

Financial Statements and Report of  
Independent Certified Public Accountants

**Nutritional Development Services of  
the Archdiocese of Philadelphia**

June 30, 2017 and 2016

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Grant Thornton LLP  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## Report of Independent Certified Public Accountants

The Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

### **Report on the financial statements**

We have audited the accompanying financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (“Nutritional Development Services” or “NDS”), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets 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 NDS’ 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 NDS’ 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 Nutritional Development Services of the Archdiocese of Philadelphia as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Philadelphia, Pennsylvania

November 8, 2017

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENTS OF FINANCIAL POSITION**

June 30,

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 292,051	\$ 978,306
Cash - government funded programs	3,576,364	3,279,670
Grants receivable	3,502,817	3,430,033
Other receivables	251,290	248,610
Inventory	476,793	467,129
Prepaid expenses	<u>60,985</u>	<u>60,985</u>
Total current assets	8,160,300	8,464,733
Investments - board designated	952,263	-
Equipment, net	<u>1,091,731</u>	<u>956,170</u>
Total assets	<u>\$ 10,204,294</u>	<u>\$ 9,420,903</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,279,259	\$ 1,295,881
Deferred revenue	<u>50,000</u>	<u>-</u>
Total liabilities	<u>1,329,259</u>	<u>1,295,881</u>
Net assets		
Unrestricted	1,094,865	846,980
Unrestricted - government funded programs	7,643,808	7,123,582
Temporarily restricted	<u>136,362</u>	<u>154,460</u>
Total net assets	<u>8,875,035</u>	<u>8,125,022</u>
Total liabilities and net assets	<u>\$ 10,204,294</u>	<u>\$ 9,420,903</u>

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

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2017

	Unrestricted	Unrestricted - government funded programs	Temporarily restricted	Total
Revenue				
Grants				
Federal and state governments	\$ -	\$ 20,137,847	\$ -	\$ 20,137,847
City of Philadelphia	1,600	-	62,412	64,012
Nongovernment meal receipts	-	1,246,119	-	1,246,119
Contributions from Operation Rice Bowl	-	-	96,757	96,757
Contributions - other	39,485	3,000	20,000	62,485
Subsidy from Catholic Charities Appeal Fund	125,000	-	-	125,000
Interest income	21,086	9,998	-	31,084
Other income	411,795	1,588	28,283	441,666
Net assets released from restrictions	225,550	-	(225,550)	-
	<u>824,516</u>	<u>21,398,552</u>	<u>(18,098)</u>	<u>22,204,970</u>
Total revenue				
Expenses				
Food costs	308,182	14,625,408	-	14,933,590
Compensation	166,795	2,426,179	-	2,592,974
Office	10,162	126,556	-	136,718
Transportation	18,084	81,544	-	99,628
Fixed charges	2,287	112,076	-	114,363
Program administration	69,277	3,266,074	-	3,335,351
Depreciation	1,844	240,489	-	242,333
	<u>576,631</u>	<u>20,878,326</u>	<u>-</u>	<u>21,454,957</u>
Total expenses				
Change in net assets	247,885	520,226	(18,098)	750,013
Net assets				
Beginning of year	<u>846,980</u>	<u>7,123,582</u>	<u>154,460</u>	<u>8,125,022</u>
End of year	<u>\$ 1,094,865</u>	<u>\$ 7,643,808</u>	<u>\$ 136,362</u>	<u>\$ 8,875,035</u>

