

Financial Statements and Report of
Independent Certified Public Accountants

**Catholic Social Services of the
Archdiocese of Philadelphia**

June 30, 2018 and 2017

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Report of Independent Certified Public Accountants

Board of Directors
Catholic Social Services of the Archdiocese of Philadelphia
Philadelphia, Pennsylvania

Report on the financial statements

We have audited the accompanying financial statements of Catholic Social Services of the Archdiocese of Philadelphia (the “Organization”), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

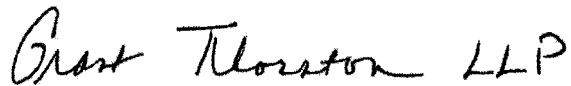
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Social Services of the Archdiocese of Philadelphia as of June 30, 2018 and 2017, and its activities 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 financial statements as a whole. The accompanying schedules of revenue and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Philadelphia, Pennsylvania

December 19, 2018

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Current assets				
Cash and cash equivalents	\$ 3,702,713	\$ 12,824	\$ 12,875	\$ 3,728,412
Accounts receivable - public agencies, less allowance of \$70,000	1,737,240	-	-	1,737,240
Accounts receivable - other	204,288	-	-	204,288
Pledges receivable - United Way, net	37,170	-	-	37,170
Prepaid expenses and other assets	450,165	-	-	450,165
Client escrow funds	25,714	-	-	25,714
Total current assets	<u>6,157,290</u>	<u>12,824</u>	<u>12,875</u>	<u>6,182,989</u>
Noncurrent assets				
Property, plant and equipment, net	2,627,234	-	-	2,627,234
Related party note receivable - Archdiocese of Philadelphia	7,148,554	-	-	7,148,554
Investments - Board designated	15,520,713	-	-	15,520,713
Investments	350,000	2,953,687	-	3,303,687
Trusts held by third parties	-	-	269,435	269,435
Total assets	<u>\$ 31,803,791</u>	<u>\$ 2,966,511</u>	<u>\$ 282,310</u>	<u>\$ 35,052,612</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 992,156	\$ -	\$ -	\$ 992,156
Salaries and wages payable	363,962	-	-	363,962
Due to affiliated institutions	4,879,661	-	-	4,879,661
Program advances	154,009	-	-	154,009
Client escrow funds	25,714	-	-	25,714
Total current liabilities	<u>6,415,502</u>	<u>-</u>	<u>-</u>	<u>6,415,502</u>
Long-term related party loans payable	4,400,000	-	-	4,400,000
Total liabilities	<u>10,815,502</u>	<u>-</u>	<u>-</u>	<u>10,815,502</u>
Net assets				
Unrestricted	20,988,289	-	-	20,988,289
Temporarily restricted	-	2,966,511	-	2,966,511
Permanently restricted	-	-	282,310	282,310
Total net assets	<u>20,988,289</u>	<u>2,966,511</u>	<u>282,310</u>	<u>24,237,110</u>
Total liabilities and net assets	<u>\$ 31,803,791</u>	<u>\$ 2,966,511</u>	<u>\$ 282,310</u>	<u>\$ 35,052,612</u>

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

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Current assets				
Cash and cash equivalents	\$ 5,679,879	\$ 12,824	\$ 12,875	\$ 5,705,578
Accounts receivable - public agencies, less allowance of \$70,000	1,708,569	-	-	1,708,569
Accounts receivable - other	300,079	-	-	300,079
Pledges receivable - United Way, net	36,340	-	-	36,340
Prepaid expenses and other assets	401,777	-	-	401,777
Client escrow funds	24,249	-	-	24,249
Total current assets	<u>8,150,893</u>	<u>12,824</u>	<u>12,875</u>	<u>8,176,592</u>
Noncurrent assets				
Property, plant and equipment, net	3,081,785	-	-	3,081,785
Related party note receivable - Archdiocese of Philadelphia	7,340,462	-	-	7,340,462
Investments - Board designated	10,827,526	-	-	10,827,526
Investments	-	3,055,826	-	3,055,826
Trusts held by third parties	-	-	260,851	260,851
Total assets	<u>\$ 29,400,666</u>	<u>\$ 3,068,650</u>	<u>\$ 273,726</u>	<u>\$ 32,743,042</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,035,619	\$ -	\$ -	\$ 1,035,619
Salaries and wages payable	342,306	-	-	342,306
Due to affiliated institutions	3,041,000	-	-	3,041,000
Program advances	163,129	-	-	163,129
Client escrow funds	24,249	-	-	24,249
Total current liabilities	<u>4,606,303</u>	<u>-</u>	<u>-</u>	<u>4,606,303</u>
Long-term related party loans payable	4,400,000	-	-	4,400,000
Total liabilities	<u>9,006,303</u>	<u>-</u>	<u>-</u>	<u>9,006,303</u>
Net assets				
Unrestricted	20,394,363	-	-	20,394,363
Temporarily restricted	-	3,068,650	-	3,068,650
Permanently restricted	-	-	273,726	273,726
Total net assets	<u>20,394,363</u>	<u>3,068,650</u>	<u>273,726</u>	<u>23,736,739</u>
Total liabilities and net assets	<u>\$ 29,400,666</u>	<u>\$ 3,068,650</u>	<u>\$ 273,726</u>	<u>\$ 32,743,042</u>

