

Consolidated Financial Statements,
Supplementary Information and Report of
Independent Certified Public Accountants

Saint John Vianney Center

June 30, 2018 and 2017

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Report of Independent Certified Public Accountants

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Report on the financial statements

We have audited the accompanying consolidated financial statements of Saint John Vianney Center, which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

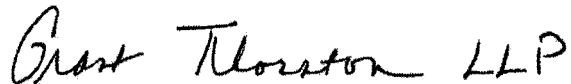
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint John Vianney Center as of June 30, 2018 and 2017, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated 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

November 6, 2018

Saint John Vianney Center

CONSOLIDATED BALANCE SHEETS

June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,500	\$ 20,201
Patient accounts receivable		
Residents	1,735,736	1,164,216
Outpatient	52,485	35,506
Allowance for doubtful accounts	<u>(172,502)</u>	<u>(32,847)</u>
Net patient accounts receivable	1,615,719	1,166,875
Other receivables	2,169	-
Prepaid expenses	138,951	136,754
Related party receivables	<u>4,775,773</u>	<u>4,510,645</u>
Total current assets	6,534,112	5,834,475
Investments	1,982,371	1,125,829
Property, plant and equipment, net	<u>2,494,926</u>	<u>2,401,518</u>
Total assets	<u>\$ 11,011,409</u>	<u>\$ 9,361,822</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	\$ 295,539	\$ 235,872
Accrued salaries	330,577	303,897
Accrued expenses	111,846	76,874
Related party payables	<u>1,385,492</u>	<u>1,411,172</u>
Total current liabilities	<u>2,123,454</u>	<u>2,027,815</u>
Total liabilities	2,123,454	2,027,815
Net assets		
Unrestricted net assets	8,887,955	7,315,306
Temporarily restricted net assets	<u>-</u>	<u>18,701</u>
Total net assets	<u>8,887,955</u>	<u>7,334,007</u>
Total liabilities and net assets	<u>\$ 11,011,409</u>	<u>\$ 9,361,822</u>

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30,

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Net resident revenue, net of contractual allowances	\$ 10,668,634	\$ 8,682,317
(Provision for) recovery of bad debt	<u>(164,428)</u>	<u>64,470</u>
Net resident revenue, net of bad debt	10,504,206	8,746,787
Contribution of rental at fair value	481,293	744,372
Other operating revenue	29,306	252,428
Net assets released from restrictions	<u>18,701</u>	<u>-</u>
Total operating revenues	<u>11,033,506</u>	<u>9,743,587</u>
Operating expenses:		
Administration	1,145,580	1,265,519
Annex program	-	241,135
Chapel	241,823	207,739
Community counseling	187,673	201,561
Consultation and education services	648,313	500,751
Depreciation	286,598	269,746
Dietary	623,650	547,965
Fringe benefits	1,108,528	1,033,594
Housekeeping	91,861	97,796
Nurse administration	568,540	570,605
Outpatient services	288,716	194,439
Plant operation and maintenance	697,400	730,117
Professional care	2,804,614	2,495,114
Recreation	68,336	66,009
Rent expense	481,293	744,372
Social services	<u>185,627</u>	<u>198,057</u>
Total operating expenses	<u>9,428,552</u>	<u>9,364,519</u>
Operating income	<u>1,604,954</u>	<u>379,068</u>
Nonoperating revenue, gains and losses:		
Contributions and bequests	103,117	79,531
Interest and investment income	23,093	30,453
Realized gain (loss) on sale of investments	7,378	(37,697)
Unrealized gain in fair market value of investments	<u>84,107</u>	<u>233,550</u>
Nonoperating revenue, gains and losses, net	<u>217,695</u>	<u>305,837</u>
Excess of revenues over expenses	<u>1,822,649</u>	<u>684,905</u>
Other changes in net assets		
Archdiocesan sponsorship fee (Note G)	(250,000)	-
Distribution to Archdiocese of Philadelphia (Note G)	<u>-</u>	<u>(3,000,000)</u>
Increase (decrease) in unrestricted net assets	<u>1,572,649</u>	<u>(2,315,095)</u>
Change in temporarily restricted net assets		
Contribution revenue	-	18,701
Net assets released from restrictions	<u>(18,701)</u>	<u>-</u>
(Decrease) increase in temporarily restricted net assets	<u>(18,701)</u>	<u>18,701</u>
Increase (decrease) in net assets	1,553,948	(2,296,394)
Net assets		
Beginning of year	<u>7,334,007</u>	<u>9,630,401</u>
End of year	<u>\$ 8,887,955</u>	<u>\$ 7,334,007</u>