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

Nutritional Development Services of the Archdiocese of Philadelphia

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2016

	Unrestricted	Unrestricted - government funded programs	Temporarily restricted	Total
Revenue				
Grants				
Federal and state governments	\$ -	\$ 19,047,044	\$ -	\$ 19,047,044
City of Philadelphia	1,600	-	25,267	26,867
Nongovernment meal receipts	-	1,289,857	-	1,289,857
Contributions from Operation Rice Bowl	-	-	94,332	94,332
Contributions - other	23,112	250	725	24,087
Subsidy from Catholic Charities Appeal Fund	125,000	-	-	125,000
Interest income	2,260	8,784	-	11,044
Other income	469,696	6,507	46,763	522,966
Net assets released from restrictions	<u>207,320</u>	<u>-</u>	<u>(207,320)</u>	<u>-</u>
 Total revenue	 <u>828,988</u>	 <u>20,352,442</u>	 <u>(40,233)</u>	 <u>21,141,197</u>
 Expenses				
Food costs	255,465	13,598,891	-	13,854,356
Compensation	185,816	2,398,117	-	2,583,933
Office	10,612	131,996	-	142,608
Transportation	13,177	87,387	-	100,564
Fixed charges	1,259	112,590	-	113,849
Program administration	45,845	2,922,646	-	2,968,491
Depreciation	1,997	261,114	-	263,111
Miscellaneous expenses	<u>100</u>	<u>332</u>	<u>-</u>	<u>432</u>
 Total expenses	 <u>514,271</u>	 <u>19,513,073</u>	 <u>-</u>	 <u>20,027,344</u>
 Change in net assets	 314,717	 839,369	 (40,233)	 1,113,853
 Net assets				
Beginning of year	<u>532,263</u>	<u>6,284,213</u>	<u>194,693</u>	<u>7,011,169</u>
 End of year	 <u>\$ 846,980</u>	 <u>\$ 7,123,582</u>	 <u>\$ 154,460</u>	 <u>\$ 8,125,022</u>

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

**STATEMENTS OF CASH FLOWS**

Year ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 750,013	\$ 1,113,853
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	242,333	263,111
Unrealized gains on investments	(13,017)	-
Changes in net assets and liabilities		
Grants receivable	(72,784)	(204,894)
Other receivables	(2,680)	23,531
Inventory	(9,664)	(39,806)
Prepaid expenses	-	2
Accounts payable and accrued expenses	(16,622)	41,374
Deferred revenue	<u>50,000</u>	<u>-</u>
Net cash provided by operating activities before net change in trading securities	927,579	1,197,171
Net change in trading securities	<u>(583)</u>	<u>-</u>
Net cash provided by operating activities	926,996	1,197,171
Cash flows from investing activities		
Purchases of equipment	(377,894)	(171,959)
Purchases of investments	(945,640)	-
Sales of investments	<u>6,977</u>	<u>-</u>
Net cash used in investing activities	<u>(1,316,557)</u>	<u>(171,959)</u>
Net (decrease) increase in cash	(389,561)	1,025,212
Cash		
Beginning of year	<u>4,257,976</u>	<u>3,232,764</u>
End of year	<u>\$ 3,868,415</u>	<u>\$ 4,257,976</u>

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



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

NOTE A - ORGANIZATION AND PURPOSE

Nutritional Development Services (“NDS”) is a corporation of the Archdiocese of Philadelphia whose purpose is to obtain and distribute nutritious foods at a minimum cost to those attending or residing in educational or charitable institutions, or to those whose physical or financial circumstances require a specialized delivery of food; to provide food procurement and delivery services contemplated by governmental agencies; to conduct nutrition awareness programs in conjunction with these activities and to cooperate with and render technical assistance and advice to others working in this field.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of NDS have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The significant accounting policies followed are described below.

Net assets and revenues, expenses, gains and losses are categorized into two categories, based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets include contributions, which can be expended but for which restrictions have not yet been met.

Unrestricted net assets are free of donor-imposed restrictions. Included in unrestricted funds are \$952,263 of board-designated investments.

2. Funding

NDS receives the majority of its revenues from performance-based contracts with various governmental agencies. These revenues are subject to audit, which could result in repayment or reversal of revenues.

The various school, childcare, and summer meals programs are funded by the U.S. Department of Agriculture through the Pennsylvania Department of Education. The State Food Purchase Program is funded by the Commonwealth of Pennsylvania. Programs listed as part of the Child Nutrition Cluster in this report are governed by the United States Department of Agriculture regulations including 7 CFR 210, 220, 215, and 226 and FNS Instruction 796-2, in addition to guidance from the Pennsylvania Department of Education. Surpluses within these programs that are not required to be returned or spent, are to be retained for that particular program exclusively. These funds are to be used to improve operations or be set aside against possible future losses within the specific program. These cash balances and net assets are recorded as unrestricted; however, the government regulations for these programs place restrictions on their use.