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

Catholic Social Services of the Archdiocese of Philadelphia

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue	\$ 9,325,609	\$ -	\$ -	\$ 9,325,609
Fees for services	4,642,139	-	-	4,642,139
Rental income	351,043	-	-	351,043
Contributed rent	679,300	-	-	679,300
Contributed services and goods	2,034,020	-	-	2,034,020
Net assets released from restrictions	<u>467,000</u>	<u>(467,000)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>17,499,111</u>	<u>(467,000)</u>	<u>-</u>	<u>17,032,111</u>
Operating expenses				
Salaries, wages and other payroll costs	13,618,470	-	-	13,618,470
Administrative and general expenses	5,538,087	-	-	5,538,087
Occupancy	2,932,850	-	-	2,932,850
Depreciation	562,443	-	-	562,443
Interest	159,500	-	-	159,500
Direct expenses of care	<u>1,680,816</u>	<u>-</u>	<u>-</u>	<u>1,680,816</u>
Total operating expenses	<u>24,492,166</u>	<u>-</u>	<u>-</u>	<u>24,492,166</u>
Deficiency in operating revenue under operating expenses	<u>(6,993,055)</u>	<u>(467,000)</u>	<u>-</u>	<u>(7,460,055)</u>
Other revenue				
Appropriation from Catholic Charities Appeal	3,902,440	-	-	3,902,440
Donations/bequests/other	2,425,247	71,927	-	2,497,174
Dividend and interest income	216,537	39,907	-	256,444
Net realized and unrealized gains on investments	<u>1,042,757</u>	<u>253,027</u>	<u>8,584</u>	<u>1,304,368</u>
Total other revenue	<u>7,586,981</u>	<u>364,861</u>	<u>8,584</u>	<u>7,960,426</u>
Change in net assets	593,926	(102,139)	8,584	500,371
Net assets				
Beginning of year	<u>20,394,363</u>	<u>3,068,650</u>	<u>273,726</u>	<u>23,736,739</u>
End of year	<u>\$ 20,988,289</u>	<u>\$ 2,966,511</u>	<u>\$ 282,310</u>	<u>\$ 24,237,110</u>

