

Financial Statements and Report of Independent  
Certified Public Accountants

**St. Edmond's Home for Crippled Children**

June 30, 2012

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## **Report of Independent Certified Public Accountants**

Board of Directors  
St. Edmond's Home for Crippled Children  
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of St. Edmond's Home for Crippled Children (the "Organization") as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Edmond's Home for Crippled Children, as of June 30, 2012, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania

May 2, 2013

St. Edmond's Home for Crippled Children

STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS	Unrestricted	Temporarily restricted	Permanently restricted	Total
Current assets				
Cash	\$ 325	\$ -	\$ -	\$ 325
Accounts receivable - Commonwealth of Pennsylvania, less allowance of \$40,000	1,591,498	-	-	1,591,498
Accounts receivable - other	126,502	-	-	126,502
Note receivable - Archdiocese of Philadelphia	344,854	-	-	344,854
Due from Archdiocese of Philadelphia - Catholic Social Services	1,590,737	-	-	1,590,737
Pledges receivable - Office of Development, United Way, net	9,837	-	-	9,837
Prepaid expenses and other current assets	6,840	-	-	6,840
Escrow client funds	28,104	-	-	28,104
Total current assets	3,698,697	-	-	3,698,697
Property, plant and equipment, net	2,512,045	-	-	2,512,045
Note receivable - Archdiocese of Philadelphia, net of current portion	11,256,929	-	-	11,256,929
Investments	9,897,514	-	-	9,897,514
Beneficial interest in net assets held by affiliated organization	-	1,095,746	-	1,095,746
Trusts held by third parties	-	49,826	1,024,731	1,074,557
Total assets	\$ 27,365,185	\$ 1,145,572	\$ 1,024,731	\$ 29,535,488
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 274,409	\$ -	\$ -	\$ 274,409
Salaries and wages payable	298,621	-	-	298,621
Escrow client funds	28,104	-	-	28,104
Total current liabilities	601,134	-	-	601,134
Net assets				
Unrestricted	26,764,051	-	-	26,764,051
Temporarily restricted	-	1,145,572	-	1,145,572
Permanently restricted	-	-	1,024,731	1,024,731
Total net assets	26,764,051	1,145,572	1,024,731	28,934,354
Total liabilities and net assets	\$ 27,365,185	\$ 1,145,572	\$ 1,024,731	\$ 29,535,488

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

St. Edmond's Home for Crippled Children

STATEMENT OF ACTIVITIES

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue				
Governmental revenue	\$ 7,518,295	\$ -	\$ -	\$ 7,518,295
Rental income	8,900	-	-	8,900
Contributed services - Archdiocese of Philadelphia - Catholic Social Services	59,718	-	-	59,718
Total operating revenue	7,586,913	-	-	7,586,913
Operating expenses				
Salaries, wages and other payroll	6,321,809	-	-	6,321,809
Administrative and general	1,258,520	-	-	1,258,520
Occupancy	519,146	-	-	519,146
Direct expenses of care	175,730	-	-	175,730
Depreciation	284,397	-	-	284,397
Bad debt expense	40,000	-	-	40,000
Total operating expenses	8,599,602	-	-	8,599,602
Deficiency of operating revenue under operating expenses	(1,012,689)	-	-	(1,012,689)
Other revenue (expenses)				
Donations and other	219,131	-	-	219,131
Women's auxiliary	76,575	-	-	76,575
Change in value of beneficial interest in net assets held by affiliated organization	-	5,581	-	5,581
Catholic Charities Appeal	50,000	-	-	50,000
Legacies and bequests	454,049	-	-	454,049
Net unrealized losses on investments	(513,998)	(3,740)	(288,358)	(806,096)
Net realized gains on investments	162,676	-	-	162,676
Dividend and interest income	524,882	-	-	524,882
Total other revenue (expenses)	973,315	1,841	(288,358)	686,798
Change in net assets	(39,374)	1,841	(288,358)	(325,891)
Net assets				
Beginning of year	26,803,425	1,143,731	1,313,089	29,260,245
End of year	\$ 26,764,051	\$ 1,145,572	\$ 1,024,731	\$ 28,934,354

