Financial Statements and Report of
Independent Certified Public Accountants

St. Francis-St. Joseph Homes for Children

June 30, 2016 and 2015

Contents

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Report of Independent Certified Public Accountants

Board of Directors
St. Francis-St. Joseph Homes for Children
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of St. Francis-St. Joseph Homes for Children (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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. Francis-St. Joseph Homes for Children as of June 30, 2016 and 2015, 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.

Supplementary information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

February 27, 2017

St. Francis-St. Joseph Homes for Children

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 15,167	$ -	$ -	$ 15,167
Accounts receivable - DHS and CBH, less allowance of $20,000	1,165,863	-	-	1,165,863
Accounts receivable - other governmental agencies, less allowance of $15,000	1,993,473	-	-	1,993,473
Due (to) from temporarily restricted fund	(25,539)	25,539	-	-
Related party loans receivable - Archdiocese of Philadelphia	11,746	-	-	11,746
Pledges receivable - Office of Development, United Way, net	5,028	-	-	5,028
Prepaid expenses and other assets	110,174	-	-	110,174
Total current assets	3,275,912	25,539	-	3,301,451
Property, plant and equipment, net	2,669,919	-	-	2,669,919
Related party loans receivable - Archdiocese of Philadelphia, net of current portion	513,208	-	-	513,208
Investments	200,020	-	-	200,020
Trusts held by third parties	-	339,431	538,054	877,485
Total assets	$ 6,659,059	$ 364,970	$ 538,054	$ 7,562,083
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 361,865	$ -	$ -	$ 361,865
Salaries and wages payable	278,978	-	-	278,978
Program advance	9,560	-	-	9,560
Due to Catholic Social Services and related entities	4,608,339	-	-	4,608,339
Total current liabilities	5,258,742	-	-	5,258,742
Net assets				
Unrestricted	1,400,317	-	-	1,400,317
Temporarily restricted	-	364,970	-	364,970
Permanently restricted	-	-	538,054	538,054
Total net assets	1,400,317	364,970	538,054	2,303,341
Total liabilities and net assets	$ 6,659,059	$ 364,970	$ 538,054	$ 7,562,083

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

St. Francis-St. Joseph Homes for Children

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 15,166	$ -	$ -	$ 15,166
Accounts receivable - DHS and CBH, less allowance of $20,000	1,448,832	-	-	1,448,832
Accounts receivable - other governmental agencies, less allowance of $15,000	2,014,617	-	-	2,014,617
Accounts receivable - other	254,760	-	-	254,760
Due from Catholic Social Services	-	25,539	-	25,539
Related party loans receivable - Archdiocese of Philadelphia	8,424	-	-	8,424
Pledges receivable - Office of Development, United Way, net	9,411	-	-	9,411
Prepaid expenses and other assets	129,183	-	-	129,183
Total current assets	3,880,393	25,539	-	3,905,932
Property, plant and equipment, net	2,927,906	-	-	2,927,906
Related party loans receivable - Archdiocese of Philadelphia, net of current portion	527,818	-	-	527,818
Investments	203,901	-	-	203,901
Trusts held by third parties	-	346,016	580,875	926,891
Total assets	$ 7,540,018	$ 371,555	$ 580,875	$ 8,492,448
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 286,045	$ -	$ -	$ 286,045
Salaries and wages payable	448,278	-	-	448,278
Due to Catholic Social Services and related entities	4,818,050	-	-	4,818,050
Total current liabilities	5,552,373	-	-	5,552,373
Net assets				
Unrestricted	1,987,645	-	-	1,987,645
Temporarily restricted	-	371,555	-	371,555
Permanently restricted	-	-	580,875	580,875
Total net assets	1,987,645	371,555	580,875	2,940,075
Total liabilities and net assets	$ 7,540,018	$ 371,555	$ 580,875	$ 8,492,448

