

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Catholic Housing and Community Services of  
the Archdiocese of Philadelphia**

June 30, 2020 and 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS****Board of Directors**

Catholic Housing and Community Services of the Archdiocese of Philadelphia

We have audited the accompanying consolidated financial statements of Catholic Housing and Community Services of the Archdiocese of Philadelphia, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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 Catholic Housing and Community Services of the Archdiocese of Philadelphia as of June 30, 2020 and 2019, 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 taken as a whole. The consolidating balance sheet and statement of operations and changes in net assets as of and for the year ended June 30, 2020, are presented for purposes of additional analysis, and are 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 audits 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.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
December 16, 2020

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**CONSOLIDATED BALANCE SHEETS**

June 30,

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,797,003	\$ 10,525,578
Accounts receivable	34,525	43,401
Other receivables	1,344,134	1,284,149
Related party receivables	3,860,839	3,648,260
Prepaid expenses	402,180	450,070
Related party loans receivable - current portion	906,608	871,232
Total current assets	14,345,289	16,822,690
Investments	7,217,179	7,178,144
Property, plant and equipment, net	45,688,460	45,596,027
Beneficial interest in trusts	1,341,890	1,476,112
Reserve and escrow accounts	1,940,824	1,801,699
Amortizable costs	226,544	262,130
Related party loans receivable	38,949,558	40,152,404
Total assets	\$ 109,709,744	\$ 113,289,206

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

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**CONSOLIDATED BALANCE SHEETS - CONTINUED**

**June 30,**

	<b>2020</b>	<b>2019</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 120,445	\$ 111,031
Accrued salaries	620,145	601,608
Accrued expenses	473,638	402,111
Benevolent care liability - current portion	100,556	116,092
Related party payables	1,680,665	5,399,291
Deferred revenue	250,199	142,686
Total current liabilities	3,245,648	6,772,819
Benevolent care liability	27,848	132,316
Resident funds escrow accounts	85,866	84,832
Loan payable	1,173,815	-
Accrued mortgage interest	5,838,062	5,167,077
Mortgages payable	9,546,857	9,546,857
Total liabilities	19,918,096	21,703,901
<b>Net assets</b>		
Without donor restrictions		
Parent	52,490,626	52,325,778
Non-controlling interest	21,205,506	22,986,347
Total net assets without donor restrictions	73,696,132	75,312,125
With donor restrictions	16,095,516	16,273,180
Total net assets	89,791,648	91,585,305
Total liabilities and net assets	\$ 109,709,744	\$ 113,289,206

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

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

Year ended June 30, 2020

	<b>Net assets without donor restrictions</b>	<b>Net assets with donor restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Housing programs	\$ 2,022,358	\$ -	\$ 2,022,358
Management fees	3,543,971	-	3,543,971
Community programs	2,978,130	-	2,978,130
Other operating revenue	270,014	-	270,014
Distributions from beneficial interest in trusts	100,884	-	100,884
Net assets released from restrictions	184,014	(184,014)	-
Total operating revenues	<u>9,099,371</u>	<u>(184,014)</u>	<u>8,915,357</u>
<b>Operating expenses</b>			
Salaries and benefits	5,993,579	-	5,993,579
Administrative and general	1,754,471	-	1,754,471
Occupancy	1,491,457	-	1,491,457
Depreciation and amortization	1,711,888	-	1,711,888
Loan interest and fees	739,597	-	739,597
Direct expenses of care	679,873	-	679,873
Total operating expenses	<u>12,370,865</u>	<u>-</u>	<u>12,370,865</u>
Operating loss	<u>(3,271,494)</u>	<u>(184,014)</u>	<u>(3,455,508)</u>
<b>Nonoperating revenues (expenses)</b>			
Contributions and bequests	51,330	-	51,330
Capital contribution to related party	(208,409)	-	(208,409)
Loss on disposal of fixed assets	(11,978)	-	(11,978)
Investment return, net	127,446	140,572	268,018
Loan interest income	1,623,576	-	1,623,576
Other nonoperating revenue	2,000	-	2,000
Change in fair value of beneficial interest in trusts	-	(134,222)	(134,222)
Total nonoperating revenues	<u>1,583,965</u>	<u>6,350</u>	<u>1,590,315</u>
Deficiency in revenues over expenses	<u>(1,687,529)</u>	<u>(177,664)</u>	<u>(1,865,193)</u>
Loss attributable to non-controlling interest	<u>(1,852,377)</u>	<u>-</u>	<u>(1,852,377)</u>
Excess of (deficiency in) revenues over expenses attributable to parent	164,848	(177,664)	(12,816)
<b>Other changes in net assets</b>			
Capital contributions from limited partners	71,536	-	71,536
Change in non-controlling interest	(1,852,377)	-	(1,852,377)
<b>Change in net assets</b>	<u>(1,615,993)</u>	<u>(177,664)</u>	<u>(1,793,657)</u>
<b>Net assets</b>			
<b>Beginning of year</b>	<u>75,312,125</u>	<u>16,273,180</u>	<u>91,585,305</u>
<b>End of year</b>	<u>\$ 73,696,132</u>	<u>\$ 16,095,516</u>	<u>\$ 89,791,648</u>

