

Financial Statements and Report of  
Independent Certified Public Accountants

**St. John's Hospice**

June 30, 2017 and 2016

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## Report of Independent Certified Public Accountants

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We have audited the accompanying financial statements of St. John's Hospice (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

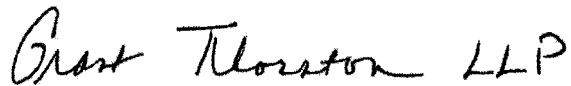
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's Hospice as of June 30, 2017 and 2016, and its activities and 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.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

December 15, 2017

St. John's Hospice

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Current assets				
Accounts receivable - City of Philadelphia	\$ 72,520	\$ -	\$ -	\$ 72,520
Accounts receivable - other	15,257	-	-	15,257
Pledges receivable - Office of Development, United Way, net	20,361	-	-	20,361
Client escrow funds	52,516	-	-	52,516
Related party note receivable - Archdiocese of Philadelphia	4,259	-	-	4,259
Prepaid expenses and other assets	<u>26,902</u>	<u>-</u>	<u>-</u>	<u>26,902</u>
Total current assets	<u>191,815</u>	<u>-</u>	<u>-</u>	<u>191,815</u>
Property, plant and equipment, net	646,328	-	-	646,328
Investments	<u>3,777,247</u>	<u>-</u>	<u>-</u>	<u>3,777,247</u>
Total assets	<u>\$ 4,615,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,615,390</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 46,458	\$ -	\$ -	\$ 46,458
Salaries and wages payable	44,996	-	-	44,996
Client escrow funds	52,516	-	-	52,516
Due to Catholic Social Services	<u>554,434</u>	<u>-</u>	<u>-</u>	<u>554,434</u>
Total current liabilities	<u>698,404</u>	<u>-</u>	<u>-</u>	<u>698,404</u>
Net assets				
Unrestricted	<u>3,916,986</u>	<u>-</u>	<u>-</u>	<u>3,916,986</u>
Total net assets	<u>3,916,986</u>	<u>-</u>	<u>-</u>	<u>3,916,986</u>
Total liabilities and net assets	<u>\$ 4,615,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,615,390</u>

The accompanying notes are an integral part of this financial statement.

## St. John's Hospice

## STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Current assets				
Accounts receivable - City of Philadelphia	\$ 110,254	\$ -	\$ -	\$ 110,254
Accounts receivable - other	10,151	-	-	10,151
Due from Catholic Social Services	523,927	-	-	523,927
Pledges receivable - Office of Development, United Way, net	21,591	-	-	21,591
Client escrow funds	42,826	-	-	42,826
Related party note receivable - Archdiocese of Philadelphia	17,287	-	-	17,287
Due from unrestricted fund	-	25,640	-	25,640
Prepaid expenses and other assets	17,863	-	-	17,863
 Total current assets	 <u>743,899</u>	 <u>25,640</u>	 <u>-</u>	 <u>769,539</u>
Property, plant and equipment, net	605,754	-	-	605,754
Investments	1,827,167	-	-	1,827,167
Related party note receivable - Archdiocese of Philadelphia, net of current portion	755,417	-	-	755,417
 Total assets	 <u>\$ 3,932,237</u>	 <u>\$ 25,640</u>	 <u>\$ -</u>	 <u>\$ 3,957,877</u>
 LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 88,152	\$ -	\$ -	\$ 88,152
Salaries and wages payable	40,887	-	-	40,887
Client escrow funds	42,826	-	-	42,826
Due to temporarily restricted fund	25,640	-	-	25,640
 Total current liabilities	 <u>197,505</u>	 <u>-</u>	 <u>-</u>	 <u>197,505</u>
Net assets				
Unrestricted	3,734,732	-	-	3,734,732
Temporarily restricted	-	25,640	-	25,640
 Total net assets	 <u>3,734,732</u>	 <u>25,640</u>	 <u>-</u>	 <u>3,760,372</u>
 Total liabilities and net assets	 <u>\$ 3,932,237</u>	 <u>\$ 25,640</u>	 <u>\$ -</u>	 <u>\$ 3,957,877</u>

The accompanying notes are an integral part of this financial statement.