3. Contributions

Gifts of long-lived assets are reported at fair value as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Classification of Gifts

NDS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Equipment and Depreciation

Equipment purchased is stated at cost, while donated assets are stated at fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. The estimated useful life for equipment ranges from three to twelve years.

7. Cash

NDS maintains its cash on deposit with a large commercial bank, and the deposit typically exceeds federally insured limits.

8. Inventory

Inventory consists of food and supplies used for the programs and is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

9. Investments

Investments consist of investments set aside by the Board of Directors for future purposes that were received through special appeals for the Community Food Program. Investments in debt and equity securities are measured at fair value based on quoted market prices. Alternative investments, include investments in private equity funds, which are measured at the net asset value ("NAV") of the securities held. These investments are designated as trading securities. Investment income, realized gains and losses, and changes in net unrealized gains and losses on trading securities are recorded as other income and losses.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“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. NDS has not determined the impact of ASU 2014-09 at this time.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require entities to record additional leases onto the balance sheet. The standard aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities and increasing disclosure requirements about leasing arrangements. ASU 2016-02 will be effective for annual periods beginning after December 15, 2018, and interim periods therein. NDS has not determined the impact of ASU 2016-02 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. NDS has not determined the impact of the new standard at this time.

NOTE C - EQUIPMENT

Equipment at June 30, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Equipment at schools	\$ 2,717,926	\$ 2,395,725
Office equipment	<u>750,900</u>	<u>695,207</u>
	3,468,826	3,090,932
Less: accumulated depreciation	<u>(2,377,095)</u>	<u>(2,134,762)</u>
	<u>\$ 1,091,731</u>	<u>\$ 956,170</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$242,333 and \$263,111, respectively.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE D - INVESTMENTS

At June 30, 2017, NDS held the following categories of investments:

Cash	\$ 61,229
Mutual funds	300,714
Equities	467,106
Alternative investments	<u>123,214</u>
	<u>\$ 952,263</u>

For the year ended June 30, 2017, NDS recognized the following changes as part of other income on the statement of activities and changes in net assets:

Dividend and interest income	\$ 5,493
Realized gains, net	146
Unrealized gains, net	<u>13,017</u>
	<u>\$ 18,656</u>

The Archdiocese Investment Committee retains the authority to approve the Investment Managers' strategic asset allocation between asset classes as noted in the NDS Investment Policy Statement, which is approved by the NDS Board of Trustees. The NDS Finance Committee is responsible for oversight of the investments including setting risk tolerances and controls.

NOTE E - 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 E - 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 NDS 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 NDS 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				
Cash	\$ 61,229	\$ -	\$ -	\$ 61,229
Mutual funds	300,714	-	-	300,714
Equities	<u>467,106</u>	<u>-</u>	<u>-</u>	<u>467,106</u>
	829,049	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829,049</u>
Alternative investments at NAV	<u>123,214</u>			
Total assets	<u>\$ 952,263</u>			

There were no investments held by NDS as of June 30, 2016. During 2017 and 2016, no investments were transferred between levels 1, 2 or 3.

The alternative investments are investments in two private equity funds, both are long-term capital appreciation funds, which benchmark to the MSCI All Country World Index and the Russell 2000 index, respectively, and are measured using the NAV of the fund. The funds' NAV is used to estimate fair value. NDS has no unfunded commitments or redemption restrictions related to these investments and has the ability to redeem investment at will.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE F - OPERATING LEASES

NDS has non-cancellable operating leases for two copiers and two vehicles. Future minimum rental payments, which extend to 2020, for non-cancellable lease terms in excess of one year as of June 30, 2017, are as follows:

<u>Leases</u>	
2018	\$ 15,670
2019	15,541
2020	<u>10,057</u>
	<u>\$ 41,268</u>

Rental expense related to these leases for each of the years ended June 30, 2017 and 2016 was \$16,987.