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

St. Edmond's Home for Crippled Children

STATEMENT OF CASH FLOWS

Year ended June 30, 2012

Cash flows from operating activities	
Change in net assets	\$ (325,891)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	284,397
Net unrealized losses on investments	806,096
Bad debt expense	40,000
Net realized gains on investments	(162,676)
Change in value of beneficial interest in net assets held by affiliated organization	(5,581)
Changes in operating assets and liabilities	
Accounts receivable - Commonwealth of Pennsylvania	1,747,960
Accounts receivable - other	(47,243)
Pledges receivable - Office of Development, United Way	(9,837)
Prepaid expenses and other assets	92,849
Due from Archdiocese of Philadelphia - Catholic Social Services	(2,125,372)
Accounts payable and accrued expenses	155,127
Salaries and wages payable	<u>56,872</u>
Net cash provided by operating activities	<u>506,701</u>
Cash flows from investing activities	
Capital expenditures	(193,325)
Net proceeds from the sale of investments	6,888,407
Note receivable - Archdiocese of Philadelphia	<u>(7,201,783)</u>
Net cash used in investing activities	<u>(506,701)</u>
Change in cash	
Cash	
Beginning of year	<u>325</u>
End of year	<u><u>\$ 325</u></u>

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

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - ORGANIZATION

St. Edmond's Home for Crippled Children ("St. Edmond's") is a residential facility of the Archdiocese of Philadelphia located in Rosemont, Delaware County, Pennsylvania. St. Edmond's serves 40 physically handicapped/intellectually disabled children between the ages of 6 and 21 years of age.

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

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. Edmond'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. Edmond'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. Net assets and its revenues, expenses, gains and losses are classified into three categories, based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets.

Permanently restricted net assets include the historical dollar amounts of contributions, including pledges, trusts and remainder interests, which are required by donors to be permanently retained. Capital appreciation, if permanently restricted by the donor or a third party, is included in permanently restricted net assets.

Temporarily restricted net assets include contributions, including pledges, trusts, remainder interests, income and appreciation, which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. These significant estimates include the allowance for doubtful accounts, useful lives of depreciable assets, and fair values of investments. Actual results could differ from those estimates.

3. Accounting for Long-Lived Assets

St. Edmond'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. Edmond'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. Edmond's believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2012.

4. Escrow Client Funds

St. Edmond's 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

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

The investments are held within a pool of investments with the Archdiocese of Philadelphia or within trusts held by third parties.

Unrealized gains and losses arising from increases or decreases in fair value are recognized in the period in which they occur. Realized gains and losses on the sale of investments are determined on the trade date. Dividend and interest income are accrued as earned.

(Continued)



NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Beneficial Interest in Assets Held by Affiliated Organization

Beneficial interest represents the net assets of a financially interrelated organization which raises funds for the benefit of St. Edmond's. Changes in the value of the beneficial interest are recorded in the statement of activities.

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. Edmond'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.

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

9. Contributed Services

Contributed services represent the allocated administrative and accounting cost.

10. Property, Plant and Equipment

Land, buildings, building improvements, automobiles, and furniture and equipment are capitalized at cost or their fair value if donated. Depreciation is computed on a straight-line basis and recognized as expense over the estimated useful life of the related assets, which are as follows:

Building	40 years
Building improvements	15-20 years
Furniture and equipment	5-10 years

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Governmental Revenue

St. Edmond's receives its funding through the Commonwealth of Pennsylvania's Medical Assistance program. This is a fee-for-service agreement with a predetermined per diem rate. The ultimate determination of the amounts reimbursable under cost reimbursement is based upon allowable costs to be reported and subject to audit by grantors and/or their agents.