St. John's Hospice

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue	\$ 676,707	\$ -	\$ -	\$ 676,707
Contributed food	300,460	-	-	300,460
Contributed services - Catholic Social Services	363	-	-	363
Donations/other	768,185	-	-	768,185
Legacies and bequests	177,433	-	-	177,433
United Way	61,017	-	-	61,017
Other revenues	156,000	-	-	156,000
Catholic Charities Appeal	25,000	-	-	25,000
Released from restriction	25,640	(25,640)	-	-
Total operating revenue	<u>2,190,805</u>	<u>(25,640)</u>	<u>-</u>	<u>2,165,165</u>
Operating expenses				
Salaries, wages and other payroll costs	1,474,701	-	-	1,474,701
Administrative and general expenses	681,121	-	-	681,121
Occupancy	156,575	-	-	156,575
Direct expenses of care	102,592	-	-	102,592
Total operating expenses	<u>2,414,989</u>	<u>-</u>	<u>-</u>	<u>2,414,989</u>
Deficiency in operating revenue under operating expenses	<u>(224,184)</u>	<u>(25,640)</u>	<u>-</u>	<u>(249,824)</u>
Other revenue				
Dividends and interest income	71,489	-	-	71,489
Net realized and unrealized gains on investments	334,949	-	-	334,949
Total other revenue	<u>406,438</u>	<u>-</u>	<u>-</u>	<u>406,438</u>
Change in net assets	182,254	(25,640)	-	156,614
Net assets				
Beginning of year	<u>3,734,732</u>	<u>25,640</u>	<u>-</u>	<u>3,760,372</u>
End of year	<u>\$ 3,916,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,916,986</u>

The accompanying notes are an integral part of this financial statement.

## St. John's Hospice

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue	\$ 602,478	\$ -	\$ -	\$ 602,478
Contributed food	73,930	-	-	73,930
Contributed services - Catholic Social Services	16,064	-	-	16,064
Donations/other	681,502	25,640	-	707,142
Legacies and bequests	942,933	-	-	942,933
United Way	107,159	-	-	107,159
Catholic Charities Appeal	25,000	-	-	25,000
Other revenues	67,386	-	-	67,386
	<u>2,516,452</u>	<u>25,640</u>	<u>-</u>	<u>2,542,092</u>
Total operating revenue				
Operating expenses				
Salaries, wages and other payroll costs	1,463,994	-	-	1,463,994
Administrative and general expenses	396,835	-	-	396,835
Occupancy	133,889	-	-	133,889
Direct expenses of care	100,787	-	-	100,787
	<u>2,095,505</u>	<u>-</u>	<u>-</u>	<u>2,095,505</u>
Total operating expenses				
Excess of operating revenue over operating expenses	<u>420,947</u>	<u>25,640</u>	<u>-</u>	<u>446,587</u>
Other revenue				
Contribution from Catholic Social Services	3,317,905	-	-	3,317,905
Dividends and interest income	53,312	-	-	53,312
Net realized and unrealized losses on investments	(57,432)	-	-	(57,432)
	<u>3,313,785</u>	<u>-</u>	<u>-</u>	<u>3,313,785</u>
Total other revenue				
Change in net assets	3,734,732	25,640	-	3,760,372
Net assets				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 3,734,732</u>	<u>\$ 25,640</u>	<u>\$ -</u>	<u>\$ 3,760,372</u>

The accompanying notes are an integral part of this financial statement.