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

Catholic Social Services of the Archdiocese of Philadelphia

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue	\$ 9,783,851	\$ -	\$ -	\$ 9,783,851
Fees for services	4,458,945	-	-	4,458,945
Rental income	470,387	-	-	470,387
Contributed rent	679,300	-	-	679,300
Contributed services and goods	2,016,250	-	-	2,016,250
Net assets released from restrictions	<u>415,821</u>	<u>(415,821)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>17,824,554</u>	<u>(415,821)</u>	<u>-</u>	<u>17,408,733</u>
Operating expenses				
Salaries, wages and other payroll costs	12,773,240	-	-	12,773,240
Administrative and general expenses	5,969,093	-	-	5,969,093
Occupancy	2,266,734	-	-	2,266,734
Depreciation	618,595	-	-	618,595
Interest	371,998	-	-	371,998
Direct expenses of care	<u>1,302,477</u>	<u>-</u>	<u>-</u>	<u>1,302,477</u>
Total operating expenses	<u>23,302,137</u>	<u>-</u>	<u>-</u>	<u>23,302,137</u>
Deficiency in operating revenue under operating expenses	<u>(5,477,583)</u>	<u>(415,821)</u>	<u>-</u>	<u>(5,893,404)</u>
Other revenue (expense)				
Appropriation from Catholic Charities Appeal	4,357,713	-	-	4,357,713
Donations/bequests/other	2,014,133	69,419	-	2,083,552
Dividend and interest income	147,283	6,344	-	153,627
Net realized and unrealized gains (losses) on investments	<u>1,196,749</u>	<u>130,932</u>	<u>(10,780)</u>	<u>1,316,901</u>
Total other revenue (expense)	<u>7,715,878</u>	<u>206,695</u>	<u>(10,780)</u>	<u>7,911,793</u>
Change in net assets	2,238,295	(209,126)	(10,780)	2,018,389
Net assets				
Beginning of year	<u>18,156,068</u>	<u>3,277,776</u>	<u>284,506</u>	<u>21,718,350</u>
End of year	<u>\$ 20,394,363</u>	<u>\$ 3,068,650</u>	<u>\$ 273,726</u>	<u>\$ 23,736,739</u>

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

Catholic Social Services of the Archdiocese of Philadelphia

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 500,371	\$ 2,018,389
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	562,443	618,595
Net realized and unrealized gains on investments	(1,304,368)	(1,316,901)
Changes in operating assets and liabilities		
Accounts receivable - public agencies	(28,671)	194,350
Accounts receivable - other	95,791	(24,849)
Pledges receivable - Office of Development, United Way	(830)	8,551
Prepaid expenses and other assets	(48,388)	249,774
Due to affiliated institutions	1,838,661	7,974,040
Accounts payable and accrued expenses	(43,463)	62,778
Salaries and wages payable	21,656	(289,089)
Program advances	<u>(9,120)</u>	<u>(1,337)</u>
Net cash provided by operating activities	<u>1,584,082</u>	<u>9,494,301</u>
Cash flows from investing activities		
Capital expenditures	(107,892)	(87,596)
Purchases of investments	(3,645,264)	(3,649,416)
Sales of investments	-	1,338,820
Proceeds from note receivable - Archdiocese of Philadelphia	<u>191,908</u>	<u>311,695</u>
Net cash used in investing activities	<u>(3,561,248)</u>	<u>(2,086,497)</u>
Cash flows from financing activities		
Receipt of restricted funds from related party	-	3,150,000
Payment on related party loan payable - Archdiocese of Philadelphia	<u>-</u>	<u>(8,900,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(5,750,000)</u>
(Decrease) increase in cash and cash equivalents	(1,977,166)	1,657,804
Cash and cash equivalents		
Beginning of year	<u>5,705,578</u>	<u>4,047,774</u>
End of year	<u>\$ 3,728,412</u>	<u>\$ 5,705,578</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - ORGANIZATION

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services of the Archdiocese of Philadelphia (“Catholic Social Services”) established in 1919, is a multi-faceted social services organization whose departments offer a wide range of services to meet the needs of children, adults and families including adoption and foster care programs. Catholic Social Services functions as a self-contained entity and maintains separate financial statements for each of its operations.

The accompanying financial statements include programs operated and administered by Catholic Social Services.

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. Catholic Social Services, which is related, is operated separately and distinctly from the Archdiocese.

Catholic Charities Appeal, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including Catholic Social Services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). Catholic Social Services presents its financial statements in accordance with the guidance set forth by the Financial Accounting Standards Board (“FASB”) in regard to *Financial Statements of Not-for-Profit Organizations*. Accordingly, Catholic Social Services’ 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 unrestricted, temporarily restricted and permanently restricted net assets.

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

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.