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

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

Year ended June 30, 2019

	<b>Net assets without donor restrictions</b>	<b>Net assets with donor restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Housing programs	\$ 1,982,189	\$ -	\$ 1,982,189
Management fees	3,466,907	-	3,466,907
Community programs	3,341,356	-	3,341,356
Other operating revenue	290,740	-	290,740
Distributions from beneficial interest in trusts	87,675	-	87,675
Total operating revenues	<u>9,168,867</u>	<u>-</u>	<u>9,168,867</u>
<b>Operating expenses</b>			
Salaries and benefits	6,186,081	-	6,186,081
Administrative and general	1,673,572	-	1,673,572
Occupancy	1,517,656	-	1,517,656
Depreciation and amortization	1,644,314	-	1,644,314
Loan interest and fees	676,910	-	676,910
Direct expenses of care	646,847	-	646,847
Total operating expenses	<u>12,345,380</u>	<u>-</u>	<u>12,345,380</u>
Operating loss	<u>(3,176,513)</u>	<u>-</u>	<u>(3,176,513)</u>
<b>Nonoperating revenues (expenses)</b>			
Contributions and bequests	23,082	-	23,082
Capital contribution to related party	(19,049)	-	(19,049)
Gain on sale of fixed assets	710,697	-	710,697
Investment return, net	178,346	265,046	443,392
Loan interest income	1,677,002	-	1,677,002
Change in fair value of benevolent care liability	150,000	-	150,000
Change in fair value of beneficial interest in trusts	-	(164,483)	(164,483)
Total nonoperating revenues	<u>2,720,078</u>	<u>100,563</u>	<u>2,820,641</u>
(Deficiency in) excess of revenues over expenses	(456,435)	100,563	(355,872)
Loss attributable to non-controlling interest	<u>(1,812,212)</u>	<u>-</u>	<u>(1,812,212)</u>
Excess of revenues over expenses attributable to parent	1,355,777	100,563	1,456,340
<b>Other changes in net assets</b>			
Capital contributions from limited partners	829,039	-	829,039
Change in non-controlling interest	<u>(1,812,212)</u>	<u>-</u>	<u>(1,812,212)</u>
<b>Change in net assets</b>	<u>372,604</u>	<u>100,563</u>	<u>473,167</u>
<b>Net assets</b>			
<b>Beginning of year</b>	<u>74,939,521</u>	<u>16,172,617</u>	<u>91,112,138</u>
<b>End of year</b>	<u>\$ 75,312,125</u>	<u>\$ 16,273,180</u>	<u>\$ 91,585,305</u>

