

Financial Statements and Report of
Independent Certified Public Accountants

St. John's Hospice

June 30, 2018 and 2017

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Report of Independent Certified Public Accountants

Board of Directors
St. John's Hospice
Philadelphia, Pennsylvania

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, 2018 and 2017, 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.

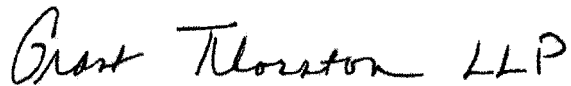
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, 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 19, 2018

St. John's Hospice

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Current assets				
Accounts receivable - City of Philadelphia	\$ 124,108	\$ -	\$ -	\$ 124,108
Pledges receivable - Office of Development, United Way, net	17,997	-	-	17,997
Client escrow funds	26,184	-	-	26,184
Prepaid expenses and other assets	<u>29,296</u>	<u>-</u>	<u>-</u>	<u>29,296</u>
Total current assets	<u>197,585</u>	<u>-</u>	<u>-</u>	<u>197,585</u>
Property, plant and equipment, net	596,391	-	-	596,391
Investments	<u>4,226,078</u>	<u>-</u>	<u>-</u>	<u>4,226,078</u>
Total assets	<u>\$ 5,020,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,020,054</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 27,343	\$ -	\$ -	\$ 27,343
Salaries and wages payable	48,257	-	-	48,257
Client escrow funds	26,184	-	-	26,184
Due to Catholic Social Services	<u>1,007,033</u>	<u>-</u>	<u>-</u>	<u>1,007,033</u>
Total current liabilities	<u>1,108,817</u>	<u>-</u>	<u>-</u>	<u>1,108,817</u>
Net assets				
Unrestricted	<u>3,911,237</u>	<u>-</u>	<u>-</u>	<u>3,911,237</u>
Total net assets	<u>3,911,237</u>	<u>-</u>	<u>-</u>	<u>3,911,237</u>
Total liabilities and net assets	<u>\$ 5,020,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,020,054</u>

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

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 ACTIVITIES

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue	\$ 701,608	\$ -	\$ -	\$ 701,608
Contributed food	312,080	-	-	312,080
Contributions				
Donations	691,784	-	-	691,784
Legacies and bequests	24,305	-	-	24,305
United Way	95,638	-	-	95,638
Catholic Charities Appeal	100,000	-	-	100,000
Baumeister Trust	55,168	-	-	55,168
Other revenues	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Total operating revenue	<u>2,045,583</u>	<u>-</u>	<u>-</u>	<u>2,045,583</u>
Operating expenses				
Salaries, wages and other payroll costs	1,485,770	-	-	1,485,770
Administrative and general expenses	637,043	-	-	637,043
Occupancy	168,083	-	-	168,083
Direct expenses of care	<u>127,950</u>	<u>-</u>	<u>-</u>	<u>127,950</u>
Total operating expenses	<u>2,418,846</u>	<u>-</u>	<u>-</u>	<u>2,418,846</u>
Deficiency in operating revenue under operating expenses	<u>(373,263)</u>	<u>-</u>	<u>-</u>	<u>(373,263)</u>
Other revenue				
Dividends and interest income	49,401	-	-	49,401
Net realized and unrealized gains on investments	<u>318,113</u>	<u>-</u>	<u>-</u>	<u>318,113</u>
Total other revenue	<u>367,514</u>	<u>-</u>	<u>-</u>	<u>367,514</u>
Change in net assets	(5,749)	-	-	(5,749)
Net assets				
Beginning of year	<u>3,916,986</u>	<u>-</u>	<u>-</u>	<u>3,916,986</u>
End of year	<u>\$ 3,911,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,911,237</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
Contributions				
Donations/other	768,185	-	-	768,185
Legacies and bequests	177,433	-	-	177,433
United Way	61,017	-	-	61,017
Catholic Charities Appeal	25,000	-	-	25,000
Other revenues	156,000	-	-	156,000
Released from restriction	25,640	(25,640)	-	-
	<u>2,190,805</u>	<u>(25,640)</u>	<u>-</u>	<u>2,165,165</u>
Total operating revenue				
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
	<u>2,414,989</u>	<u>-</u>	<u>-</u>	<u>2,414,989</u>
Total operating expenses				
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
	<u>406,438</u>	<u>-</u>	<u>-</u>	<u>406,438</u>
Total other revenue				
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