St. John's Hospice

**STATEMENTS OF CASH FLOWS**

Year ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 156,614	\$ 3,760,372
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution from Catholic Social Services	-	(3,317,905)
Depreciation expense	54,373	35,943
Net realized and unrealized (gains) losses on investments	(334,949)	57,432
Changes in operating assets and liabilities		
Accounts receivable - City of Philadelphia	37,734	(110,254)
Accounts receivable - other	(5,106)	(10,151)
Pledges receivable - Office of Development, United Way	1,230	(21,591)
Prepaid expenses and other assets	(9,039)	(17,863)
Accounts payable and accrued expenses	(41,694)	88,152
Salaries and wages payable	4,109	40,887
Due to/from Catholic Social Services	<u>1,078,361</u>	<u>(223,927)</u>
Net cash provided by operating activities	<u>941,633</u>	<u>281,095</u>
Cash flows from investing activities		
Capital expenditures	(94,947)	(281,095)
Purchases of investments	(1,615,131)	-
Proceeds from note receivable - Archdiocese of Philadelphia	<u>768,445</u>	<u>-</u>
Net cash used in investing activities	<u>(941,633)</u>	<u>(281,095)</u>
Change in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

NOTE A - ORGANIZATION

In existence since 1963, the Saint John's Hospice and Good Shepherd Programs provide support for thousands of homeless men each year. Services to residents and visiting clients include hot meals, case management, food, clothing, showers, medical and psychological care, social services, and a stable mailing address. Incorporated in July of 2015, the Saint John's/Good Shepherd Program (collectively, "St. John's Hospice") is a separate 501(c)(3) organization of the Archdiocese of Philadelphia.

Effective July 1, 2015, the operations of St. John's Hospice, which had been part of Catholic Social Services of the Archdiocese of Philadelphia ("CSS") prior to this date, were moved to a separate legal entity. A contribution of assets that were utilized for the operations of St. John's Hospice was made by CSS on this date and consisted of the following:

Investments	\$ 1,884,599
Related party note receivable - Archdiocese of Philadelphia	772,704
Property, plant and equipment	360,602
Contribution	<u>300,000</u>
 Total	 <u>\$ 3,317,905</u>

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services of the Archdiocese of Philadelphia 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. John's Hospice is one of the organizations.

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

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. John's Hospice, 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. John's Hospice.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

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. John's Hospice 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. John's Hospice'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.

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. John's Hospice 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. John's Hospice 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. John's Hospice believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2017 and 2016.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Client Escrow Funds

St. John's Hospice acts as trustee over funds held for its residents. Expenditures of resident funds are authorized by the residents or their families. Generally, the funds are used to cover the costs of personal items which are not covered by the daily general service charge or special charges. These funds are returned to the resident, family or estate upon discharge or death.

5. Investments

SEI, a provider of institutional asset management services, 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 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 realized and unrealized gains (losses) on investments.

6. Governmental Revenue

St. John's Hospice receives its funding through contracts with various City of Philadelphia governmental departments. 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. John's Hospice's programs. St. John's Hospice records revenues under such contracts as costs are incurred. For other programs, St. John's Hospice 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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

St. John's Hospice 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. John's Hospice 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 statements 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 F for more information on pledges.

8. Allowance for Doubtful Accounts

St. John's Hospice 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. John's Hospice's previous loss history, the nature of the service provided and other pertinent factors. St. John's Hospice 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. John's Hospice. 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 statements 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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. John's Hospice has not determined the impact of ASU 2014-09 at this time.

In August 2016, the FASB issued ASU 2016-14, *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. John's Hospice 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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

## NOTE C - INVESTMENTS - Continued

*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 has primary responsibility for determining fixed income to equity mix. The asset mix of the mutual funds is SEI's responsibility.

At June 30, 2017 and 2016, all investments are considered unrestricted.

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 of the Archdiocese of Philadelphia.