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



**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Year ended June 30,**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,793,657)	\$ 473,167
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized gains on investments	(106,294)	(269,474)
Depreciation and amortization	1,711,888	1,644,314
Gain on sale of fixed assets	-	(710,697)
Capital contributions from limited partners	(71,536)	(829,039)
Change in fair value of benevolent care liability	-	(150,000)
Change in fair value of beneficial interest in trusts	134,222	164,483
Distributions from beneficial interest in trusts	(100,884)	(87,675)
Changes in assets and liabilities		
Accounts receivable	8,876	(7,161)
Reserve and escrow accounts	(139,125)	23,657
Related party receivables	(212,579)	(812,423)
Other receivables	(59,985)	(147,251)
Prepaid expenses	47,890	(67,777)
Accounts payable	9,414	(21,828)
Accrued salaries	18,537	62,128
Accrued expenses	71,527	6,102
Related party payables	(3,718,626)	219,706
Resident funds escrow accounts	1,034	4,539
Benevolent care liability	(120,004)	(159,839)
Accrued mortgage interest	670,985	665,620
Deferred revenue	107,513	51,817
Net cash (used in) provided by operating activities	<u>(3,540,804)</u>	<u>52,369</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(1,768,735)	(669,004)
Purchase of investment securities	(676,114)	(1,151,958)
Proceeds from sale of investment securities	743,373	1,020,108
Distributions from beneficial interest in trusts	100,884	87,675
Proceeds from sale of fixed assets	-	1,367,102
Payments received on related party loan	1,167,470	1,395,488
Net cash (used in) provided by investing activities	<u>(433,122)</u>	<u>2,049,411</u>
<b>Cash flows from financing activities:</b>		
Capital contributions from limited partners	71,536	829,039
Proceeds from loan payable	1,173,815	-
Net cash provided by financing activities	<u>1,245,351</u>	<u>829,039</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(2,728,575)</u>	<u>2,930,819</u>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>10,525,578</u>	<u>7,594,759</u>
End of year	<u>\$ 7,797,003</u>	<u>\$ 10,525,578</u>

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

## Catholic Housing and Community Services of the Archdiocese of Philadelphia

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE A - NATURE OF OPERATIONS

Catholic Housing and Community Services of the Archdiocese of Philadelphia (“Catholic Housing and Community Services”) is a nonprofit corporation whose members consist of the following: the Archbishop of Philadelphia, the Moderator of the Curia, and the Secretary for Clergy. Catholic Housing and Community Services provides support and services for seniors in Philadelphia and surrounding counties. The services offered include senior housing options, senior centers, older adult care management, in-home support programs, elder care helpline, and senior clubs.

Catholic Housing and Community Services is the developer of the following entities under the Pennsylvania Housing Finance Agency’s Low-Income Housing Tax Credit (“LIHTC”) program:

- St. John Neumann Place LP was organized as a for-profit limited partnership under the laws of the Commonwealth of Pennsylvania to develop, construct, and maintain rental housing for low-income seniors. The project consists of 75 units of rehabilitated housing located in Philadelphia, Pennsylvania. The project qualifies for the low-income tax credit established by the Tax Reform Act of 1986. St. John Neumann Place Inc., a nonprofit corporation, entered into a partnership joint venture (St. John Neumann Place LP) for the project as the general partner and owns 0.01% interest of the partnership. St. John Neumann Place LP is a controlled entity.
- St. Francis Villa Senior Housing LP was organized as a for-profit limited partnership under the laws of the Commonwealth of Pennsylvania to develop, construct, and maintain rental housing for low-income seniors. The project consists of 40 units of housing located in Philadelphia, Pennsylvania. The project qualifies for the low-income credit established by the Tax Reform Act of 1986. St. Francis Villa Inc., a nonprofit corporation, entered into a partnership joint venture (St. Francis Villa Senior Housing LP) for the project as the general partner and owns 0.01% interest of the partnership. St. Francis Villa Senior Housing LP is a controlled entity.
- St. John Neumann Place II LP was organized as a for-profit limited partnership under the laws of the Commonwealth of Pennsylvania to develop, construct, and maintain rental housing for low-income seniors. The project consists of 52 units of rehabilitated housing located in Philadelphia, Pennsylvania. The project qualifies for the low-income tax credit established by the Tax Reform Act of 1986. St. John Neumann Place II Inc., a nonprofit corporation, entered into a partnership joint venture (St. John Neumann Place II LP) for the project as the general partner and owns 0.01% interest of the partnership. St. John Neumann Place II LP is a controlled entity.
- St. Rita Place Senior Housing LP was organized as a for-profit limited partnership under the laws of the Commonwealth of Pennsylvania to develop, construct, and maintain rental housing for low-income seniors.