St. Edmond'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 expenses. 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.

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

CSS provides administrative and accounting services for institutions and group homes, including St. Edmond'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 recorded as a general and administrative expense in the statement of activities and changes in net assets. Any difference between the allocation and the amount charged to the institution or group homes during the year is considered a contribution of services from CSS.

## NOTE C - INVESTMENTS AND TRUSTS HELD BY THIRD PARTIES

Investments at June 30, 2012 are summarized and classified as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Archdiocese of Philadelphia Non-Pension Assets Portfolio	\$ 9,897,514	\$ -	\$ -	\$ 9,897,514
Trusts held by third parties	<u>-</u>	<u>49,826</u>	<u>1,024,731</u>	<u>1,074,557</u>
	<u>\$ 9,897,514</u>	<u>\$ 49,826</u>	<u>\$ 1,024,731</u>	<u>\$ 10,972,071</u>

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

## NOTE C - INVESTMENTS AND TRUSTS HELD BY THIRD PARTIES - Continued

For administrative and other needs, the Archdiocese of Philadelphia formed the Non-Pension Assets Portfolio (the "NPAP") to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP are held by a custodian and are managed based on sub-accounts as follows:

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

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

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

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

At June 30, 2012, the Archdiocese of Philadelphia held the following within the NPAP:

Equity sub-account	\$ 6,136,458
Fixed income sub-account	<u>3,761,056</u>
Total ownership	<u>\$ 9,897,514</u>

St. Edmond's is the beneficiary of the income of individual trusts held by third parties. At June 30, 2012, the allocable fair value of these trusts was \$1,074,557. During fiscal year 2012, St. Edmond's recognized unrealized loss of (\$262,091), related to these trusts.

## NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation at June 30, 2012 consist of:

Land	\$ 9,000
Buildings	1,046,378
Building improvements	5,735,411
Furniture and equipment	<u>1,119,862</u>
	7,910,651
Accumulated depreciation	<u>(5,398,606)</u>
Property, plant and equipment, net	<u>\$ 2,512,045</u>

Depreciation expense of \$284,397 was incurred for the year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - ACCOUNTS RECEIVABLE - COMMONWEALTH OF PENNSYLVANIA

The balance of \$1,591,498 at June 30, 2012 represents the net amounts receivable from the Commonwealth of Pennsylvania, Department of Public Welfare. This balance is uncollateralized and therefore potentially subjects St. Edmond's to a concentration of credit risk. St. Edmond's monitors its funding arrangements with the Department of Public Welfare and historically has not had to write off related accounts receivable.

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

Pledges receivable - Office of Development, United Way were \$9,837, net of an allowance of \$2,938 at June 30, 2012. 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. These retired obligations include the Variable Rate Revenue Bonds Series of 2008 issued through the Montgomery County Industrial Development Authority totaling \$47,007,923; the Variable Rate Revenue Bonds Series of 2001 issued through the Chester County Industrial Development Authority totaling \$50,708,547; and the various interest rate swap transactions associated with these debts totaling \$15,750,000. The transaction resulted in the inter-diocesan term loan receivables and term loan payables totaling \$77,357,582 at participating Archdiocesan entities.

This transaction resulted in the Archdiocese of Philadelphia ("borrower") entering into a \$71,357,582 term loan agreement in June 2012 with the following related parties: Catholic Health Care Services of the Archdiocese of Philadelphia, CSS, Don Guanella Village, St. Edmond's, Divine Providence Village and St. Francis (collectively, the "lenders"). As a result of this transaction with the Archdiocese of Philadelphia, St. Edmond's loaned the Archdiocese of Philadelphia \$11,601,783. The loan bears interest at a fixed rate of 4% and is amortized over 30 years, maturing on June 1, 2015.

The note receivable is 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 future principal amounts receivable on the loan at June 30, 2012 are as follows:

2013	\$ 344,854
2014	413,896
2015	206,948
Balloon payment receivable June 1, 2015	<u>10,636,085</u>
	<u>\$ 11,601,783</u>

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

## NOTE H - FAIR VALUE MEASUREMENTS

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.