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The accompanying financial statements include programs operated and administered by Catholic Social Services. Excluded are certain institutions of the Archdiocese for which Catholic Social Services performs certain administrative and accounting functions, including the collection and remittance of unemployment compensation contributions, for which separate accounts are maintained by Catholic Social Services and for which separate reports are issued. The excluded entities (affiliated institutions and group homes) are as follows:

St. Joseph Catholic Home for Children	St. Edmond's Home for Crippled Children
St. Francis-St. Joseph Homes for Children	Don Guanella Village
St. Vincent's Services for Women and Children	Divine Providence Village
St. Joseph's House for Homeless Industrious Boys	St. Gabriel's System
St. Vincent's Orphans' Asylum of Tacony	Catholic Community Services of the
St. John's Hospice	Archdiocese of Philadelphia

2. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions include the allowance for doubtful accounts, useful lives of depreciable assets and the fair value of investments. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

Catholic Social Services 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. Catholic Social Services 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. Accounting for Long-Lived Assets

Catholic Social Services 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, Catholic Social Services 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. Catholic Social Services believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2018 and 2017.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Client Escrow Funds

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

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 (the “Catholic Values Funds”), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops (“USCCB”). The Archdiocese appointed SEI Private Trust Company to act as custodian (the “Custodian”) of the investments, which consist of certain cash and securities and are more fully described in Note C.

Investments are reported at fair value. Realized gains and losses are reported to the participant monthly. Gains and losses created at the participant level due to sales are recorded in the specific participant accounts. Realized and unrealized gains and losses are included in the statements of activities as net realized and unrealized gains (losses) on investments.

7. Governmental Revenue

Catholic Social Services receives its funding through contracts/agreements with the Commonwealth of Pennsylvania, various cities and counties, federal programs and agreements with managed care and insurance organizations. These contracts/agreements generally fall into two categories: cost reimbursement and fee-for-service. The ultimate determination of amounts reimbursable under cost reimbursement contracts/agreements is based upon allowable costs to be reported and subject to audit by grantors and/or their agents.

Net program service revenues are from funding sources under cost reimbursement-type contracts for several of Catholic Social Services’ programs. Catholic Social Services records revenues under such contracts as costs are incurred. For other programs, Catholic Social Services receives program service fees from funding sources under per diem-type contracts for certain programs and unit prices for outpatient services. Revenue for these programs is recorded when the services are provided. Retroactive adjustments are recorded in the period that final settlements are determined. Catholic Social Services recorded no revenue during the year ended June 30, 2018 and \$801,487 for the year ended June 30, 2017, related to settlements received for fiscal years 2013 through 2016.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Catholic Social Services is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of client services. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

8. 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 increase those net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, Catholic Social Services reports the support as unrestricted. When a stipulated time restriction or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of long-lived assets received without donor stipulations are reported as unrestricted revenue at the fair value on the date of the gift. Contributions of other assets specified for the acquisition or construction of long-lived assets are reported as restricted support; those restrictions expire when the assets are placed in service.

Unconditional promises to give (“pledges”) are recorded as receivables and revenues within the appropriate net asset category, and are expected to be collected within one year. See Note G for more information on pledges.

9. Allowance for Doubtful Accounts

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

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Contributed Services, Goods and Rent

Contributed services and goods represents the difference between the stipend allowance paid for the religious personnel performing work for Catholic Social Services, and the compensation which would be paid to lay persons possessing similar qualifications and performing similar work. In addition, contributed services and goods include food contributed to Catholic Social Services. Contributed rent includes rent on the premises used by Catholic Social Services which are owned by other entities within the Archdiocese and for which no rent is charged. These amounts are reported as both revenue and expenses in the statement of activities.

11. Property, Plant and Equipment

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

Building	20 years
Building improvements	20 years
Automobiles	5 years
Equipment	3 - 5 years

12. Pending Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09 is effective for non-public entities 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. Catholic Social Services has not determined the impact of ASU 2014-09 at this time.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. Catholic Social Services is evaluating the pronouncement at this time.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE C - INVESTMENTS

The investment in the Trustee Account and other investments are reported at fair value and consist of the following:

Catholic Values Equity Fund (or "fund") - Invests in common stocks and is managed by SEI. The equity fund is valued at the closing price of the traded fund.

Catholic Values Fixed Income Fund (or "fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI. The fixed income fund is valued at the closing price of the traded fund.

Account holders have the option of six asset classifications in which to invest. The options include a short-duration U.S. government bond fund, a 100% fixed income bond fund and four equity funds with varying fixed income to equity mixes of 30/70, 50/50, 60/40 or 70/30. The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining fixed income to equity mix. The asset mix of the mutual funds is SEI's responsibility. Management of the Archdiocese is responsible for ensuring that asset investment allocations among the funds are maintained as determined by the Investment Committee of the Archdiocese of Philadelphia.

