Financial Statements and Report of
Independent Certified Public Accountants

St. Gabriel's System

June 30, 2016 and 2015

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
linked.in/GrantThorntonUS
twitter.com/GrantThorntonUS

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, 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. Gabriel's System 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. Gabriel's System

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 16,175	$ -	$ -	$ 16,175
Accounts receivable - DHS and CBH, less allowance of $50,000	1,847,047	-	-	1,847,047
Accounts receivable - State Act 30 educational funding, less allowance of $10,000	6,270,782	-	-	6,270,782
Accounts receivable - other governmental	277,209	-	-	277,209
Accounts receivable - other	100,000	-	-	100,000
Pledges receivable - Office of Development, United Way, net	1,285	-	-	1,285
Prepaid expenses and other assets	272,350	-	-	272,350
Total current assets	8,784,848	-	-	8,784,848
Property, plant and equipment, net	5,373,037	-	-	5,373,037
Investments	832,461	-	-	832,461
Trusts held by third parties	-	375	257,902	258,277
Total assets	$ 14,990,346	$ 375	$ 257,902	$ 15,248,623
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 511,734	$ -	$ -	$ 511,734
Salaries and wages payable	1,247,452	-	-	1,247,452
Due to Catholic Social Services and related entities	1,180,625	-	-	1,180,625
Related party term loan - St. Joseph's House for Homeless Industrious Boys	129,657	-	-	129,657
Total current liabilities	3,069,468	-	-	3,069,468
Related party term loan - St. Joseph's House for Homeless Industrious Boys, net of current portion	5,646,254	-	-	5,646,254
Total liabilities	8,715,722	-	-	8,715,722
Net assets				
Unrestricted	6,274,624	-	-	6,274,624
Temporarily restricted	-	375	-	375
Permanently restricted	-	-	257,902	257,902
Total net assets	6,274,624	375	257,902	6,532,901
Total liabilities and net assets	$ 14,990,346	$ 375	$ 257,902	$ 15,248,623

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

St. Gabriel's System

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash and cash equivalents	$ 16,175	$ -	$ -	$ 16,175
Accounts receivable - DHS and CBH, less allowance of $40,000	1,784,446	-	-	1,784,446
Accounts receivable - State Act 30 educational funding, less allowance of $10,000	5,962,487	-	-	5,962,487
Accounts receivable - other governmental	442,530	-	-	442,530
Accounts receivable - other	3,039	-	-	3,039
Pledges receivable - Office of Development, United Way, net	1,341	-	-	1,341
Prepaid expenses and other assets	274,479	-	-	274,479
Total current assets	8,484,497	-	-	8,484,497
Property, plant and equipment, net	6,003,919	-	-	6,003,919
Investments	848,610	-	-	848,610
Trusts held by third parties	-	375	236,306	236,681
Total assets	$ 15,337,026	$ 375	$ 236,306	$ 15,573,707
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 320,220	$ -	$ -	$ 320,220
Salaries and wages payable	1,629,461	-	-	1,629,461
Due to Catholic Social Services and related entities	1,265,542	-	-	1,265,542
Related party term loan - St. Joseph's House for Homeless Industrious Boys	124,580	-	-	124,580
Total current liabilities	3,339,803	-	-	3,339,803
Related party term loan - St. Joseph's House for Homeless Industrious Boys, net of current portion	5,775,912	-	-	5,775,912
Total liabilities	9,115,715	-	-	9,115,715
Net assets				
Unrestricted	6,221,311	-	-	6,221,311
Temporarily restricted	-	375	-	375
Permanently restricted	-	-	236,306	236,306
Total net assets	6,221,311	375	236,306	6,457,992
Total liabilities and net assets	$ 15,337,026	$ 375	$ 236,306	$ 15,573,707

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	$ 22,579,326	$ -	$ -	$ 22,579,326
Contributed services - Catholic Social Services	110,755	-	-	110,755
Total operating revenue	22,690,081	-	-	22,690,081
Operating expenses				
Salaries, wages and other payroll costs	16,729,267	-	-	16,729,267
Administrative and general expenses	2,470,174	-	-	2,470,174
Occupancy	1,336,278	-	-	1,336,278
Direct expenses of care	1,245,370	-	-	1,245,370
Depreciation	900,375	-	-	900,375
Interest	233,752	-	-	233,752
Bad debt expense	16,804	-	-	16,804
Total operating expenses	22,932,020	-	-	22,932,020
Deficiency of operating revenue under operating expenses	(241,939)	-	-	(241,939)
Other revenue (expenses)				
Donations/bequests/other	211,401	-	-	211,401
Catholic Charities Appeal	100,000	-	-	100,000
Dividends and interest income	10,017	-	-	10,017
Net realized and unrealized (losses) gains on investments	(26,166)	-	21,596	(4,570)
Total other revenue	295,252	-	21,596	316,848
Change in net assets	53,313	-	21,596	74,909
Net assets				
Beginning of year	6,221,311	375	236,306	6,457,992
End of year	$ 6,274,624	$ 375	$ 257,902	$ 6,532,901