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

Saint John Vianney Center

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,553,948	\$ (2,296,394)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Provision for (recovery of) bad debt	164,428	(64,470)
Unrealized gain in fair market value of investments	(84,107)	(233,550)
Realized (gain) loss on sale of investments	(7,378)	37,697
Depreciation	286,598	269,746
Changes in working capital which provided or (used) cash		
Accounts receivable	(613,272)	(53,525)
Other receivables	(2,169)	2,531
Related party receivables	(265,128)	691,535
Prepaid expenses	(2,197)	(40,043)
Accounts payable	59,667	(24,315)
Accrued salaries	26,680	(25,289)
Accrued expenses	34,972	12,927
Related party payable	<u>(25,680)</u>	<u>(45,151)</u>
Net cash provided by (used in) operating activities	<u>1,126,362</u>	<u>(1,768,301)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(380,006)	(237,970)
Purchases of investment securities	(1,563,845)	(5,021,662)
Proceeds from sale of investment securities	<u>798,788</u>	<u>7,046,634</u>
Net cash (used in) provided by investing activities	<u>(1,145,063)</u>	<u>1,787,002</u>
Net (decrease) increase in cash and cash equivalents	(18,701)	18,701
Cash and cash equivalents		
Beginning of year	<u>20,201</u>	<u>1,500</u>
End of year	<u>\$ 1,500</u>	<u>\$ 20,201</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

Saint John Vianney Center (the “Center”) provides inpatient and outpatient psychological care to priests and religious personnel and bills the respective religious orders or diocese. The Center is a corporation whose members consist of the following: the Archbishop of Philadelphia, the Moderator of the Curia and the Secretary for Clergy.

The Center is the sole corporate member of Catholic Clinical Consultants (“CCC”). CCC provides behavioral health management and clinical services to skilled nursing facilities, adult day care programs, assisted living facilities and other community based programs. The financial statements consolidate CCC into the Center (collectively referred to as the “Organization”).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Organization’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 free of donor-imposed restrictions.

Temporarily restricted net assets include gifts, pledges, trusts, remainder interests, income and appreciation, for which donor-imposed restrictions have not been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift.

Permanently restricted net assets include gifts, pledges, trusts and remainder interests, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

As of June 30, 2018 and 2017, there were no permanently restricted net assets.

2. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates include the allocation of functional expenses, fair value of investment securities, useful lives of property, plant and equipment and the allowance for doubtful accounts on patient accounts receivable. Actual results could differ from those estimates.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

The Organization considers investments in highly-liquid securities, authorized by management, purchased with a maturity of three months or less from the date purchased to be cash equivalents. The Organization maintains cash balances with financial institutions that at times may exceed Federal Deposit Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

4. Pledges/Contributions

Unconditional promises to give (pledges) are recorded as receivables and revenues at fair value at the date the promise is received within the appropriate net asset category. Donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as unrestricted revenues and expenses. 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.

5. Resident Service Revenues and Allowances

Resident service revenue is accounted for at various established rates according to patient classification as the services are provided.

The Organization provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of residents to make payments for services. The allowance is determined by analyzing historical data and trends. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Organization ceases collection efforts. Write-offs have been consistent with management's expectations.