In addition, Catholic Housing and Community Services is the sponsor of the following organization under the United States Department of Housing and Urban Development (“HUD”) Section 202 Supportive Housing for the Elderly program:

## Catholic Housing and Community Services of the Archdiocese of Philadelphia

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

- Nativity BVM Place (“Nativity”) was organized as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania to develop, construct and maintain housing facilities for elderly persons. Nativity consists of 63 units located in Philadelphia, Pennsylvania. Tenants began moving into the units in December 2015. Nativity is operating under Section 202 of the National Housing Act of 1959, which provides housing for elderly and disabled persons. Nativity is primarily financed under HUD’s Section 202 capital advance program. The project is regulated by HUD with respect to rental charges, operating expenses and operating methods. The by-laws of Nativity require the directors to be either members of Catholic Housing and Community Services or nonmembers who have the approval of the Board of Directors of Catholic Housing and Community Services. For this reason, the entity is considered to be controlled by Catholic Housing and Community Services.

Catholic Housing and Community Services manages Villa Saint Joseph, a personal care facility, and St. John Vianney Center (the “Center”), a residential facility providing behavioral health treatment and outpatient behavioral health management and clinical services, both of which are owned by the Archdiocese of Philadelphia (the “Archdiocese”). Catholic Housing and Community Services receives an annual fee for administrative support services from these entities in exchange for management services rendered. On June 30, 2020, the Archdiocese finalized an agreement with the board of directors of the Center that terminated the affiliation of the Center with the Archdiocese and converted the Center to a nonprofit corporation governed by a self-perpetuating board. The Archdiocese and the Center entered into a post-closing services agreement, effective June 30, 2020, where both parties agreed that the Archdiocese will continue to provide financial, accounting, payroll and information technology services through June 30, 2021, unless terminated by the Center upon at least 30 day written notice to the Archdiocese.

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

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of Catholic Housing and Community Services and its controlled entities, which are collectively referred to as “CHCS.”

For consolidated for-profit entities in which the ownership is less than 100%, the outside ownership interests are shown as non-controlling interests. All significant intercompany accounts and transactions have been eliminated.

##### *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”). CHCS presents its financial statements in accordance with the guidance set forth by the FASB in regards to *Financial Statements of Not-for-Profit Entities* and *Health Care Entities*. Accordingly, CHCS’s net assets and its revenues, expenses, gains and losses are classified into two categories, based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions.

Net assets with donor restrictions include gifts, pledges, trusts, remainder interests, income and appreciation, for which donor-imposed restrictions have not been met, or which are required to be perpetually retained. 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.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***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 revenues and expenses during the reporting period. These significant estimates include the useful lives of depreciable assets, allocation of functional expenses, and the fair values of investments, including those investments held in beneficial interest in trusts. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

CHCS 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. CHCS maintains cash balances with financial institutions that at times may exceed Federal Depository Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

***Reserve and Escrow Accounts***

Reserve and escrow accounts represent cash separately restricted for operational reserves or restricted pursuant to terms of debt agreements.

***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. 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 Notes D and P. Investment allocation decisions are the responsibility of the Archdiocesan finance council.

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. Unrealized gains and losses are included in the consolidated statements of operations and changes in net assets as component of investment return, net.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Donated assets are recorded at fair value at the date of donation. Upon sale, or retirement of depreciable property, the cost and related accumulated depreciation are removed from the related accounts, and resulting gains or losses are retired in operations.