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

St. Gabriel's System

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	$ 22,828,923	$ -	$ -	$ 22,828,923
Contributed services	6,613	-	-	6,613
Contributed services - Catholic Social Services	93,813	-	-	93,813
Other revenues	50	-	-	50
Total operating revenue	22,929,399	-	-	22,929,399
Operating expenses				
Salaries, wages and other payroll costs	17,240,428	-	-	17,240,428
Administrative and general expenses	2,654,032	-	-	2,654,032
Occupancy	1,377,933	-	-	1,377,933
Direct expenses of care	1,355,327	-	-	1,355,327
Depreciation	899,880	-	-	899,880
Loss on disposal	90,000	-	-	90,000
Interest	238,629	-	-	238,629
Bad debt expense	59,277	-	-	59,277
Total operating expenses	23,915,506	-	-	23,915,506
Deficiency of operating revenue under operating expenses	(986,107)	-	-	(986,107)
Other revenue				
Donations/bequests/other	229,472	-	-	229,472
Catholic Charities Appeal	100,000	-	-	100,000
Trust income	6,127	-	-	6,127
Dividends and interest income	12,767	-	-	12,767
Net realized and unrealized gains on investments	4,315	-	1,167	5,482
Total other revenue	352,681	-	1,167	353,848
Change in net assets	(633,426)	-	1,167	(632,259)
Net assets				
Beginning of year	6,854,737	375	235,139	7,090,251
End of year	$ 6,221,311	$ 375	$ 236,306	$ 6,457,992

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

St. Gabriel's System

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 74,909	$ (632,259)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	900,375	899,880
Loss on disposal	-	90,000
Bad debt expense	16,804	59,277
Net realized and unrealized losses (gains) on investments	4,570	(5,482)
Changes in operating assets and liabilities		
Accounts receivable - DHS and CBH	(79,405)	2,342,233
Accounts receivable - State Act 30 educational funding	(308,295)	595,039
Accounts receivable - other governmental	165,321	(114,475)
Accounts receivable - other	(96,961)	441,095
Pledges receivable - Office of Development, United Way	56	(997)
Prepaid expenses and other assets	2,129	282,397
Accounts payable and accrued expenses	191,514	12,877
Salaries and wages payable	(382,009)	(559,104)
Due to Catholic Social Services	(84,917)	(3,135,333)
Net cash provided by operating activities	404,091	275,148
Cash flows from investing activities		
Capital expenditures	(269,493)	(108,142)
Net purchases and sales of investments	(10,017)	(47,922)
Payments on related party term loan - St. Joseph's House for Homeless Industrious Boys	(124,581)	(119,704)
Net cash used in investing activities	(404,091)	(275,768)
Change in cash and cash equivalents	-	(620)
Cash and cash equivalents		
Beginning of year	16,175	16,795
End of year	$ 16,175	$ 16,175

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

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 three facilities. These facilities are St. Gabriel's Hall, De La Salle Vocational, 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.

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.

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.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016 and 2015.

4. 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

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. There were no retroactive adjustments recorded related to prior period final settlements as of June 30, 2016 and 2015.

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.

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

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

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Gabriel's 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. Gabriel's 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.

(Continued)

NOTE C - INVESTMENTS - Continued

At June 30, 2016 and 2015, St. Gabriel's investments are summarized and classified as follows:

2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment in SEI	$ 832,461	$ -	$ -	$ 832,461

2015	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment in SEI	$ 848,610	$ -	$ -	$ 848,610

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.

The NPAP was unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. St. Gabriel'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. Gabriel's held the following categories of investments:

	2016	2015
Catholic Values Equity Fund	$ 584,666	$ 594,256
Catholic Values Fixed Income Fund	247,795	254,354
	$ 832,461	$ 848,610

NOTE D - TRUSTS HELD BY THIRD PARTIES

St. Gabriel's is the beneficiary of individual trusts held by third parties. At June 30, 2016 and 2015, the allocable fair value of these trusts was $258,277 and $236,681, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During fiscal year 2016, St. Gabriel's recognized unrestricted income of $174 and permanently restricted appreciation of $21,596 related to these trusts. During fiscal year 2015, St. Gabriel's recognized unrestricted income of $6,127 and permanently restricted appreciation of $1,167 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	$ 6,250	$ 6,250
Building improvements	16,697,172	16,609,734
Equipment	3,380,246	3,198,191
	20,083,668	19,814,175
Accumulated depreciation	(14,710,631)	(13,810,256)
Property, plant and equipment, net	$ 5,373,037	$ 6,003,919

Depreciation expense of $900,375 and $899,880 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. Gabriel's had uncollateralized accounts receivable from Philadelphia Department of Human Services ("DHS") and Community Behavioral Health ("CBH") of $1,847,047 and $1,784,446, respectively. The receivable due from other governmental agencies was $277,209 and $442,530 as of June 30, 2016 and 2015, respectively. The receivable due from the State of Pennsylvania was $6,270,782 and $5,962,487 as of June 30, 2016 and 2015, respectively. These balances potentially subject St. Gabriel's to a concentration of credit risk. St. Gabriel's continually 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 $1,285 and $1,341, respectively, net of an allowance of $-0- for fiscal years 2016 and 2015. Pledges receivable are expected to be realized in the following year.