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (5,749)	\$ 156,614
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	58,748	54,373
Net realized and unrealized gains on investments	(318,113)	(334,949)
Changes in operating assets and liabilities		
Accounts receivable - City of Philadelphia	(51,588)	37,734
Accounts receivable - other	15,257	(5,106)
Pledges receivable - Office of Development, United Way	2,364	1,230
Prepaid expenses and other assets	(2,394)	(9,039)
Accounts payable and accrued expenses	(19,115)	(41,694)
Salaries and wages payable	3,261	4,109
Due to/from Catholic Social Services	452,599	1,078,361
	<u>135,270</u>	<u>941,633</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Capital expenditures	(8,811)	(94,947)
Purchases of investments	(130,718)	(1,615,131)
Proceeds from note receivable - Archdiocese of Philadelphia	4,259	768,445
	<u>(135,270)</u>	<u>(941,633)</u>
Net cash used in investing activities		
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, 2018 and 2017

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.

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. Catholic Social Services of the Archdiocese of Philadelphia ("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.

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

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.

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.

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)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

St. John's Hospice has no temporarily or permanently restricted net assets as of June 30, 2018 and 2017.

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, 2018 and 2017.

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 that 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 (the "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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Realized and unrealized gains and losses are included in the statements of activities as net realized and unrealized gains 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.

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

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. Pending 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, 2018. 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 is evaluating the pronouncement 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.

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. 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, 2018 and 2017, all investments are considered unrestricted.

At June 30, 2018 and 2017, St. John's Hospice held the following categories of investments:

	<u>2018</u>	<u>2017</u>
Catholic Values Equity Fund	\$ 2,989,867	\$ 2,680,649
Catholic Values Fixed Income Fund	<u>1,236,211</u>	<u>1,096,598</u>
	<u>\$ 4,226,078</u>	<u>\$ 3,777,247</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 71,800	\$ 71,800
Automobiles	23,734	23,734
Building improvements	612,034	612,034
Equipment	<u>37,887</u>	<u>29,076</u>
	745,455	736,644
Accumulated depreciation	<u>(149,064)</u>	<u>(90,316)</u>
Property, plant and equipment, net	<u>\$ 596,391</u>	<u>\$ 646,328</u>

Depreciation expense of \$58,748 and \$54,373 was incurred for the years ended June 30, 2018 and 2017, respectively, and is included within administrative and general expenses in the statements of activities.

NOTE E - ACCOUNTS RECEIVABLE - GOVERNMENTAL AGENCIES

At June 30, 2018 and 2017, St. John's Hospice had uncollateralized accounts receivable from City of Philadelphia contracts of \$124,108 and \$72,520, 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 \$17,997 and \$20,361 at June 30, 2018 and 2017, respectively. Pledges receivable are expected to be realized in the following year.

NOTE G - RELATED PARTY NOTE RECEIVABLE - ARCHDIOCESE OF PHILADELPHIA

In 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 outstanding balance receivable as of June 30, 2017 was \$4,259, which was paid in full during 2018.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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.