Net residential fees and net health care revenues for the years ended June 30, 2018 and 2017, net of contractual allowances and discounts (but before the provision for bad debt), recognized in the periods from these major payor sources based on primary insurance designation, are as follows:

<u>Net resident revenue</u>	<u>Third-party payors</u>	<u>Self-pay</u>	<u>Total all payors</u>
2018	\$ 170,506	\$10,498,128	\$10,668,634
2017	\$ 201,588	\$ 8,480,729	\$ 8,682,317

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the residents' responsibility, and the Organization considers these amounts in its determination of the provision for bad debt based on collection experience.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization records a provision for bad debt on the basis of its past experience and on its review of individual receivable accounts to evaluate the ability and willingness of residents to pay amounts due for the portion of their bill for which they are financially responsible. The Organization has not experienced significant changes in write-off trends for the years ended June 30, 2018 and 2017.

6. Investments

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund (“Catholic Values Funds”), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops (“USCCB”). The Archdiocese of Philadelphia (“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 Notes C and H. Investment allocation decisions are the responsibility of the applicable Archdiocesan entity’s board or finance council.

Realized gains and losses are reported to the participant monthly. Gains and losses created at the participant level due to sales are recorded in the specific participant accounts. Unrealized gains and losses are included in the consolidated statements of operations and changes in net assets as net appreciation or depreciation in the fair value of investments.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost. Expenditures for major renewals and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Recovery periods are based on the following ranges of useful lives:

Land improvements	5 - 20 years
Building improvements	5 - 40 years
Furniture and fixtures	3 - 20 years

8. Long-Lived Assets

The Organization 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, the Organization 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. Management believes that no revision to the remaining useful lives or write-down of long-lived assets is required at June 30, 2018 and 2017.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, included permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

10. Charity Care

At times, the Organization provides care to patients who meet certain criteria designed by its Board of Directors without charge or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to qualify as charity care, and establishes reserves for these amounts. Accordingly, such amounts are not reported as revenue in the accompanying consolidated statements of operations and changes in net assets. Charity care reduced revenue by \$26,719 and \$234,878 for the years ended June 30, 2018 and 2017, respectively.

11. Recently Issued 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, 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. The Organization has not determined the impact of ASU 2014-09 at this time.

In August 2016, the FASB issued ASU No. 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. The Organization is evaluating the pronouncement at this time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE C - INVESTMENTS

Investments held at SEI 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 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 fund is valued at the closing price of the traded fund.

The total investments of the Organization at June 30, 2018 and 2017 are detailed as follows:

	<u>2018</u>	<u>2017</u>
Catholic Values Equity Fund	\$ 1,396,270	\$ 811,869
Catholic Values Fixed Income Fund	<u>586,101</u>	<u>313,960</u>
Total ownership	<u>\$ 1,982,371</u>	<u>\$ 1,125,829</u>

NOTE D - PROPERTY, PLANT AND EQUIPMENT

	June 30,	
	<u>2018</u>	<u>2017</u>
Land improvements	\$ 283,706	\$ 283,706
Building and improvements	5,165,985	4,982,774
Furniture and equipment	1,766,793	1,571,426
Construction in progress	<u>1,428</u>	<u>-</u>
	7,217,912	6,837,906
Accumulated depreciation	<u>(4,722,986)</u>	<u>(4,436,388)</u>
Property, plant and equipment, net	<u>\$ 2,494,926</u>	<u>\$ 2,401,518</u>

Depreciation expense was \$286,598 and \$269,746 for the years ended June 30, 2018 and 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - EMPLOYEE BENEFIT PLANS

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

Through June 30, 2014, the eligible lay employees of the Organization were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan ("LERP"), which is a defined benefit pension plan that covered substantially all lay employees, once age and service requirements were met, of the Archdiocese. For financial reporting purposes within these financial statements, the LERP is accounted for as a multiemployer plan. On June 30, 2014, the Archdiocese froze the LERP. All active employees as of the freeze date retained benefits they had earned through June 30, 2014. After the date of the freeze, accrued pension benefits do not increase for additional service or increases in pay. The plan is administered by the trustees of the plan.

The Organization made annual contributions to the plan at an average rate of 5.90% and 4.95%, respectively, of the salaries of eligible employees for the years ended June 30, 2018 and 2017. The amount expensed by the Organization for contributions to the LERP was \$151,567 and \$109,698 for the years ended June 30, 2018 and 2017, respectively.

2. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, 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 LERP as of its freeze date of June 30, 2014 is a grandfathered employee and is eligible to receive employer contributions

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contributions generally upon completion of 1,000 hours of service in the relevant measurement period.

Vesting in employer contributions is immediate for grandfathered employees who have 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.

During the years ended June 30, 2018 and 2017, the employer contribution rate was 4.50% of base salary for eligible employees. The contributions by the Organization into the 403(b) plan totaled \$123,396 and \$131,707 for the years ended June 30, 2018 and 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE F - INCOME TAXES

The Organization is a nonprofit organization which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

The Organization 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. The Organization does not believe its consolidated financial statements include material uncertain tax positions.

NOTE G - RELATED PARTY TRANSACTIONS

The Organization is covered under various insurance, retirement and other plans of the Archdiocese. The transactions with the Archdiocese and affiliates charged to expense are as follows for the years ended:

	June 30,	
	<u>2018</u>	<u>2017</u>
Management fee	\$ 459,948	\$ 630,828
Archdiocesan sponsorship fee	250,000	-
Pension	274,963	241,405
Distribution to Archdiocese of Philadelphia	-	3,000,000
Insurance	<u>117,082</u>	<u>106,968</u>
	<u>\$ 1,101,993</u>	<u>\$ 3,979,201</u>

The Board of Directors of the Organization adopted a resolution at a meeting held on October 13, 2016, approving the contribution and authorizing the transfer of \$3 million from the assets of the Organization to the Archdiocese, to be used for the purpose of funding the LERP and the Priests’ Pension Plan and Ancillary Retirement Benefits Trust of the Archdiocese of Philadelphia.

Effective July 1, 2017, the Board of Directors authorized the Organization to make annual sponsorship payments in the amount of \$250,000, payable in four equal quarterly installments, to the Archdiocese from the assets of the Organization. The Organization paid \$250,000 and \$-0- during the years ended June 30, 2018 and 2017, respectively.

On February 22, 2018, the property on which the Organization is located was transferred to the Organization in accordance with the Property Contribution Agreement signed and dated February 20, 2018. The agreement stipulates that if the Organization ceases to operate, or is relocated from the property, or otherwise ceases to exist, then the property shall revert to the Archdiocese. The property was recorded in the Organization’s consolidated financial statements using the historical cost basis provided by the Archdiocese, which was \$-0- as of February 22, 2018.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE G - RELATED PARTY TRANSACTIONS - Continued

For the year ended June 30, 2018, a pro-rated rent expense and contribution revenue have been recorded at the estimated fair market value and have been reported in the consolidated statement of operations and changes in net assets.

For the years ended June 30, 2018 and 2017, the Organization recorded in other operating revenue and received \$- and \$241,135, respectively, from the Archdiocese to fund the Annex portion of the Serenity and Transparency Program. Effective July 1, 2017, the Organization no longer participates in the management and operations of the Annex program, which was shifted to another office within the Archdiocese.

Due from (to) related parties are as follows:

	June 30,	
	<u>2018</u>	<u>2017</u>
Due from Catholic Housing and Community Services	\$ <u>4,775,773</u>	\$ <u>4,510,645</u>
	\$ <u>4,775,773</u>	\$ <u>4,510,645</u>
Due to Catholic Housing and Community Services	\$ (1,306,300)	\$ (1,308,801)
Due to Catholic Social Services	(24,723)	-
Due to the Archdiocese of Philadelphia	<u>(54,469)</u>	<u>(102,371)</u>
	\$ <u>(1,385,492)</u>	\$ <u>(1,411,172)</u>

The receivable due from and payable due to Catholic Housing and Community Services (“CHCS”) are primarily the result of the Organization’s participation in a consolidated cash management account with CHCS.