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

Land improvements	5 - 20 years
Buildings	20 - 40 years
Building improvements	5 - 25 years
Furniture and equipment	3 - 20 years

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Amortizable Costs***

Amortizable costs consist of costs related to the St. John Neumann Place LP project development, the St. Francis Villa Senior Housing LP project development, and the St. John Neumann Place II LP project development, and are being amortized using the straight-line method over their related useful lives. Amortization expense was \$35,586 and \$61,524 for the years ended June 30, 2020 and 2019, respectively.

***Pledges/Contributions***

CHCS reports gifts of cash and other assets as restricted support if they are received with a donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

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 which 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 net assets without donor restrictions when the assets are placed in service.

***(Deficiency in) Excess of Revenues over Expenses***

The consolidated statements of operations and changes in net assets include the (deficiency in) excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from the (deficiency in) excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, non-controlling interest and capital contributions.

***Other Risk and Uncertainties***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while management expects this matter to negatively impact the business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. As a result, CHCS is leveraging its balance sheet and seeking ways to preserve its financial flexibility and to allow the organization to resume normal operations when the crisis passes, and site closures for in-person services are lifted.

***Reclassifications***

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

***Developer Fee Income***

As the general partner of the LIHTC partnerships and as the sponsor of Nativity, CHCS provides development and management services to the entities in exchange for a specified developer fee. The developer fee income and related capital asset are eliminated in consolidation. Below is a summary of developer fees by entity:

- St. John Neumann Place LP - This developer fee totaled \$1,395,573, of which \$630,938 is deferred and will be paid to CHCS as cash flow permits. The deferred developer's fee will accrue interest at 8% per annum, and shall be paid no later than the 15th anniversary of completion of construction.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

- St. Francis Villa Senior Housing LP - This developer fee totaled \$1,231,356, of which \$36,724 is deferred and will be paid to CHCS as cash flow permits. The deferred developer's fee will accrue interest at 6% per annum, and shall be paid no later than the 13th anniversary of completion of construction.
- St. John Neumann Place II LP - This developer fee totaled \$1,401,181. There is no deferred fee as the developer fee was paid in full.
- Nativity - This developer fee totaled \$261,803, of which \$65,579 is deferred and will be paid to CHCS as cash flow permits.

***Liquidity and Availability of Resources***

Financial assets available for general expenditure, all of which are classified as net assets without donor restrictions, within one year of the consolidated balance sheet date consist of the following:

	June 30,	
	2020	2019
Assets available to management		
Cash and cash equivalents	\$ 7,797,003	\$ 10,525,578
Accounts receivable	34,525	43,401
Other receivables	1,344,134	1,284,149
Related party receivables	3,860,839	3,648,260
Investments without donor restrictions	2,774,754	2,692,277
Assets available to management	15,811,255	18,193,665
Liabilities to be settled within one year		
Accounts payable	(120,445)	(111,031)
Accrued salaries	(620,145)	(601,608)
Accrued expenses	(473,638)	(402,111)
Benevolent care liability - current portion	(100,556)	(116,092)
Related party payables	(1,680,665)	(5,399,291)
Assets available to management less liabilities to be settled within one year	\$ 12,815,806	\$ 11,563,532

CHCS provides cash management services for various entities, which includes payments of operating expenses. The cash activity is recorded through related party receivables and payables which are settled periodically.

***Recently Adopted Accounting Pronouncement***

In June 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. CHCS adopted the guidance during the year ended June 30, 2020 using the modified retrospective method and has determined that there is no effect on net assets in connection with the adoption of ASU 2018-08.

## Catholic Housing and Community Services of the Archdiocese of Philadelphia

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

#### ***Pending Accounting Pronouncements***

FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, and subsequent amendments, 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, as amended, is effective for fiscal years beginning after December 15, 2019. 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. CHCS is evaluating the effect the adoption of ASU 2014-09 may have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. An entity is required to apply the amendments in ASU 2016-02 under the modified-retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. CHCS is assessing the impact of the new standard at this time.

