
| Building and improvements | 4,653,383 | 4,353,071 |
| Furniture and equipment | 1,421,566 | 1,371,513 |
| Construction in progress | 949 | 68,620 |
| | 6,282,957 | 5,996,763 |
| Accumulated depreciation | (3,905,723) | (3,659,221) |
| Property, plant and equipment, net | $ 2,377,234 | $ 2,337,542 |

Depreciation expense was $246,502 and $237,102 for the years ended June 30, 2015 and 2014, respectively.

The land on which the Organization is located is owned by the Archdiocese of Philadelphia. The Organization occupies this land and does not make a rental payment to the Archdiocese of Philadelphia for its use. The cost of this land is not reflected in the consolidated financial statements of the Organization. Rent expense and contribution revenue have been recorded at fair market value and have been reported in the consolidated statements of operations and changes in net assets.

NOTE E - EMPLOYEE BENEFIT PLANS

1. Lay Employees' Retirement Plan - frozen effective June 30, 2014

Through June 30, 2014, the eligible lay employees of the Organization were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. The Organization made annual contributions to the Plan at an average rate of 5.75% and 6.25% of the salaries of eligible employees for the years ended June 30, 2015 and 2014, respectively. The amount expensed by the Organization for contributions to the Plan was $156,546 and $167,836 for the years ended June 30, 2015 and 2014, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

2. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan. Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

(Continued)

## NOTE E - EMPLOYEE BENEFIT PLANS - Continued

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

Grandfathered Employees - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after July 1, 2014. A grandfathered 10-month employee will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000 hour service requirement will shift to the calendar year beginning January 1, 2016.

Vesting - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

In fiscal 2015, the Organization’s contribution rate was 4.5% of base salary for eligible employees. The contributions into the 403(b) plan totaled $131,933 for the year ended June 30, 2015.

## NOTE F - INCOME TAXES

The Organization is a nonprofit organization which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code. Management has assessed that there are no uncertain tax positions required to be reported.

The Organization 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. The Organization does not believe its consolidated financial statements include material uncertain tax positions. As of June 30, 2015, the Organization’s tax years ended June 30, 2012 through June 30, 2014 for federal tax jurisdiction remain open to examination.

## NOTE G - MEDICAL MALPRACTICE INSURANCE

The Organization insures against the risks of malpractice losses resulting from claims against the Organization by participating in Pennsylvania’s Medical Care Availability and Reduction of Error Fund (the “MCARE Fund”). With respect to the primary malpractice insurance risk not covered by the MCARE Fund, the Organization participates, on an occurrence basis, in the Archdiocese of Philadelphia institutions’ general professional liability insurance program.

(Continued)

## NOTE G - MEDICAL MALPRACTICE INSURANCE - Continued

The MCARE Fund is funded on a "pay as you go basis" and assesses health care providers, based on a percentage of the rates established by the Joint Underwriting Association (also a Commonwealth agency) for basic coverage. The MCARE Act of 2002 provides for a further reduction to the current MCARE coverage of $500 per occurrence to $250 per occurrence and the eventual phase-out of the MCARE Fund, subject to the approval of the Pennsylvania Insurance Commissioner. To date, the Pennsylvania Insurance Commissioner has deferred the change in coverage and eventual phase-out of the MCARE Fund to future years.

## NOTE H - RELATED PARTY TRANSACTIONS

The Organization is covered under various insurance, retirement and other plans of the Archdiocese of Philadelphia. The transactions with the Archdiocese of Philadelphia and affiliates charged to expense for the years ended:

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Management fee | $ 483,792 | $ 514,767 |
| Pension | 288,479 | 167,836 |
| Insurance | 217,461 | 182,930 |
| | $ 989,732 | $ 865,533 |

For the years ended June 30, 2015 and 2014, the Organization recorded in other operating revenue and received $269,334 and $256,117, respectively, from the Archdiocese of Philadelphia to fund the Annex portion of the Serenity and Transparency Program.

For the years ended June 30, 2015 and 2014, the Organization recorded in other operating revenue and received $-0- and $125,000, respectively, from Catholic Social Services to fund the Community Counseling Program.