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	$ 9,768,602	$ -	$ -	$ 9,768,602
Fees for service	27	-	-	27
Contributed services - Catholic Social Services	20,715	-	-	20,715
Total operating revenue	9,789,344	-	-	9,789,344
Operating expenses				
Salaries, wages and other payroll costs	7,730,971	-	-	7,730,971
Administrative and general	1,553,445	-	-	1,553,445
Occupancy	796,665	-	-	796,665
Direct expenses of children	643,130	-	-	643,130
Depreciation	391,352	-	-	391,352
Bad debt expense	171,827	-	-	171,827
Total operating expenses	11,287,390	-	-	11,287,390
Deficiency of operating revenue under operating expenses	(1,498,046)	-	-	(1,498,046)
Other revenue				
Donations, bequests, and trusts	793,317	-	-	793,317
Catholic Charities Appeal	100,000	-	-	100,000
Dividend and interest income	23,688	4,084	2,104	29,876
Net realized and unrealized losses on investments	(6,287)	(10,669)	(44,925)	(61,881)
Total other revenue (expense)	910,718	(6,585)	(42,821)	861,312
Change in net assets	(587,328)	(6,585)	(42,821)	(636,734)
Net assets				
Beginning of year	1,987,645	371,555	580,875	2,940,075
End of year	$ 1,400,317	$ 364,970	$ 538,054	$ 2,303,341

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	$ 9,982,618	$ -	$ -	$ 9,982,618
Contributed rent	8,666	-	-	8,666
Contributed services - Catholic Social Services	34,434	-	-	34,434
Total operating revenue	10,025,718	-	-	10,025,718
Operating expenses				
Salaries, wages and other payroll costs	7,821,072	-	-	7,821,072
Administrative and general	1,661,106	-	-	1,661,106
Occupancy	915,801	-	-	915,801
Direct expenses of children	654,321	-	-	654,321
Depreciation	422,792	-	-	422,792
Bad debt recovery	(30,633)	-	-	(30,633)
Total operating expenses	11,444,459	-	-	11,444,459
Deficiency of operating revenue under operating expenses	(1,418,741)	-	-	(1,418,741)
Other revenue				
Donations, bequests, and trusts	863,900	4,760	-	868,660
Catholic Charities Appeal	100,000	-	-	100,000
Dividend and interest income	19,845	4,780	577	25,202
Net realized and unrealized gains (losses) on investments	5,797	1,829	(19,135)	(11,509)
Total other revenue (expense)	989,542	11,369	(18,558)	982,353
Change in net assets	(429,199)	11,369	(18,558)	(436,388)
Net assets				
Beginning of year	2,416,844	360,186	599,433	3,376,463
End of year	$ 1,987,645	$ 371,555	$ 580,875	$ 2,940,075

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

St. Francis-St. Joseph Homes for Children

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (636,734)	$ (436,388)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	391,352	422,792
Net realized and unrealized losses on investments	61,881	11,509
Bad debt expense (recovery)	171,827	(30,633)
Changes in operating assets and liabilities		
Accounts receivable - DHS and CBH	111,142	(669,375)
Accounts receivable - other governmental	21,144	(214,940)
Accounts receivable - other	254,760	(239,758)
Pledges receivable - Office of Development, United Way	4,383	(8,043)
Prepaid expense	19,009	107,510
Accounts payable and accrued expenses	75,820	27,677
Program advances	9,560	-
Salaries and wages payable	(169,300)	(149,844)
Due to Catholic Social Services	(184,172)	1,221,725
Net cash provided by operating activities	130,672	42,232
Cash flows from investing activities		
Capital expenditures	(133,365)	(63,897)
Proceeds received from related party loans receivable - Archdiocese of Philadelphia	11,288	10,847
Net purchases and sales of investments	(8,594)	10,818
Net cash used in investing activities	(130,671)	(42,232)
Increase in cash and cash equivalents	1	-
Cash and cash equivalents		
Beginning of year	15,166	15,166
End of year	$ 15,167	$ 15,166

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

NOTE A - ORGANIZATION

St. Francis-St. Joseph Homes for Children ("St. Francis") provides community-based residential treatment and group homes services to dependent, neglected, delinquent and emotionally troubled children between the ages of 10 and 21 years of age.

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. Francis is one of the entities operating under CSS.