#### **NOTE C - BENEVOLENT CARE LIABILITY**

On November 3, 2014, Center Management Group acquired the operating assets and real property of the CHCS long-term care facilities. The agreement of sale stipulated that CHCS pay 50% of the monthly unpaid charges for the St. Mary Manor personal care residents, up to a total of \$1.5 million for each of the 7 years following the closing date. At June 30, 2020 and 2019, the consolidated financial statements reflect an estimated future liability of \$128,404 and \$248,408, respectively.

#### **NOTE D - 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.

*Liquidity Sub-Account (or "fund")* - Investments are liquid in nature and invested in short-duration U.S. government bonds.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

At June 30, CHCS's investments are summarized as follows:

	Without donor restrictions	With donor restrictions	Total
<u>2020</u>			
Catholic Values Equity Fund	\$ 1,753,578	\$ 3,129,294	\$ 4,882,872
Catholic Values Fixed Income Fund	740,531	1,313,131	2,053,662
Liquidity Sub-Account	280,645	-	280,645
<b>Total</b>	<b>\$ 2,774,754</b>	<b>\$ 4,442,425</b>	<b>\$ 7,217,179</b>
<u>2019</u>			
Catholic Values Equity Fund	\$ 1,741,994	\$ 3,237,864	\$ 4,979,858
Catholic Values Fixed Income Fund	675,500	1,248,003	1,923,503
Liquidity Sub-Account	274,783	-	274,783
<b>Total</b>	<b>\$ 2,692,277</b>	<b>\$ 4,485,867</b>	<b>\$ 7,178,144</b>

Investment return, net for investments is comprised of the following for the years ended June 30:

	2020			2019		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Interest and dividend income	\$ 91,307	\$ 70,417	\$ 161,724	\$ 100,307	\$ 73,611	\$ 173,918
Net realized gains	58,100	158,780	216,880	41,557	135,011	176,568
Net change in unrealized gains and losses on investments	(21,961)	(88,625)	(110,586)	36,482	56,424	92,906
<b>Total</b>	<b>\$ 127,446</b>	<b>\$ 140,572</b>	<b>\$ 268,018</b>	<b>\$ 178,346</b>	<b>\$ 265,046</b>	<b>\$ 443,392</b>

**NOTE E - BENEFICIAL INTEREST IN TRUSTS**

CHCS is the beneficiary of individual trusts held in perpetuity by third parties. The beneficial interest in the trusts is recorded at the fair value of the underlying assets in the trusts. At June 30, 2020 and 2019, the allocable fair value of these trusts was \$1,341,890 and \$1,476,112, respectively, and is recorded as beneficial interest in trusts in the accompanying consolidated balance sheets.



**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

During 2019, Wilmington Trust, the trustee for the Winifred M. Santman Trust, has questioned the interpretation of provisions in the Will of Winifred M. Santman concerning income shares for the beneficiary that has ceased to exist or no longer provides services. The beneficiary of the trust is St. John Neumann Nursing Home, which was one of the nursing homes owned and operated by CHCS until they were sold to Center Management Group LLC during November 2014. After legal review, Wilmington Trust has determined that another organization must succeed as beneficiary. Accordingly, during the year ended June 30, 2019, CHCS recorded a loss of \$156,790 within the change in fair value of beneficial interest in trusts to reflect the removal of such beneficiary interests in trust.

**NOTE F - PROPERTY, PLANT AND EQUIPMENT**

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

	2020	2019
	<hr/>	<hr/>
Land	\$ 1,702,993	\$ 1,702,993
Buildings and improvements	50,880,766	49,858,721
Furniture and equipment	4,894,864	4,789,175
Construction in progress	956,670	315,668
	<hr/>	<hr/>
	58,435,293	56,666,557
Accumulated depreciation	(12,746,833)	(11,070,530)
	<hr/>	<hr/>
Property, plant and equipment, net	<u>\$ 45,688,460</u>	<u>\$ 45,596,027</u>

Depreciation expense was \$1,676,302 and \$1,582,790 for the years ended June 30, 2020 and 2019, respectively.