NOTE H - 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 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.

The following tables present the fair values of the investments held by St. Gabriel's 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	$ 832,461	$ -	$ -	$ 832,461
Trusts held by third parties	-	-	258,277	258,277
Total of assets at June 30, 2016	$ 832,461	$ -	$ 258,277	$ 1,090,738

(Continued)

NOTE H - 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	$ 848,610	$ -	$ -	$ 848,610
Trusts held by third parties	-	-	236,681	236,681
Total of assets at June 30, 2015	$ 848,610	$ -	$ 236,681	$ 1,085,291

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	$ 235,514
Unrealized gains, net	1,167
Fair value June 30, 2015	236,681
Unrealized gains, net	21,596
Fair value June 30, 2016	$ 258,277

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

NOTE I - PENSION PLANS

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

Through June 30, 2014, the eligible lay employees of St. Gabriel's 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. Gabriel's 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. Gabriel's for contributions to the Plan was $424,417 and $683,961 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.

NOTE I - PENSION PLANS - Continued

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.

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. Gabriel's into the 403(b) plan totaled $563,423 and $452,207 for the years ended June 30, 2016 and 2015, respectively.

3. Other contributions

St. Gabriel's 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 $-0- and $5,195 for the years ended June 30, 2016 and 2015, respectively.

NOTE J - 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.

(Continued)

NOTE J - RELATED PARTY TRANSACTIONS - Continued

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 $1,180,625 and $1,265,542 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		
Insurance - auto and general	$ 191,494	$ 203,721
Lay employee pension contributions	424,417	683,961
Religious employee pension contributions	-	5,195
	$ 615,911	$ 892,877
Catholic Social Services		
Automobile leases	$ 5,557	$ 6,592
Allocated administrative and accounting costs	572,896	662,236
Allocated administrative and accounting costs - contributed	110,755	93,813
Information technology services	219,705	219,188
Human resources	16,015	60,850
	$ 924,928	$ 1,042,679

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

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

	2016	2015
Catholic Health Care Services	$ 53,049	$ 53,398

(Continued)

NOTE J - RELATED PARTY TRANSACTIONS - Continued

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.

The future principal payments relating to the related party term loan outstanding at June 30, 2016 are as follows:

2017	$ 129,657
2018	134,938
2019	140,437
2020	146,158
2021	152,113
Thereafter	5,072,608
	$ 5,775,911

NOTE K - 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 material uncertain tax positions requiring recognition in the financial statements at June 30, 2016 or 2015.

NOTE L - 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, 2016 and 2015 are as follows:

	2016	2015
Program expenses	$ 20,407,351	$ 21,633,650
Support expenses	2,524,669	2,281,856
Total expenses	$ 22,932,020	$ 23,915,506

NOTE M - 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. Gabriel's System

SCHEDULE OF REVENUE

Year ended June 30, 2016

Operating revenue	
Governmental revenue	
Human services funding	$ 14,813,739
Philadelphia Human Services grants	475,454
State Act 30 educational funding	5,960,738
Title I	301,970
Nutritional program	339,620
Medical Assistance	687,805
Contributed services - Catholic Social Services	110,755
Total operating revenue	22,690,081
Other revenue	
Donations/bequests/other	
Donations	11,401
United Way - Community	200,000
Catholic Charities Appeal	100,000
Dividends and interest income	10,017
Net realized and unrealized losses on investments	(4,570)
Total other revenue	316,848
Total revenue	$ 23,006,929

St. Gabriel's System

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2016

Salaries, wages and other payroll costs	
Administration	$ 2,735,207
Professional	5,200,342
Clerical	860,467
Maintenance and services	909,443
Child care	2,611,237
FICA (employer's share)	889,623
Workers' compensation insurance	93,062
Unemployment tax	201,171
Employees' health and retirement benefits	3,228,715
Total salaries, wages and other payroll costs	16,729,267
Administrative and general expenses	
Administrative and accounting services allocated from Archdiocese of Philadelphia - Catholic Social Services	919,372
Professional fees	365,237
Telephone	47,716
Transportation	334,702
Conference and conventions	34,731
Dues	21,868
Subscriptions and publications	2,160
Equipment - replacement	71,488
Equipment - rental	7,448
General expenses and supplies	592,566
Postage	19,256
Staff development	31,715
Interest	233,752
Bad debt expense	16,804
Charity	21,915
Depreciation	900,375
Total administrative and general expenses	3,621,105
Cost of occupancy	
Rental	76,000
Insurance - buildings and contents, etc.	167,879
Repairs and maintenance - buildings and grounds	321,737
Utilities	463,639
Janitorial and maintenance contracts	307,023
Total cost of occupancy	1,336,278
Direct expenses of care	
Food	818,267
Clothing	154,105
Medical and dental fees and supplies	48,338
Activities	30,766
Personal	104,667
Other direct child care expanses	89,227
Total direct expenses of care	1,245,370
Total operating expenses	$ 22,932,020