The accompanying financial statements include programs operated and administered by St. Francis.

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. Francis, 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. Francis.

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. Francis 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 Organizations*. Accordingly, St. Francis'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.

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.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 value of investments. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

St. Francis 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. For the years ended June 30, 2016 and 2015, St. Francis possessed only petty cash held on site.

4. Accounting for Long-Lived Assets

St. Francis 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. Francis 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. Francis believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2016 and 2015.

5. Investments

On April 30, 2015, various funds previously held in the Non-Pension Asset Portfolio (the "NPAP") were liquidated and re-invested with a newly hired investment company, SEI, a provider of institutional asset management services. SEI created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values 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 investments, which consist of certain cash and securities and are more fully described in Note C.

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 statements of activities as net appreciation or depreciation in the fair value of investments.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Governmental Revenue

St. Francis receives its funding through contracts with Pennsylvania, 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. Francis's programs. St. Francis records revenues under such contracts as costs are incurred. For other programs, St. Francis 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. Francis recorded no retroactive adjustments for the years ended June 30, 2016 and 2015.

St. Francis 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.

7. 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. Francis 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.

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 G for more information on pledges.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Allowance for Doubtful Accounts

St. Francis 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. Francis's previous loss history, the nature of the service provided and other pertinent factors. St. Francis writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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

CSS provides administrative and accounting services for institutions and group homes, including St. Francis. 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. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09 is effective for periods beginning after December 15, 2017. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. St. Francis has not determined the impact of ASU 2014-09 at this time.

In August 2016, the FASB issued a new standard related to the presentation of financial statements of not-for-profit entities. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. St. Francis has not determined the impact of the new standard at this time.

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. The equity fund is valued at the closing price of the traded fund.

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. The fixed income fund is valued at the closing price of the traded fund.

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

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, 2016 and 2015, St. Francis's investments are summarized and classified as follows:

2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment in SEI	$ 200,020	$ -	$ -	$ 200,020

2015	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment in SEI	$ 203,901	$ -	$ -	$ 203,901

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 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. The investments in the NPAP were held by a custodian and were 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 used to buy and sell units of the equity and fixed income funds or for expected short-term needs.

(Continued)

NOTE C - INVESTMENTS - Continued

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

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

At June 30, 2016 and 2015, St. Francis held the following categories of investments:

	2016	2015
Catholic Values Equity Fund	$ 140,481	$ 142,786
Catholic Values Fixed Income Fund	59,539	61,115
	$ 200,020	$ 203,901

NOTE D - TRUSTS HELD BY THIRD PARTIES

St. Francis is the beneficiary of individual trusts held by third parties. At June 30, 2016 and 2015, the allocable fair value of these trusts was $877,485 and $926,891, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During fiscal year 2016, St. Francis recognized unrestricted income of $20,931 and permanently restricted depreciation of $34,001 related to these trusts. During fiscal year 2015, St. Francis recognized unrestricted income of $16,104 and permanently restricted depreciation of $11,403 related to these trusts.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation consist of the following at June 30, 2016 and 2015:

	2016	2015
Buildings	$ 7,033,402	$ 6,926,189
Equipment	1,769,618	1,743,467
	8,803,020	8,669,656
Accumulated depreciation	(6,133,101)	(5,741,750)
Property, plant and equipment, net	$ 2,669,919	$ 2,927,906

Depreciation expense of $391,352 and $422,792 was incurred for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, St. Francis had uncollateralized accounts receivable from Philadelphia Department of Human Services ("DHS") and Community Behavioral Health ("CBH") of $1,165,863 and $1,448,832, respectively. The receivable due from other governmental agencies was $1,993,473 and $2,014,617 as of June 30, 2016 and 2015, respectively. These balances potentially subject St. Francis to a concentration of credit risk. St. Francis monitors its funding arrangements with CBH and DHS and other governmental agencies.

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

Pledges receivable - Office of Development, United Way were $5,028 and $9,411, respectively, net of an allowance of $1,501 and $2,811, respectively, for fiscal years 2016 and 2015. Pledges receivable are expected to be realized in the following year.