At June 30, 2018 and 2017, Catholic Social Services' investments are summarized and classified as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2018	\$ 15,520,713	\$ 3,303,687	\$ -	\$ 18,824,400
2017	\$ 10,827,526	\$ 3,055,826	\$ -	\$ 13,883,352

At June 30, 2018 and 2017, Catholic Social Services held the following categories of investments:

	<u>2018</u>	<u>2017</u>
Catholic Values Equity Fund	\$ 13,332,700	\$ 9,889,249
Catholic Values Fixed Income Fund	<u>5,491,700</u>	<u>3,994,103</u>
	<u>\$ 18,824,400</u>	<u>\$ 13,883,352</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - TRUSTS HELD BY THIRD PARTIES

Catholic Social Services is the beneficiary of individual trusts held in perpetuity by third parties. At June 30, 2018 and 2017, the allocable fair value of these trusts was \$269,435 and \$260,851, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During the years ended June 30, 2018 and 2017, Catholic Social Services recognized permanently restricted appreciation of \$8,584 and \$10,780, respectively, related to these trusts. There was no unrestricted income received from the trusts in either year.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 131,134	\$ 131,134
Buildings and improvements	6,238,251	6,238,251
Automobiles	4,942,644	4,928,604
Equipment	<u>2,233,416</u>	<u>2,139,564</u>
	13,545,445	13,437,553
Accumulated depreciation	<u>(10,918,211)</u>	<u>(10,355,768)</u>
Property, plant and equipment, net	<u>\$ 2,627,234</u>	<u>\$ 3,081,785</u>

Depreciation expense of \$562,443 and \$618,595 was incurred for the years ended June 30, 2018 and 2017, respectively.

NOTE F - ACCOUNTS RECEIVABLE - PUBLIC AGENCIES

At June 30, 2018 and 2017, Catholic Social Services had uncollateralized accounts receivable from various public agencies, primarily the Philadelphia Department of Human Services ("DHS") and various City of Philadelphia departments, of \$1,737,240 and \$1,708,569, respectively. These balances potentially subject Catholic Social Services to a concentration of credit risk. Catholic Social Services monitors its funding arrangements with DHS and other public agencies.

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

Pledges receivable - Office of Development, United Way were \$37,170 and \$36,340, respectively, net of an allowance of \$11,728 and \$10,954, respectively, for fiscal years 2018 and 2017. Pledges receivable are expected to be received in the following year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE H - RELATED PARTY NOTE RECEIVABLE - ARCHDIOCESE OF PHILADELPHIA

In 2012, the Archdiocese of Philadelphia and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. The transaction resulted in the inter-diocesan Term Loan Receivables and Term Loan Payables totaling \$71,357,582 at participating Archdiocesan entities, which included a loan receivable of \$9,109,791 recorded by Catholic Social Services. The loan receivable was refinanced on July 1, 2014, with terms as described below.

The loan 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 loan carries a fixed interest rate of 4% and matures on June 1, 2042.

The future principal amounts receivable on the loan at June 30, 2018 are as follows:

2019	\$ 181,929
2020	189,315
2021	197,003
2022	205,002
2023	213,326
Thereafter	<u>6,161,979</u>
	<u>\$ 7,148,554</u>

NOTE I - RELATED PARTY LOANS PAYABLE

As of June 30, 2018 and 2017, Catholic Social Services had a loan payable of \$4,400,000 to St. Edmond's Home for Crippled Children. A loan payable to St. Joseph's House for Homeless Industrious Boys was repaid during fiscal year 2017. The loans payable bear interest on the unpaid outstanding principal at an annual rate of 3%. Catholic Social Services used proceeds from the loans to provide lines of credit to affiliated corporations as described in Note B.1 to support cash flow needs. The lines of credit from/to each affiliated organization bears interest on the unpaid outstanding principal at an annual rate of 3%. Balances of the lines of credit are included in due to affiliated institutions on the statements of financial position. The financial statements of Catholic Social Services include \$159,500 in interest income and \$159,500 in interest expense for the year ended June 30, 2018 and \$371,998 in interest income and \$371,998 in interest expense for the year ended June 30, 2017 from these lending transactions. There is no repayment schedule associated with these loans.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE J - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Catholic Social Services 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE J - FAIR VALUE MEASUREMENTS - Continued