Due from (to) related parties are as follows:

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Due from Catholic Health Care Services | $ 3,136,980 | $ 2,211,948 |
| Due from Catholic Social Services | - | 7,970 |
| Due from the Archdiocese of Philadelphia | 7,287 | - |
| | $ 3,144,267 | $ 2,219,918 |

(Continued)

NOTE H - RELATED PARTY TRANSACTIONS - Continued

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Due to the Archdiocese of Philadelphia | $ - | $ (11,588) |
| Due to others | (29,247) | (18,330) |
| Due to Catholic Health Care Services | (1,741,068) | (966,355) |
| | $ (1,770,315) | $ (996,273) |

NOTE I - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") 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 as of the measurement date.

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 Unobservable 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 the Organization 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.

(Continued)

NOTE I - FAIR VALUE MEASUREMENTS - Continued

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

| Description | Fair value 2015 | Fair value 2014 | Unfunded commitments | Redemption frequency | Redemption notice period |
|---|---|---|---|---|---|
| Investment in the Trustee Account [a] | $ - | $ 2,954,345 | $ - | Daily | 1 day |

[a] The Trustee Account at June 30, 2014 was invested in a pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the Trustee Account 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 Trustee Account take 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.

The following table presents the fair values of the underlying investments held by the Organization by level within the fair value hierarchy, as of June 30, 2015 and 2014:

| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| 2015 | | | | |
| Assets | | | | |
| Investment in SEI | $ 3,013,035 | $ - | $ - | $ 3,013,035 |
| Total | $ 3,013,035 | $ - | $ - | $ 3,013,035 |
| 2014 | | | | |
| Assets | | | | |
| Investment in the Trustee Account | $ - | $ 2,954,345 | $ - | $ 2,954,345 |
| Total | $ - | $ 2,954,345 | $ - | $ 2,954,345 |

## NOTE J - FUNCTIONAL EXPENSES

The Organization provides a variety of services, as described in Note A. Expenses related to providing these services are as follows:

| | Year ended June 30, 2015 | Year ended June 30, 2014 |
|---|---|---|
| Behavioral health services | $ 6,513,141 | $ 6,732,482 |
| Administrative | 2,555,507 | 2,632,579 |
| | $ 9,068,648 | $ 9,365,061 |

## NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2015, the date of the consolidated financial statements, through October 14, 2015, which is the date the consolidated 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 consolidated financial statements.

SUPPLEMENTARY INFORMATION

Saint John Vianney Center

**CONSOLIDATING BALANCE SHEET**

June 30, 2015

| ASSETS | Saint John Vianney Center | Catholic Clinical Consultants | Eliminations | Consolidated total |
|---|---|---|---|---|
| Current | | | | |
| Cash and cash equivalents | $ 1,500 | $ - | $ - | $ 1,500 |
| Patient accounts receivable | | | | |
| Residents | 1,526,890 | 123,928 | - | 1,650,818 |
| Outpatient | 20,619 | - | - | 20,619 |
| Allowance for doubtful accounts | (97,318) | (54,825) | - | (152,143) |
| Net patient accounts receivable | 1,450,191 | 69,103 | - | 1,519,294 |
| Other receivables | - | - | - | - |
| Prepaid expenses | 60,100 | 11,878 | - | 71,978 |
| Related party receivables | 3,162,789 | 237,440 | (255,962) | 3,144,267 |
| Total current assets | 4,674,580 | 318,421 | (255,962) | 4,737,039 |
| Investments | | | | |
| Unrestricted | 2,749,301 | - | - | 2,749,301 |
| Unrestricted - board-designated depreciation reserve fund | 263,734 | - | - | 263,734 |
| Total investments | 3,013,035 | - | - | 3,013,035 |
| Property, plant and equipment, net | 2,375,283 | 1,951 | - | 2,377,234 |
| Total assets | $ 10,062,898 | $ 320,372 | $ (255,962) | $ 10,127,308 |
| LIABILITIES AND NET ASSETS | | | | |
| Current | | | | |
| Accounts payable | $ 213,396 | $ 11,004 | $ - | $ 224,400 |
| Accrued salaries | 230,613 | 74,722 | - | 305,335 |
| Accrued expenses | 141,878 | 19,985 | - | 161,863 |
| Related party payables | 687,375 | 1,338,902 | (255,962) | 1,770,315 |
| Total current liabilities | 1,273,262 | 1,444,613 | (255,962) | 2,461,913 |
| Total liabilities | 1,273,262 | 1,444,613 | (255,962) | 2,461,913 |
| Unrestricted net assets | 8,789,636 | (1,124,241) | - | 7,665,395 |
| Total net assets | 8,789,636 | (1,124,241) | - | 7,665,395 |
| Total liabilities and net assets | $ 10,062,898 | $ 320,372 | $ (255,962) | $ 10,127,308 |