NOTE H - RELATED PARTY NOTE RECEIVABLE - ARCHDIOCESE OF PHILADELPHIA

In June 2012, the Archdiocese of Philadelphia and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. The transaction resulted in the inter-diocesan Term Loan Receivables and Term Loan Payables totaling $71,357,582 at participating Archdiocesan entities, which included a loan receivable of $567,632 recorded by St. Francis. The loan receivable was refinanced on July 1, 2014, with terms as described below.

The loans are collateralized by first priority mortgage liens encumbering the following Archdiocesan high school premises: Bonner-Prendergrast High School, Pope John Paul II High School, Bishop Shanahan High School and Archbishop Wood High School. In addition, the Archdiocese of Philadelphia pledges the High School Revenue associated with these specific schools. The loans carry a fixed interest rate of 4% amortized over 28 years, maturing on June 1, 2042.

The future principal amounts receivable on the loans at June 30, 2016 are as follows:

2017	$ 11,746
2018	12,223
2019	12,720
2020	13,236
2021	13,773
Thereafter	461,256
	$ 524,954

NOTE I - FAIR VALUE MEASUREMENTS

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 St. Francis 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.

The following tables present the fair values of the investments held by St. Francis by level within the fair value hierarchy, as of June 30, 2016 and 2015:

2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Investment in SEI	$ 200,020	$ -	$ -	$ 200,020
Trusts held by third parties	-	-	877,485	877,485
Total of assets at June 30, 2016	$ 200,020	$ -	$ 877,485	$ 1,077,505

(Continued)

NOTE I - FAIR VALUE MEASUREMENTS - Continued

2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Investment in SEI	$ 203,901	$ -	$ -	$ 203,901
Trusts held by third parties	-	-	926,891	926,891
Total of assets at June 30, 2015	$ 203,901	$ -	$ 926,891	$ 1,130,792

The following table is a roll-forward 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, 2014	$ 938,840
Unrealized gains, net	8,914
Distributions	(20,863)
Fair value June 30, 2015	926,891
Unrealized losses, net	(23,155)
Distributions	(26,251)
Fair value June 30, 2016	$ 877,485

During 2016 and 2015, no investments were transferred between levels 1, 2 or 3.

NOTE J - PENSION PLAN

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

Through June 30, 2014, the eligible lay employees of St. Francis 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. St. Francis made annual contributions to the Plan at a rate of 4.0% of the salaries of eligible employees for the years ended June 30, 2016 and 2015. The amount expensed by St. Francis for contributions to the Plan was $179,467 and $303,861 for the fiscal years ended June 30, 2016 and 2015, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

(Continued)

NOTE J - PENSION PLAN - Continued

2. <u>Archdiocese of Philadelphia 403(b) Retirement Plan</u>

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.

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 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 years 2016 and 2015, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by St. Francis into the 403(b) plan totaled $241,931 and $224,844 for the years ended June 30, 2016 and 2015, respectively.

3. <u>Other contributions</u>

St. Francis also makes contributions to the various orders of the religious personnel who provide services at its institutions. The amount of expense related to these contributions was $2,277 and $2,227 for the years ended June 30, 2016 and 2015, respectively.

NOTE K - RELATED PARTY TRANSACTIONS

St. Francis 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. Francis. 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 $4,608,339 and $4,818,050 for the years ended June 2016 and 2015, respectively.

The transactions with the Archdiocese and CSS charged to expense for the fiscal years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Archdiocese of Philadelphia		
Rental of facility - contributed	$ -	$ 8,666
Insurance - auto and general	104,268	114,376
Lay employee pension contributions	179,467	303,861
Religious employee pension contributions	2,277	2,227
	$ 286,012	$ 429,130
Catholic Social Services		
Rental of facilities	$ 23,525	$ 62,900
Automobile leases	29,247	18,395
Human resources	7,545	27,934
Allocated administrative and accounting costs	317,098	328,780
Allocated administrative and accounting costs - contributed	20,215	34,434
Information technology services	103,500	100,623
	$ 501,130	$ 573,066

Catholic Charities Appeal donated $100,000 to St. Francis during each of the fiscal years ended June 30, 2016 and 2015.