The following table presents the fair values of the investments held by Catholic Social Services by level within the fair value hierarchy, as of June 30, 2018 and 2017:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2018</u>				
Assets				
Investments	\$ 18,824,400	\$ -	\$ -	\$ 18,824,400
Trusts held by third parties	<u>-</u>	<u>-</u>	<u>269,435</u>	<u>269,435</u>
Total assets	<u>\$ 18,824,400</u>	<u>\$ -</u>	<u>\$ 269,435</u>	<u>\$ 19,093,835</u>
<u>2017</u>				
Assets				
Investments	\$ 13,883,352	\$ -	\$ -	\$ 13,883,352
Trusts held by third parties	<u>-</u>	<u>-</u>	<u>260,851</u>	<u>260,851</u>
Total assets	<u>\$ 13,883,352</u>	<u>\$ -</u>	<u>\$ 260,851</u>	<u>\$ 14,144,203</u>

The following table is a roll-forward of the statements of financial position amounts for financial instruments classified within Level 3 of the fair value hierarchy defined above:

	<u>Trusts held by third parties</u>
Fair value, June 30, 2016	\$ 271,631
Unrealized loss, net	<u>(10,780)</u>
Fair value, June 30, 2017	260,851
Unrealized gain, net	<u>8,584</u>
Fair value, June 30, 2018	<u>\$ 269,435</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - PENSION PLANS

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

Through June 30, 2014, the eligible lay employees of Catholic Social Services were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese, based on age and service requirements. The Plan is administered by the Trustees of the Plan. Catholic Social Services made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for the years ended June 30, 2018 and 2017. The amount expensed by Catholic Social Services for contributions to the Plan was \$496,353 and \$458,673 for the fiscal years ended June 30, 2018 and 2017, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

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

2. Archdiocese of Philadelphia 403(b) Retirement Plan

The Archdiocese of Philadelphia established a 403(b) defined contribution plan, under which, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

- *Grandfathered Employees* - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.
- *Non-Grandfathered Employees* - Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000-hour service requirement will shift to the calendar year beginning January 1, 2016.
- *Vesting* - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - PENSION PLANS - Continued

In fiscal years 2018 and 2017, the Archdiocese employer contribution rate was 4.5% of base salary for eligible employees. The contributions by Catholic Social Services into the 403(b) plan totaled \$378,656 and \$351,383 for the years ended June 30, 2018 and 2017, respectively.

3. Other Contributions

Catholic Social Services also makes contributions to the various orders of the religious personnel who provide services at its institutions. The amount of expense related to these contributions was \$31,200 and \$39,865 for the years ended June 30, 2018 and 2017, respectively.

NOTE L - RELATED PARTY TRANSACTIONS

Catholic Social Services leases certain facilities and equipment, utilized in the delivery of its services, from the Archdiocese and is covered under various insurance and retirement plans administered by the Archdiocese. The transactions with the Archdiocese and affiliates charged to expense for the fiscal years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Rental of facilities	\$ 499,771	\$ 478,161
Rental of facility - contributed	679,300	679,300
Insurance	107,751	121,841
Lay employee pension contributions	496,353	458,673
Religious employee pension contributions	31,200	39,865
Archdiocese human resources office	186,000	186,000
Information technology services	<u>251,810</u>	<u>232,170</u>
	<u>\$ 2,252,185</u>	<u>\$ 2,196,010</u>

Included in operating expenses of Catholic Social Services are allocable expenses for administrative and accounting services provided to the affiliated institutions and group homes described in Note B. For fiscal years 2018 and 2017, respectively, fees for services revenue included in operating revenue includes \$2,546,982 and \$2,466,000, respectively, of revenue received from affiliated institutions and group homes for these services. In addition, Catholic Social Services leases automobiles to the affiliated institutions and group homes.