**NOTE G - EMPLOYEE BENEFIT PLANS**

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

Through June 30, 2014, the eligible lay employees of CHCS were covered under the Lay Employees' Retirement Plan of the Archdiocese of Philadelphia (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. CHCS made annual contributions to the Plan at an average rate of 5.90% of the salaries of eligible employees for the years ended June 30, 2020 and 2019. The amount expensed by CHCS for contributions to the Plan was \$227,436 and \$267,029 for the years ended June 30, 2020 and 2019, 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.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Archdiocese of Philadelphia 403(b) Retirement Plan***

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan. Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

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

- *Grandfathered Employees* - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after July 1, 2014. A grandfathered 10-month employee 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.

During the years ended June 30, 2020 and 2019, the employer contribution rate was 4.5% of base salary for eligible employees. The contributions by CHCS into the 403(b) plan totaled \$191,525 and \$198,287 for the years ended June 30, 2020 and 2019, respectively.

**NOTE H - DEBT**

***Mortgages Payable - St. John Neumann Place LP***

St. John Neumann Place LP obtained a loan from the Archdiocese of Philadelphia, in the principal amount of \$2,860,000, with a term of 30 years and an interest rate of 6.25%, compounded annually. Principal and interest are payable in monthly installments as cash flow permits with any balance due in full on the 30th anniversary of the closing, December 4, 2036. At both June 30, 2020 and 2019, the outstanding balance was \$2,860,000.

The Philadelphia Redevelopment Authority ("PRA"), an agency of the City of Philadelphia, approved St. John Neumann Place LP for a \$1,765,000 loan through the Federal HOME program. As a condition of the loan, the project is required to meet certain rental and occupancy requirements for a period of 20 years or until the loan is paid in full. The loan will bear interest at the greater of 4.9% or a composite rate, as defined in the Mortgage Note. Interest will accrue from the date of the closing, and principal and interest are payable in full on the 30th anniversary of the closing, December 4, 2036. The loan is secured by a first mortgage on substantially all assets of St. John Neumann Place LP. At both June 30, 2020 and 2019, the outstanding balance was \$1,765,000.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

St. John Neumann Place LP received funding of \$335,000 under the Federal Home Loan Bank's Affordable Housing Program ("AHP"). The program provides a forgivable loan that will not require repayment if the project is maintained in accordance with AHP regulations for the 15-year retention period. Should the partnership not meet these terms, repayment of principal plus interest will be required. The loan is secured by a second mortgage on substantially all assets of St. John Neumann Place LP. At both June 30, 2020 and 2019, the outstanding balance was \$335,000.

***Mortgages Payable - St. Francis Villa Senior Housing LP***

The Philadelphia Housing Authority ("PHA"), a public body, has approved financing for St. Francis Villa Senior Housing LP in the amount of \$1,800,000 as a second mortgage. As a condition of the loan, the project is required to meet certain covenants and conditions for a period of 40 years from the date the project becomes available for occupancy and for a period of 10 years after the end of the last PHA fiscal year for which operating assistance is provided by PHA. The loan will bear simple interest at 8.00% per annum once construction has been completed. Principal and accrued interest are payable in full on the 45th anniversary of the note. The loan is secured by a first mortgage on substantially all assets of St. Francis Villa Senior Housing LP. At both June 30, 2020 and 2019, the outstanding balance was \$1,800,000.

St. Francis Villa Senior Housing LP has received funding of \$443,991 under the Federal Home Loan Bank's AHP. The program provides a forgivable loan that will not require repayment if the project is maintained in accordance with AHP regulations for the 15-year retention period. Should the partnership not meet these terms, repayment of principal plus interest will be required. The loan is secured by the second mortgage on substantially all assets of St. Francis Villa Senior Housing LP. At both June 30, 2020 and 2019, the outstanding balance was \$443,991.