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.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trustee Account 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.

Fair value measurements of investments in entities that calculate net asset value ("NAV") per share or its equivalent as of June 30, 2012 are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Archdiocese NPAP (a)	\$ 9,897,514	\$ -	daily	1 day

- (a) A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the NPAP is preservation of capital while reducing, to the greatest extent possible, the possibility of loss. The investment strategy and long-term asset allocation for the NPAP takes into consideration the specific spending requirements and the present and future needs of the Archdiocese of Philadelphia and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return is equal to the Consumer Price Index ("CPI") plus three percent (3%) on an annualized basis. The fair values are estimated using the NAV per share of the investments.

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

## NOTE H - FAIR VALUE MEASUREMENTS - Continued

Fair value for Level 3 is based on valuation techniques that trade infrequently or not at all.

The following table presents the fair values of the investments held by St. Edmond's by level within the fair value hierarchy as of June 30, 2012:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Archdiocese NPAP	\$ -	\$ 9,897,514	\$ -	\$ 9,897,514
Trusts held by third parties	<u>-</u>	<u>-</u>	<u>1,074,557</u>	<u>1,074,557</u>
Total assets	<u>\$ -</u>	<u>\$ 9,897,514</u>	<u>\$ 1,074,557</u>	<u>\$ 10,972,071</u>

The following table is a rollforward 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, 2011	\$ 1,336,648
Net unrealized losses	<u>(262,091)</u>
Fair value June 30, 2012	<u>\$ 1,074,557</u>

## NOTE I - PENSION PLAN

The eligible lay employees of St. Edmond's are covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan that covers substantially all lay employees, once age and service requirements are met, of the Archdiocese of Philadelphia, its institutions and parishes. The Plan is administered by the Trustees of the Lay Employees' Retirement Plan. St. Edmond's made annual contributions to the Plan at a rate of 5% for the year ended June 30, 2012 of salaries of the eligible employees. The amount of expense related to the Plan was \$200,604 for the year ended June 30, 2012. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE J - RELATED PARTY TRANSACTIONS

St. Edmond's is covered under various insurance and retirement plans administered by the Archdiocese of Philadelphia. Additionally, certain administrative and accounting costs incurred by CSS are allocated to St. Edmond's.

The transactions with the Archdiocese of Philadelphia and affiliates charged to expense for the fiscal year ended June 30, 2012 were as follows:

Insurance	\$ 41,140
Unemployment compensation fund	38,705
Lay employee pension contributions	200,604
Allocated administrative and accounting costs	306,482
Allocated administrative and accounting costs - contributed	59,718
Information technology expenses	<u>91,030</u>
	<u>\$ 737,679</u>

Catholic Charities Appeal donated \$50,000 to St. Edmond's during the year ended June 30, 2012.

St. Edmond's entered into a related party transaction with CSS of \$1,590,737 for the year ended June 30, 2012. There are no specific terms or interest related to this transaction.

NOTE K - INCOME TAX STATUS

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

St. Edmond'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. Edmond's has determined that there are no uncertain tax positions requiring recognition in the financial statements at June 30, 2012. The tax years ended June 30, 2010, 2011 and 2012 are still open to audit for both federal and state purposes.

NOTE L - FUNCTIONAL EXPENSES

St. Edmond's provides a variety of services. Expenses related to providing these services at June 30, 2012 are as follows:

Functional program expenses	
Program expenses	\$ 6,843,115
Support expenses	<u>1,756,487</u>
	<u>\$ 8,599,602</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE M - SUBSEQUENT EVENTS

St. Edmond's evaluated its June 30, 2012 financial statements for subsequent events through May 2, 2013, the date the financial statements were available to be issued. St. Edmond's is not aware of any subsequent event which would require recognition or disclosure in the financial statements.