Catholic Social Services is the beneficiary of a \$3,500,000 donation from an Archdiocese of Philadelphia related entity, Catholic Health Care Services. The funds were being held by Catholic Health Care Services to be distributed over ten years at a rate of \$350,000 per year per the restrictions of the donation. Catholic Social Services received the outstanding balance of the donation of \$3,150,000 during the fiscal year ended June 30, 2017. The cash received was invested in Catholic Social Services' SEI investment account. The funds will be released from restriction for eight years at \$350,000 per year. The remaining restricted balance as of June 30, 2018 of \$2,842,103 is presented as part of temporarily restricted investments on the statement of financial position.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE L - RELATED PARTY TRANSACTIONS - Continued

Catholic Charities Appeal donated \$3,902,404 and \$4,357,713 to Catholic Social Services for the fiscal years ended June 30, 2018 and 2017, respectively.

Included in accounts receivable – other, are certain related party amounts. These amounts are as follows for June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Archdiocese of Philadelphia	\$ -	\$ 21,498

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

	<u>2018</u>	<u>2017</u>
Catholic Health Care Services	\$ 76,842	\$ 151,438

NOTE M - INCOME TAX STATUS

Catholic Social Services is a nonprofit corporation which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

Catholic Social Services 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. Catholic Social Services has determined that there are no material uncertain tax positions requiring recognition in the financial statements at June 30, 2018 and 2017.

NOTE N - FUNCTIONAL EXPENSES

Catholic Social Services provides a variety of services. Expenses related to providing these services for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Program expenses	\$ 20,884,291	\$ 19,370,236
Support services	<u>3,607,875</u>	<u>3,931,901</u>
Total expenses	<u>\$ 24,492,166</u>	<u>\$ 23,302,137</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE O - REVENUE EARNING EQUIPMENT

Catholic Social Services purchases automobiles and leases them at cost to institutions and group homes under its direction. For the years ended June 30, 2018 and 2017, \$251,423 and \$361,496, respectively, was received as rental income from the institutions and group homes.

Future lease payment due to Catholic Social Services is \$124,398 for the year ending June 30, 2019.

NOTE P - COMMITMENTS

Catholic Social Services has entered into various operating lease agreements primarily for the rental of office space, some of which are with other entities also operating under the auspices of the Archdiocese of Philadelphia. Rental expense for the fiscal years ended June 30, 2018 and 2017 was \$499,770 and \$478,161, respectively. There are no future minimum rental payments on leases with initial or remaining terms of one year or more at June 30, 2018.

NOTE Q - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Catholic Health Care Services donation for operations	\$ 2,842,103	\$ 2,915,066
Counseling services and charitable work	12,824	12,824
Campaign for Human Development	<u>111,584</u>	<u>140,760</u>
Total temporarily restricted net assets	<u>\$ 2,966,511</u>	<u>\$ 3,068,650</u>

Permanently restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Trusts held by third parties	\$ 269,435	\$ 260,851
Cash held for trust	<u>12,875</u>	<u>12,875</u>
Total permanently restricted net assets	<u>\$ 282,310</u>	<u>\$ 273,726</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE R - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2018, the date of the financial statements, through December 19, 2018, which is the date the financial statements were available to be issued. Pursuant to the requirements, there were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Catholic Social Services of the Archdiocese of Philadelphia

SCHEDULE OF REVENUE

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue				
Governmental revenue				
Foster family care	\$ 1,959,609	\$ -	\$ -	\$ 1,959,609
Nutritional program	5,759	-	-	5,759
Office of Supportive Housing (OSH)	251,022	-	-	251,022
Life Skills - Delaware County	7,950	-	-	7,950
Bucks County Post Partum Counseling	75,000	-	-	75,000
Office of Addictive Services	494,548	-	-	494,548
SWAN	114,800	-	-	114,800
FEMA	76,197	-	-	76,197
Parenting program	72,987	-	-	72,987
AIDS Activity Coordinating Office	100,681	-	-	100,681
Out of School Programs	1,795,665	-	-	1,795,665
Housing and Community Development - (HOPWA)	199,277	-	-	199,277
Office of Behavioral Health	1,589,270	-	-	1,589,270
Benefit Access Program	226,295	-	-	226,295
Supportive Housing - Visitation Homes	202,085	-	-	202,085
Housing resource coordinator	100,392	-	-	100,392
Supportive Services for Veterans	320,960	-	-	320,960
Project Women in Need (WIN)	522,684	-	-	522,684
Casa Del Carmen Day Care	554,823	-	-	554,823
PHLpreK - Casa preschool	618,800	-	-	618,800
Miscellaneous	36,805	-	-	36,805
Total governmental revenue	<u>9,325,609</u>	<u>-</u>	<u>-</u>	<u>9,325,609</u>
Fees for services revenue				
Service charges to institutions and group homes	2,546,982	-	-	2,546,982
Adoption board and fees	25,370	-	-	25,370
Private clients	476,472	-	-	476,472
Program fees	205,337	-	-	205,337
Tuition	469,072	-	-	469,072
Daycare	97,138	-	-	97,138
Summer camp fees	278,411	-	-	278,411
Rental income	351,043	-	-	351,043
Miscellaneous	543,357	-	-	543,357
Total fees for services revenue	<u>4,993,182</u>	<u>-</u>	<u>-</u>	<u>4,993,182</u>