Saint John Vianney Center

**CONSOLIDATING BALANCE SHEET**

June 30, 2014

| ASSETS | Saint John Vianney Center | Catholic Clinical Consultants | Eliminations | Consolidated total |
|---|---|---|---|---|
| Current | | | | |
| Cash and cash equivalents | $ 1,500 | $ - | $ - | $ 1,500 |
| Patient accounts receivable | | | | |
| Residents | 954,917 | 245,824 | - | 1,200,741 |
| Outpatient | 47,127 | - | - | 47,127 |
| Allowance for doubtful accounts | (97,315) | - | - | (97,315) |
| Net patient accounts receivable | 904,729 | 245,824 | - | 1,150,553 |
| Other receivables | 26 | 3,225 | - | 3,251 |
| Prepaid expenses | 85,719 | 27,352 | - | 113,071 |
| Related party receivables | 2,215,719 | 66,763 | (62,564) | 2,219,918 |
| Total current assets | 3,207,693 | 343,164 | (62,564) | 3,488,293 |
| Investments | | | | |
| Unrestricted | 2,699,058 | - | - | 2,699,058 |
| Unrestricted - board-designated depreciation reserve fund | 255,287 | - | - | 255,287 |
| Total investments | 2,954,345 | - | - | 2,954,345 |
| Property, plant and equipment, net | 2,334,348 | 3,194 | - | 2,337,542 |
| Total assets | $ 8,496,386 | $ 346,358 | $ (62,564) | $ 8,780,180 |
| LIABILITIES AND NET ASSETS | | | | |
| Current | | | | |
| Accounts payable | $ 241,479 | $ 25,928 | $ - | $ 267,407 |
| Accrued salaries | 296,083 | 74,795 | - | 370,878 |
| Accrued expenses | 79,251 | 110,513 | - | 189,764 |
| Related party payables | 219,538 | 839,299 | (62,564) | 996,273 |
| Total current liabilities | 836,351 | 1,050,535 | (62,564) | 1,824,322 |
| Total liabilities | 836,351 | 1,050,535 | (62,564) | 1,824,322 |
| Unrestricted net assets | 7,660,035 | (704,177) | - | 6,955,858 |
| Total net assets | 7,660,035 | (704,177) | - | 6,955,858 |
| Total liabilities and net assets | $ 8,496,386 | $ 346,358 | $ (62,564) | $ 8,780,180 |