NOTE G - PENSIONS

1. Lay Employees' Retirement Plan - Frozen Effective June 30, 2014

Through June 30, 2014, the eligible lay employees of NDS were covered under the Archdiocese of Philadelphia's 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. NDS made annual contributions to the Plan at a rate of 5.9% and 4.0% of the salaries of eligible employees for the years ended June 30, 2017 and 2016, respectively. The amount expensed by NDS for contributions to the Plan was \$106,568 and \$71,620 for the fiscal years ended June 30, 2017 and 2016, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

2. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan ("403(b) 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.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE G - PENSIONS - Continued

*Non-Grandfathered Employees* - Non-grandfathered employees are eligible to receive the employer contributions 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 was modified to the calendar year beginning January 1, 2016.

*Vesting* - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

In fiscal years 2017 and 2016, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by NDS into the 403(b) plan totaled \$81,283 and \$80,572 for the years ended June 30, 2017 and 2016, respectively.

NOTE H - INCOME TAXES

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

NDS 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. NDS does not believe its financial statements include any material uncertain tax positions.

NOTE I - CONTRIBUTIONS OF FOOD

During 2017 and 2016, approximately 802,735 pounds and 880,010 pounds of food, respectively, with an estimated fair value of \$1,364,650 and \$1,496,017, respectively, were donated from various nongovernment sources. This food was redistributed to organizations feeding the needy and is not reflected in these financial statements.

NOTE J - FUNCTIONAL EXPENSES

The following table summarizes program and supporting expenses for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Program expenses	\$ 18,742,642	\$ 17,367,182
Support expenses	<u>2,712,315</u>	<u>2,660,162</u>
	<u>\$ 21,454,957</u>	<u>\$ 20,027,344</u>

Program expenses consist of food, program compensation, transportation, depreciation and program administrative costs. Support expenses consist of supporting compensation, office expenses, fixed charges and miscellaneous costs.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

**NOTE K - RELATED PARTY TRANSACTIONS**

NDS provides meals to elementary schools and child care centers of parishes in the Archdiocese of Philadelphia. These meals are purchased by NDS and distributed in schools and centers under the federally funded child nutritional programs. During fiscal years 2017 and 2016, a total of \$448,660 and \$562,340, respectively, was purchased by the students, of which \$41,780 and \$72,087 was included in other receivables at June 30, 2017 and 2016, respectively.

NDS receives subsidies from the Catholic Charities Appeal Fund (“Catholic Charities”), which is a fund administered for the Archdiocese of Philadelphia. Subsidies for the administrative costs of the Community Food Program were \$125,000 for each of the years ended June 30, 2017 and 2016. Additionally, Catholic Charities through a separate annual appeal raises funds to be used for program costs by the Community Food Program and contributed \$362,612 and \$421,854 for the years ended June 30, 2017 and 2016, respectively.

NDS also receives funds from Operation Rice Bowl, which is also a program administered by the Archdiocese of Philadelphia, in which contributions are received from churches throughout the Archdiocese of Philadelphia. Contributions from Operation Rice Bowl for the years ended June 30, 2017 and 2016 were \$96,757 and \$94,332, respectively.

NDS rents certain facilities, utilized in the delivery of its services, from the Archdiocese of Philadelphia. Rent expense on these facilities was \$101,781 for both fiscal years 2017 and 2016. It is presented as part of fixed charges on the statements of activities and changes in net assets.

NDS reimburses Catholic Social Services (“CSS”) of the Archdiocese of Philadelphia for meals served at the residential child care centers and group homes. These meals are served in accordance with the regulations of the National School Lunch and Breakfast Program. As of June 30, 2017 and 2016, NDS has amounts payable to CSS totaling \$76,680 and \$74,139, respectively, which are included as part of accounts payable and accrued expenses on the statements of financial position.

**NOTE L - SUBSEQUENT EVENTS**

NDS evaluated events subsequent to June 30, 2017 and through November 8, 2017, 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 required recognition or disclosure in the financial statements.