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, 2018 and 2017:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2018</u>				
Assets				
Investments	\$ 4,226,078	\$ -	\$ -	\$ 4,226,078
Total assets at June 30, 2018	<u>\$ 4,226,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,226,078</u>
<u>2017</u>				
Assets				
Investments	\$ 3,777,247	\$ -	\$ -	\$ 3,777,247
Total assets at June 30, 2017	<u>\$ 3,777,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,777,247</u>

During the fiscal years ended June 30, 2018 and 2017, no investments were transferred between Levels 1, 2 or 3.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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, 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 both years ended June 30, 2018 and 2017. The amount expensed by St. John's Hospice for contributions to the Plan were \$56,233 and \$55,841 for the years ended June 30, 2018 and 2017, 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

The Archdiocese 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, 2018 and 2017

NOTE I - PENSION PLANS - Continued

In fiscal years 2018 and 2017, the Archdiocese 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 \$42,889 and \$46,348 for the years ended June 30, 2018 and 2017, 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. There was no expense recorded for the year ended June 30, 2018 related to these contributions. The amount of expense related to these contributions was \$3,909 for the year ended June 30, 2017.

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 \$1,007,033 and \$544,434 for the years ended June 30, 2018 and 2017, respectively.

The transactions with the Archdiocese and CSS charged to expense for the fiscal years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Archdiocese of Philadelphia		
Insurance - auto and general	\$ 7,010	\$ 14,167
Lay employee pension contributions	56,233	55,841
Religious employee pension contributions	<u>-</u>	<u>3,909</u>
	<u>\$ 63,243</u>	<u>\$ 73,917</u>
Archdiocese of Philadelphia - Catholic Social Services		
Allocated administrative and accounting costs	\$ 60,477	\$ 64,047
Allocated administrative and accounting costs - contributed	-	363
Information technology services	<u>26,613</u>	<u>30,198</u>
	<u>\$ 87,090</u>	<u>\$ 94,608</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE J - RELATED PARTY TRANSACTIONS - Continued

Catholic Charities Appeal donated \$100,000 and \$25,000 to St. John's Hospice during the fiscal years ended June 30, 2018 and 2017, respectively.

Included in accounts payable and accrued expenses are certain related party amounts. These amounts are as follows at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Catholic Health Care Services	\$ 7,040	\$ 7,095

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, 2018 and 2017.

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Program expenses	\$ 2,136,939	\$ 2,140,755
Support expenses	<u>281,907</u>	<u>274,234</u>
Total expenses	<u>\$ 2,418,846</u>	<u>\$ 2,414,989</u>

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2018, the date of the financial statements, through December 19, 2018, 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, 2018

Operating revenue	
Governmental revenue	
AACO	\$ 40,934
OAS	300,213
HOPWA	186,697
FEMA	53,310
Other	120,454
Contributed food	312,080
Donations	691,784
Legacies and bequests	24,305
United Way	95,638
Baumeister Trust	55,168
W. W. Smith	65,000
Catholic Charities Appeal	<u>100,000</u>
Total operating revenue	<u>2,045,583</u>
Other revenue	
Dividends and interest income	49,401
Net realized and unrealized gains on investments	<u>318,113</u>
Total other revenue	<u>367,514</u>
Total revenue	<u><u>\$ 2,413,097</u></u>

St. John's Hospice

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2018

Salaries, wages and other payroll costs	
Administration	\$ 168,681
Professional	191,860
Clerical	37,940
Maintenance and services	257,556
Residential care	432,942
FICA (employer's share)	74,183
Workers' compensation insurance	13,943
Unemployment tax	10,275
Employees' health and retirement benefits	298,390
Total salaries, wages and other payroll costs	<u>1,485,770</u>
Administrative and general expenses	
Administrative and accounting services allocated from Archdiocese of Philadelphia - Catholic Social Services	87,090
Professional fees	2,973
Telephone	26,411
Transportation	33,578
Equipment - replacement	9,359
General expenses and supplies	97,004
Postage	1,985
Charity	319,895
Depreciation	58,748
Total administrative and general expenses	<u>637,043</u>
Occupancy	
Repairs and maintenance - buildings and grounds	101,807
Utilities	66,276
Total occupancy	<u>168,083</u>
Direct expenses of care	
Food	109,621
Clothing	7,908
Medical and dental fees and supplies	1,025
Personal	7,081
Other direct care expenses	2,315
Total direct expenses of care	<u>127,950</u>
Total operating expenses	<u>\$ 2,418,846</u>