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.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE H - FAIR VALUE MEASUREMENTS - Continued

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 the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the fair values of the underlying investments held by the Organization by level within the fair value hierarchy, as of June 30, 2018 and 2017:

	Quoted prices in active markets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>	Total fair value <u> </u>
<u>2018</u>				
Assets				
Investment in SEI				
Catholic Values Equity Fund	\$ 1,396,270	\$ -	\$ -	\$ 1,396,270
Catholic Values Fixed Income Fund	<u>586,101</u>	<u>-</u>	<u>-</u>	<u>586,101</u>
Total	<u>\$ 1,982,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,982,371</u>
	Quoted prices in active markets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>	Total fair value <u> </u>
<u>2017</u>				
Assets				
Investment in SEI				
Catholic Values Equity Fund	\$ 811,869	\$ -	\$ -	\$ 811,869
Catholic Values Fixed Income Fund	<u>313,960</u>	<u>-</u>	<u>-</u>	<u>313,960</u>
Total	<u>\$ 1,125,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,829</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Chapel project	\$ <u> -</u>	\$ <u> 18,701</u>
	<u>\$ <u> -</u></u>	<u>\$ <u> 18,701</u></u>

During the year ended June 30, 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of the chapel improvement project in the amount of \$18,701.

NOTE J - FUNCTIONAL EXPENSES

The Organization provides a variety of services, as described in Note A. Expenses related to providing these services are as follows:

	Year ended June 30,	
	<u>2018</u>	<u>2017</u>
Behavioral health services	\$ 7,342,275	\$ 6,848,403
Administrative	<u>2,086,277</u>	<u>2,516,116</u>
	<u>\$ <u>9,428,552</u></u>	<u>\$ <u>9,364,519</u></u>

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2018, the date of the consolidated financial statements, through November 6, 2018, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Saint John Vianney Center

CONSOLIDATING BALANCE SHEET

June 30, 2018

ASSETS	<u>Saint John Vianney Center</u>	<u>Catholic Clinical Consultants</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Current				
Cash and cash equivalents	\$ 1,500	\$ -	\$ -	\$ 1,500
Patient accounts receivable				
Residents	1,735,736	-	-	1,735,736
Outpatient	52,485	-	-	52,485
Allowance for doubtful accounts	<u>(172,502)</u>	<u>-</u>	<u>-</u>	<u>(172,502)</u>
Net patient accounts receivable	1,615,719	-	-	1,615,719
Other receivables	2,128	41	-	2,169
Prepaid expenses	138,951	-	-	138,951
Related party receivables	<u>4,784,219</u>	<u>-</u>	<u>(8,446)</u>	<u>4,775,773</u>
Total current assets	6,542,517	41	(8,446)	6,534,112
Investments	1,982,371	-	-	1,982,371
Property, plant and equipment, net	<u>2,494,219</u>	<u>707</u>	<u>-</u>	<u>2,494,926</u>
Total assets	<u>\$ 11,019,107</u>	<u>\$ 748</u>	<u>\$ (8,446)</u>	<u>\$ 11,011,409</u>
 LIABILITIES AND NET ASSETS				
Current				
Accounts payable	\$ 295,539	\$ -	\$ -	\$ 295,539
Accrued salaries	320,570	10,007	-	330,577
Accrued expenses	111,756	90	-	111,846
Related party payables	<u>54,469</u>	<u>1,339,469</u>	<u>(8,446)</u>	<u>1,385,492</u>
Total current liabilities	<u>782,334</u>	<u>1,349,566</u>	<u>(8,446)</u>	<u>2,123,454</u>
Total liabilities	782,334	1,349,566	(8,446)	2,123,454
Unrestricted net assets	<u>10,236,773</u>	<u>(1,348,818)</u>	<u>-</u>	<u>8,887,955</u>
Total net assets	<u>10,236,773</u>	<u>(1,348,818)</u>	<u>-</u>	<u>8,887,955</u>
Total liabilities and net assets	<u>\$ 11,019,107</u>	<u>\$ 748</u>	<u>\$ (8,446)</u>	<u>\$ 11,011,409</u>