(Continued)

Catholic Social Services of the Archdiocese of Philadelphia

SCHEDULE OF REVENUE - CONTINUED

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributed services and goods				
Contributed rent	\$ 679,300	\$ -	\$ -	\$ 679,300
Contributed services and goods	2,034,020	-	-	2,034,020
Released from restrictions	<u>467,000</u>	<u>(467,000)</u>	<u>-</u>	<u>-</u>
Total contributed services and goods	<u>3,180,320</u>	<u>(467,000)</u>	<u>-</u>	<u>2,713,320</u>
Total operating revenue	<u>17,499,111</u>	<u>(467,000)</u>	<u>-</u>	<u>17,032,111</u>
Other revenue				
Appropriation from Catholic Charities Appeal	3,902,440	-	-	3,902,440
Other investments				
Dividend and interest income	216,537	39,907	-	256,444
Net realized and unrealized gains on investments	1,042,757	253,027	8,584	1,304,368
Donations and bequests	1,130,825	71,927	-	1,202,752
Segui Trust	93,750	-	-	93,750
Heritage of Faith	43,859	-	-	43,859
Interest income	326,637	-	-	326,637
United Way	178,915	-	-	178,915
Miscellaneous	412,829	-	-	412,829
Baumeister Trust	<u>238,432</u>	<u>-</u>	<u>-</u>	<u>238,432</u>
Total other revenue	<u>7,586,981</u>	<u>364,861</u>	<u>8,584</u>	<u>7,960,426</u>
Total revenue	<u>\$ 25,086,092</u>	<u>\$ (102,139)</u>	<u>\$ 8,584</u>	<u>\$ 24,992,537</u>

SCHEDULE OF EXPENSES

Year ended June 30, 2018

Salaries, wages and other payroll costs	
Administrative	\$ 3,979,011
Professional	3,523,028
Clerical	371,466
Maintenance and services	534,378
Direct residential care	1,758,316
Employer's share of social security tax	715,731
Workers' compensation insurance	84,506
Unemployment compensation fund	180,109
Employees' health and retirement benefits	<u>2,471,925</u>
Total salaries, wages and other payroll costs	<u>13,618,470</u>
Administrative and general expenses	
Professional fees	1,292,909
Data processing	83,236
Supplies and postage	579,437
Telephone	252,519
Local transportation	248,796
Conference, conventions and meetings	28,146
Staff development	108,099
Dues and subscriptions	43,356
Outside printing	22,213
Equipment	96,690
Equipment rental	14,581
Charity and donations	2,768,105
Depreciation	<u>562,443</u>
Total administrative and general expenses	<u>6,100,530</u>
Cost of occupancy	
Share of maintenance costs of Diocesan Office Center and other rentals	1,179,071
Insurance	68,898
Interest expense	159,500
Utilities	334,932
Janitorial and maintenance, service contracts and building repairs	<u>1,349,949</u>
Total cost of occupancy	<u>3,092,350</u>
Direct expenses of care	
Board paid to foster families	1,241,792
Medical and dental fees and supplies	8,826
Food	242,878
Clothing	485
Activities, recreation, education and other	<u>186,835</u>
Total direct expenses of care	<u>1,680,816</u>
Total expenses	<u>\$ 24,492,166</u>