At June 30, St. John's Hospice held the following categories of investments:

	<u>2017</u>	<u>2016</u>
Catholic Values Equity Fund	\$ 2,680,649	\$ 1,283,284
Catholic Values Fixed Income Fund	<u>1,096,598</u>	<u>543,883</u>
	<u>\$ 3,777,247</u>	<u>\$ 1,827,167</u>

## NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 71,800	\$ 71,800
Automobiles	23,734	-
Building improvements	612,034	548,016
Equipment	<u>29,076</u>	<u>21,881</u>
	736,644	641,697
Accumulated depreciation	<u>(90,316)</u>	<u>(35,943)</u>
Property, plant and equipment, net	<u>\$ 646,328</u>	<u>\$ 605,754</u>

Depreciation expense of \$54,373 and \$35,943 was incurred for the years ended June 30, 2017 and 2016, respectively, and is included within administrative and general expenses in the statements of activities.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

**NOTE E - ACCOUNTS RECEIVABLE - GOVERNMENTAL AGENCIES**

At June 30, 2017 and 2016, St. John's Hospice had uncollateralized accounts receivable from City of Philadelphia contracts of \$72,520 and \$110,254, respectively. These balances potentially subject St. John's Hospice to a concentration of credit risk. St. John's Hospice monitors its funding arrangements with the City of Philadelphia.

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

Pledges receivable were \$20,361 and \$21,591 at June 30, 2017 and 2016, respectively. Pledges receivable are expected to be realized in the following year.

**NOTE G - 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.

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 note carries a fixed interest rate of 4% amortized over 28 years, maturing on June 1, 2042. The remaining balance outstanding as of June 30, 2017 is \$4,259, which is expected to be paid in fiscal year 2018.

**NOTE H - 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.

(Continued)



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

## NOTE H - FAIR VALUE MEASUREMENTS - Continued

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. John's Hospice 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 table presents the fair values of the investments held by St. John's Hospice by level within the fair value hierarchy, as of June 30, 2017 and 2016:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2017</u>				
Assets				
Investments	\$ <u>3,777,247</u>	\$ -	\$ -	\$ <u>3,777,247</u>
Total assets at June 30, 2017	\$ <u>3,777,247</u>	\$ -	\$ -	\$ <u>3,777,247</u>
<u>2016</u>				
Assets				
Investments	\$ <u>1,827,167</u>	\$ -	\$ -	\$ <u>1,827,167</u>
Total assets at June 30, 2016	\$ <u>1,827,167</u>	\$ -	\$ -	\$ <u>1,827,167</u>

During the fiscal years ended June 30, 2017 and 2016, no investments were transferred between levels 1, 2 or 3.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE I - PENSION PLANS

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

Through June 30, 2014, the eligible lay employees of St. John's Hospice 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. John's Hospice made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for the year ended June 30, 2017 and 4% for the year ended June 30, 2016. The amount expensed by St. John's Hospice for contributions to the Plan were \$55,841 and \$15,126 for the years ended June 30, 2017 and 2016, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

On November 5, 2013, the Archdiocese of Philadelphia Office for Financial Services ("OFS") announced that it would freeze the Plan effective June 30, 2014. All current employees at the time of the announced freeze retained benefits they had earned and continued to accrue benefits through the effective date. After the effective date, accrued pension benefits under the Plan do not increase for current employees for additional service or increases in pay after the freeze date.

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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

## NOTE I - PENSION PLANS - Continued

In fiscal years 2017 and 2016, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by St. John's Hospice into the 403(b) plan totaled \$46,348 and \$43,827 for the years ended June 30, 2017 and 2016, respectively.

3. Other contributions

St. John's Hospice 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 \$3,909 and \$4,553 for the years ended June 30, 2017 and 2016, respectively.

## NOTE J - RELATED PARTY TRANSACTIONS

St. John's Hospice 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. John's Hospice. 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 statements 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. CSS also manages the cash receipts and cash disbursements for related institutions and group homes, including St. John's Hospice. Net amounts due to/from CSS attributable to administrative and cash management activities, which are non-interest bearing, are generally settled on an annual basis. The amount due to CSS was \$554,434 for the year ended June 30, 2017, and the amount due from CSS was \$523,927 for the year ended June 30, 2016.