Saint John Vianney Center

CONSOLIDATING BALANCE SHEET

June 30, 2017

ASSETS	Saint John Vianney Center	Catholic Clinical Consultants	Eliminations	Consolidated total
Current				
Cash and cash equivalents	\$ 20,201	\$ -	\$ -	\$ 20,201
Patient accounts receivable				
Residents	1,164,216	-	-	1,164,216
Outpatient	35,506	-	-	35,506
Allowance for doubtful accounts	<u>(32,847)</u>	<u>-</u>	<u>-</u>	<u>(32,847)</u>
Net patient accounts receivable	1,166,875	-	-	1,166,875
Prepaid expenses	136,754	-	-	136,754
Related party receivables	<u>4,513,442</u>	<u>-</u>	<u>(2,797)</u>	<u>4,510,645</u>
Total current assets	5,837,272	-	(2,797)	5,834,475
Investments	1,125,829	-	-	1,125,829
Property, plant and equipment, net	<u>2,400,811</u>	<u>707</u>	<u>-</u>	<u>2,401,518</u>
Total assets	<u>\$ 9,363,912</u>	<u>\$ 707</u>	<u>\$ (2,797)</u>	<u>\$ 9,361,822</u>
LIABILITIES AND NET ASSETS				
Current				
Accounts payable	\$ 235,872	\$ -	\$ -	\$ 235,872
Accrued salaries	293,890	10,007	-	303,897
Accrued expenses	76,784	90	-	76,874
Related party payables	<u>74,776</u>	<u>1,339,193</u>	<u>(2,797)</u>	<u>1,411,172</u>
Total current liabilities	<u>681,322</u>	<u>1,349,290</u>	<u>(2,797)</u>	<u>2,027,815</u>
Total liabilities	681,322	1,349,290	(2,797)	2,027,815
Net assets				
Unrestricted net assets	8,663,889	(1,348,583)	-	7,315,306
Temporarily restricted net assets	<u>18,701</u>	<u>-</u>	<u>-</u>	<u>18,701</u>
Total net assets	<u>8,682,590</u>	<u>(1,348,583)</u>	<u>-</u>	<u>7,334,007</u>
Total liabilities and net assets	<u>\$ 9,363,912</u>	<u>\$ 707</u>	<u>\$ (2,797)</u>	<u>\$ 9,361,822</u>

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30, 2018

	Saint John Vianney Center	Catholic Clinical Consultants	Consolidated total
Operating revenues:			
Net resident revenue, net of contractual allowances	\$ 10,515,486	\$ 153,148	\$ 10,668,634
Provision for bad debt	<u>(164,428)</u>	<u>-</u>	<u>(164,428)</u>
Net resident revenue, net of bad debt	10,351,058	153,148	10,504,206
Contribution of rental at fair value	481,293	-	481,293
Other operating revenue	29,306	-	29,306
Net assets released from restrictions	<u>18,701</u>	<u>-</u>	<u>18,701</u>
Total operating revenues	<u>10,880,358</u>	<u>153,148</u>	<u>11,033,506</u>
Operating expenses:			
Administration	1,145,580	-	1,145,580
Chapel	241,823	-	241,823
Counseling services	-	187,673	187,673
Consultation and education services	648,313	-	648,313
Depreciation	286,598	-	286,598
Dietary	623,650	-	623,650
Fringe benefits	1,063,426	45,102	1,108,528
Housekeeping	91,861	-	91,861
Nurse administration	568,540	-	568,540
Outpatient services	288,716	-	288,716
Plant operation and maintenance	697,400	-	697,400
Professional care	2,804,614	-	2,804,614
Recreation	68,336	-	68,336
Rent expense	481,293	-	481,293
Social services	<u>185,627</u>	<u>-</u>	<u>185,627</u>
Total operating expenses	<u>9,195,777</u>	<u>232,775</u>	<u>9,428,552</u>
Operating income (loss)	<u>1,684,581</u>	<u>(79,627)</u>	<u>1,604,954</u>
Nonoperating revenue, gains and losses:			
Contributions and bequests	23,725	79,392	103,117
Interest and investment income	23,093	-	23,093
Realized gain on sale of investments	7,378	-	7,378
Unrealized gain in fair market value of investments	<u>84,107</u>	<u>-</u>	<u>84,107</u>
Nonoperating revenue, gains and losses, net	<u>138,303</u>	<u>79,392</u>	<u>217,695</u>
Excess of (deficiency in) revenues over expenses	<u>1,822,884</u>	<u>(235)</u>	<u>1,822,649</u>
Other changes in net assets			
Archdiocesan sponsorship fee (Note G)	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Increase (decrease) in unrestricted net assets	<u>1,572,884</u>	<u>(235)</u>	<u>1,572,649</u>
Change in temporarily restricted net assets			
Net assets released from restrictions	<u>(18,701)</u>	<u>-</u>	<u>(18,701)</u>
Decrease in temporarily restricted net assets	<u>(18,701)</u>	<u>-</u>	<u>(18,701)</u>
Increase (decrease) in net assets	1,554,183	(235)	1,553,948
Net assets			
Beginning of year	<u>8,682,590</u>	<u>(1,348,583)</u>	<u>7,334,007</u>
End of year	<u>\$ 10,236,773</u>	<u>\$ (1,348,818)</u>	<u>\$ 8,887,955</u>