(Continued)

NOTE K - RELATED PARTY TRANSACTIONS - Continued

Included in accounts receivable - other are certain related party amounts. These amounts are as follows for June 30, 2016 and 2015:

	2016	2015
Archdiocese of Philadelphia	$ -	$ 254,760

Included in accounts payable and accrued expenses are certain related party amounts. These amounts are as follows for June 30, 2016 and 2015:

	2016	2015
Catholic Health Care Services	$ 24,991	$ 24,513

NOTE L - INCOME TAX STATUS

St. Francis is a nonprofit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

St. Francis 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. Francis has determined that there are no material uncertain tax positions requiring recognition in the financial statements at June 30, 2016.

NOTE M - FUNCTIONAL EXPENSES

St. Francis provides treatment and residential placement services to young men, women and children. These services are provided in community-based residential group homes and campus facilities. Day care services are also provided. Expenses related to providing these services for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Program expenses	$ 8,565,549	$ 8,834,041
Support expenses	2,721,841	2,610,418
Total expenses	$ 11,287,390	$ 11,444,459

NOTE N - COMMITMENTS

St. Francis enters annually into various operating lease agreements primarily for the rental of facilities, some of which are with other entities also operating under the auspices of the Archdiocese of Philadelphia. Rental expense associated with these operating lease agreements was $88,805 and $134,926 for the years ended June 30, 2016 and 2015, respectively.

NOTE O - PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Education of children	$ 357,235	$ 363,670
Other	7,735	7,885
Total temporarily restricted net assets	$ 364,970	$ 371,555

Permanently restricted net assets at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Trusts held by third parties	$ 538,054	$ 580,875
Total permanently restricted net assets	$ 538,054	$ 580,875

NOTE P - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2016, the date of the financial statements, through February 27, 2017, 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.

SUPPLEMENTARY INFORMATION

St. Francis-St. Joseph Homes for Children

SCHEDULE OF REVENUE

Year ended June 30, 2016

Operating revenue	
Governmental revenue	
Human services funding	$ 7,819,348
Title I	98,984
PRRI	1,501,559
Nutritional program	71,891
Medical Assistance	276,820
Fee for service	27
Contributed services - Catholic Social Services	20,715
Total operating revenue	9,789,344
Other revenue	
Donations, bequests	103,363
Capital contributions - related party	342,444
Catholic Charities Appeal	100,000
Trusts	97,510
Kiernan trust	250,000
Dividend and interest income	29,876
Net realized and unrealized losses on investments	(61,881)
Total other revenue	861,312
Total revenue	$ 10,650,656

St. Francis-St. Joseph Homes for Children

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2016

Salaries, wages and other payroll costs	
Administrative	$ 967,622
Professional	1,926,820
Clerical	208,745
Maintenance and services	83,843
Child care	2,537,033
FICA	410,111
Workers' compensation insurance	37,505
Unemployment tax	73,362
Employees' health and retirement benefits	1,485,930
Total salaries, wages and other payroll costs	7,730,971
Administrative and general expenses	
Administrative and accounting services allocated from the Archdiocese of Philadelphia - Catholic Social Services - Director's Office	448,864
Professional fees	438,975
Telephone	104,190
Transportation	237,677
Conferences	3,916
Subscriptions	547
Outside printing	450
Staff development	27,690
Equipment - replacement	76,569
General expenses and supplies	205,346
Bad debt expense	171,827
Postage	9,221
Depreciation	391,352
Total administrative and general expenses	2,116,624
Cost of occupancy	
Rental of buildings	88,805
Insurance - buildings, contents, etc.	49,571
Repairs and maintenance - buildings and ground	454,804
Utilities	202,195
Real estate tax	1,290
Total cost of occupancy	796,665
Direct expenses of children	
Foods/supplies/other	334,483
Clothing - cleaning and repairing	76,089
Medical, dental	14,808
Personal	152,254
Education	6,642
Activities - recreation, camp	58,854
Total direct expenses of children	643,130
Total operating expenses	$ 11,287,390