Saint John Vianney Center

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

For the year ended June 30, 2015

| | Saint John Vianney Center | Catholic Clinical Consultants | Consolidated total |
|---|---|---|---|
| Operating revenues: | | | |
| Net resident revenue, net of contractual allowances | $ 8,074,109 | $ 665,930 | $ 8,740,039 |
| Provision for bad debt | - | (54,825) | (54,825) |
| Net resident revenue, net of bad debt | 8,074,109 | 611,105 | 8,685,214 |
| Contribution of rental at fair value | 744,372 | - | 744,372 |
| Other operating revenue | 280,936 | - | 280,936 |
| Total operating revenues | 9,099,417 | 611,105 | 9,710,522 |
| Operating expenses: | | | |
| Administration | 1,227,783 | 82,572 | 1,310,355 |
| Annex program | 269,334 | - | 269,334 |
| Chapel | 124,832 | - | 124,832 |
| Community counseling | - | 243,672 | 243,672 |
| Consultation and education services | 110,819 | - | 110,819 |
| Depreciation | 245,259 | 1,243 | 246,502 |
| Dietary | 510,407 | - | 510,407 |
| Fringe benefits | 995,005 | 134,755 | 1,129,760 |
| Geriatric services | - | 311,718 | 311,718 |
| Housekeeping | 105,105 | - | 105,105 |
| Marketing | 308,721 | - | 308,721 |
| Nurse administration | 407,433 | - | 407,433 |
| Outpatient services | - | 257,209 | 257,209 |
| Plant operation and maintenance | 604,156 | - | 604,156 |
| Professional care | 2,194,192 | - | 2,194,192 |
| Recreation | 57,524 | - | 57,524 |
| Rent expense | 744,372 | - | 744,372 |
| Social services | 132,537 | - | 132,537 |
| Total operating expenses | 8,037,479 | 1,031,169 | 9,068,648 |
| Operating income (loss) | 1,061,938 | (420,064) | 641,874 |
| Nonoperating revenue, gains and losses: | | | |
| Contributions and bequests | 1,800 | - | 1,800 |
| Interest and investment income | 46,984 | - | 46,984 |
| Realized gain on sale of investments | 502,794 | - | 502,794 |
| Unrealized loss in fair market value of investments | (483,915) | - | (483,915) |
| Nonoperating revenue, gains and losses, net | 67,663 | - | 67,663 |
| Excess of (deficiency in) revenues over expenses | 1,129,601 | (420,064) | 709,537 |
| Increase (decrease) in net assets | 1,129,601 | (420,064) | 709,537 |
| Net assets | | | |
| Beginning of year | 7,660,035 | (704,177) | 6,955,858 |
| End of year | $ 8,789,636 | $ (1,124,241) | $ 7,665,395 |

Saint John Vianney Center

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

For the year ended June 30, 2014

| | Saint John Vianney Center | Catholic Clinical Consultants | Consolidated total |
|---|---|---|---|
| Operating revenues: | | | |
| Net resident revenue, net of contractual allowances | $ 7,735,646 | $ 916,772 | $ 8,652,418 |
| Provision for bad debt | (22,712) | - | (22,712) |
| Net resident revenue, net of bad debt | 7,712,934 | 916,772 | 8,629,706 |
| Contribution of rental at fair value | 744,372 | - | 744,372 |
| Other operating revenue | 275,820 | 125,000 | 400,820 |
| Total operating revenues | 8,733,126 | 1,041,772 | 9,774,898 |
| Operating expenses: | | | |
| Administration | 1,207,441 | 100,590 | 1,308,031 |
| Annex program | 256,117 | - | 256,117 |
| Chapel | 162,008 | - | 162,008 |
| Community counseling | - | 331,826 | 331,826 |
| Consultation and education services | 126,297 | - | 126,297 |
| Depreciation | 236,170 | 932 | 237,102 |
| Dietary | 506,970 | - | 506,970 |
| Fringe benefits | 879,256 | 199,164 | 1,078,420 |
| Geriatric services | - | 429,741 | 429,741 |
| Housekeeping | 99,342 | - | 99,342 |
| Marketing | 190,845 | - | 190,845 |
| Nurse administration | 484,656 | - | 484,656 |
| Outpatient services | - | 207,421 | 207,421 |
| Plant operation and maintenance | 889,804 | - | 889,804 |
| Professional care | 2,133,723 | - | 2,133,723 |
| Recreation | 57,804 | - | 57,804 |
| Rent expense | 744,372 | - | 744,372 |
| Social services | 120,582 | - | 120,582 |
| Total operating expenses | 8,095,387 | 1,269,674 | 9,365,061 |
| Operating income (loss) | 637,739 | (227,902) | 409,837 |
| Nonoperating revenue, gains and losses: | | | |
| Contributions and bequests | 2,488 | - | 2,488 |
| Interest and investment income | 38,398 | - | 38,398 |
| Realized gain on sale of investments | 225,583 | - | 225,583 |
| Unrealized gain in fair market value of investments | 156,080 | - | 156,080 |
| Nonoperating revenue, gains and losses, net | 422,549 | - | 422,549 |
| Excess of (deficiency in) revenues over expenses | 1,060,288 | (227,902) | 832,386 |
| Increase (decrease) in net assets | 1,060,288 | (227,902) | 832,386 |
| Net assets | | | |
| Beginning of year | 6,599,747 | (476,275) | 6,123,472 |
| End of year | $ 7,660,035 | $ (704,177) | $ 6,955,858 |