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30, 2017

	Saint John Vianney Center	Catholic Clinical Consultants	Consolidated total
Operating revenues:			
Net resident revenue, net of contractual allowances	\$ 8,485,259	\$ 197,058	\$ 8,682,317
Recovery of bad debt	64,470	-	64,470
Net resident revenue, net of bad debt	8,549,729	197,058	8,746,787
Contribution of rental at fair value	744,372	-	744,372
Other operating revenue	252,428	-	252,428
Total operating revenues	<u>9,546,529</u>	<u>197,058</u>	<u>9,743,587</u>
Operating expenses:			
Administration	1,265,519	-	1,265,519
Annex program	241,135	-	241,135
Chapel	207,739	-	207,739
Counseling services	-	201,561	201,561
Consultation and education services	500,751	-	500,751
Depreciation	269,746	-	269,746
Dietary	547,965	-	547,965
Fringe benefits	986,771	46,823	1,033,594
Housekeeping	97,796	-	97,796
Nurse administration	570,605	-	570,605
Outpatient services	194,439	-	194,439
Plant operation and maintenance	730,117	-	730,117
Professional care	2,495,114	-	2,495,114
Recreation	66,009	-	66,009
Rent expense	744,372	-	744,372
Social services	198,057	-	198,057
Total operating expenses	<u>9,116,135</u>	<u>248,384</u>	<u>9,364,519</u>
Operating income (loss)	<u>430,394</u>	<u>(51,326)</u>	<u>379,068</u>
Nonoperating revenue, gains and losses:			
Contributions and bequests	23,070	56,461	79,531
Interest and investment income	30,453	-	30,453
Realized loss on sale of investments	(37,697)	-	(37,697)
Unrealized gain in fair market value of investments	233,550	-	233,550
Nonoperating revenue, gains and losses, net	<u>249,376</u>	<u>56,461</u>	<u>305,837</u>
Excess of revenues over expenses	<u>679,770</u>	<u>5,135</u>	<u>684,905</u>
Other changes in net assets			
Distribution to Archdiocese of Philadelphia	(3,000,000)	-	(3,000,000)
(Decrease) increase in unrestricted net assets	<u>(2,320,230)</u>	<u>5,135</u>	<u>(2,315,095)</u>
Change in temporarily restricted net assets			
Contribution revenue	18,701	-	18,701
Increase in temporarily restricted net assets	<u>18,701</u>	<u>-</u>	<u>18,701</u>
(Decrease) increase in net assets	<u>(2,301,529)</u>	<u>5,135</u>	<u>(2,296,394)</u>
Net assets			
Beginning of year	10,984,119	(1,353,718)	9,630,401
End of year	<u>\$ 8,682,590</u>	<u>\$ (1,348,583)</u>	<u>\$ 7,334,007</u>