The transactions with the Archdiocese and CSS charged to expense for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Archdiocese of Philadelphia		
Insurance - auto and general	\$ 14,167	\$ 3,633
Lay employee pension contributions	55,841	15,126
Religious employee pension contributions	<u>3,909</u>	<u>4,553</u>
	<u>\$ 73,917</u>	<u>\$ 23,312</u>
Archdiocese of Philadelphia - Catholic Social Services		
Allocated administrative and accounting costs	\$ 64,047	\$ 47,080
Allocated administrative and accounting costs - contributed	363	16,064
Information technology services	<u>30,198</u>	<u>22,706</u>
	<u>\$ 94,608</u>	<u>\$ 85,850</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

## NOTE J - RELATED PARTY TRANSACTIONS - Continued

Catholic Charities Appeal donated \$25,000 to St. John's Hospice during both of the fiscal years ended June 30, 2017 and 2016.

Included in accounts payable and accrued expenses are certain related party amounts. These amounts are as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Catholic Health Care Services	\$ 7,095	\$ 5,482

## NOTE K - INCOME TAX STATUS

St. John's Hospice 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. John's Hospice 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. John's Hospice has determined that there are no material uncertain tax positions requiring recognition in the financial statements at June 30, 2017 and 2016.

## NOTE L - FUNCTIONAL EXPENSES

St. John's Hospice provides residential and day services to homeless men in Philadelphia. Expenses related to providing these services for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program expenses	\$ 2,140,755	\$ 1,842,685
Support expenses	<u>274,234</u>	<u>252,820</u>
Total expenses	<u>\$ 2,414,989</u>	<u>\$ 2,095,505</u>

## NOTE M - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>
Building renovations	\$ <u>25,640</u>
Total temporarily restricted net assets	<u>\$ 25,640</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2017, the date of the financial statements, through December 15, 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. John's Hospice

**SCHEDULE OF REVENUE**

Year ended June 30, 2017

Operating revenue	
Governmental revenue	
AACO	\$ 55,336
OAS	300,213
HOPWA	188,291
FEMA	49,500
Other	83,367
Contributed food	300,460
Contributed services - Catholic Social Services	363
Donations	768,185
Legacies and bequests	177,433
United Way	61,017
Baumeister Trust	100,000
W. W. Smith	56,000
Catholic Charities Appeal	<u>25,000</u>
Total operating revenue	<u>2,165,165</u>
Other revenue	
Dividends and interest income	71,489
Net realized and unrealized gains on investments	<u>334,949</u>
Total other revenue	<u>406,438</u>
Total revenue	<u><u>\$ 2,571,603</u></u>

St. John's Hospice

**SCHEDULE OF OPERATING EXPENSES**

Year ended June 30, 2017

Salaries, wages and other payroll costs	
Administration	\$ 161,811
Professional	224,710
Clerical	38,068
Maintenance and services	231,212
Residential care	428,414
FICA (employer's share)	75,354
Workers' compensation insurance	14,244
Unemployment tax	13,226
Employees' health and retirement benefits	<u>287,662</u>
Total salaries, wages and other payroll costs	<u>1,474,701</u>
Administrative and general expenses	
Administrative and accounting services allocated from Archdiocese of Philadelphia - Catholic Social Services	95,028
Professional fees	20,244
Telephone	29,093
Transportation	38,517
Equipment - replacement	8,617
General expenses and supplies	121,458
Postage	1,906
Staff development	960
Charity	310,925
Depreciation	<u>54,373</u>
Total administrative and general expenses	<u>681,121</u>
Occupancy	
Repairs and maintenance - buildings and grounds	93,567
Utilities	<u>63,008</u>
Total occupancy	<u>156,575</u>
Direct expenses of care	
Food	83,115
Clothing	7,760
Medical and dental fees and supplies	576
Personal	5,814
Other direct care expenses	<u>5,327</u>
Total direct expenses of care	<u>102,592</u>
Total operating expenses	<u>\$ 2,414,989</u>