***Mortgages Payable - St. John Neumann Place II LP***

Manufacturers and Traders Trust Company, a banking organization, has approved a direct subsidy of \$250,000 to the project's sponsor through the Federal Home Loan Bank's AHP. The sponsor, in turn, has funded a loan in the amount of \$250,000 to the project, effective July 28, 2016, with interest of 6.5% per year compounded annually. Provided the project is maintained in accordance with AHP regulations for the 15-year retention period, the loan will be considered satisfied and no repayment will be required. Should the partnership not meet these terms, payment of principal plus interest will be required. No payments are due until the loan matures on August 30, 2047. At both June 30, 2020 and 2019, the outstanding balance was \$250,000.

Capital One, National Association, a national banking organization, has approved a direct subsidy of \$397,866 to the project's sponsor through the Federal Home Loan Bank's AHP. The sponsor, in turn, has funded a loan in the amount of \$397,866 to the project, effective November 3, 2016, with interest of 6.5% per year compounded annually. Provided the project is maintained in accordance with AHP regulations for the 15-year retention period, the loan will be considered satisfied and no repayment will be required. Should the partnership not meet these terms, payment of principal plus interest will be required. No payments are due until the loan matures on August 30, 2047. At both June 30, 2020 and 2019, the outstanding balance was \$397,866.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Mortgages Payable - Nativity***

The PRA approved Nativity for a \$1,695,000 loan through the Federal HOME program. As a condition of the loan, the project is required to meet certain rental and occupancy requirements for a period of 20 years or until the loan is paid in full. Except upon the occurrence of an event of default as defined in the loan documents, the loan will not bear interest and the entire principal balance will be due and payable on the 45th anniversary of the loan closing. The loan is secured by the second mortgage on substantially all assets of Nativity. At both June 30, 2020 and 2019, the outstanding balance was \$1,695,000.

***Loan Payable***

In May 2020, CHCS borrowed \$1,173,815 through the Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security (CARES) Act to provide additional liquidity during the COVID-19 crisis. The loan has a two-year term and bears interest at 1% annually with payments scheduled monthly beginning after a six-month deferral period to the extent the loans are not forgiven. CHCS used the entire amount of the loan for qualifying expenses with the intent of applying for forgiveness of a substantial amount of the loan.

***Future Maturities of Debt***

There are no principal repayments due under the loans and mortgages during the years ended June 30, 2021 through 2025.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

Donor-restricted net assets at June 30 are restricted to:

	2020	2019
Senior housing support	\$ 2,014,870	\$ 1,957,096
Community based services for seniors	2,527,556	2,628,772
HUD Section 202 capital advance and grant (Note J)	10,211,200	10,211,200
Beneficial interest in trusts	1,341,890	1,476,112
	\$ 16,095,516	\$ 16,273,180

Net assets released from donor restrictions totaled \$184,014 and \$0 for the years ended June 30, 2020 and 2019, respectively.

**NOTE J - HUD SECTION 202 CAPITAL ADVANCE AND GRANT**

The restricted net assets of Nativity include a capital advance of \$9,811,200, of which \$9,811,200 has been received as of June 30, 2020 and 2019 from HUD under the Section 202 Capital Advance program of the Act, with a mortgage note that requires no repayment and bears no interest so long as housing remains available for very low-income elderly persons for a minimum of 40 years. Failure to keep the housing available for elderly persons would result in the repayment of the entire note plus interest since the date of the first advances. The capital advance grants HUD a security interest in substantially all property and equipment and gross revenues.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

The restricted net asset balance for Nativity also includes a Section 202 Demonstration Pre-Development Grant from HUD for \$400,000, of which the full amount has been received at both June 30, 2020 and 2019.

**NOTE K - ENDOWMENTS**

CHCS's endowments consist of donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

For some of the endowments, the donor has directed how the earnings are to be used. When documentation does not provide specific direction, CHCS follows the Commonwealth of Pennsylvania Act 141.

***Interpretation of Relevant Law***

In accordance with the Commonwealth of Pennsylvania Act 141, and unless directed otherwise by the donor, CHCS classifies the endowment as restricted net assets until those amounts are appropriated for expenditure by CHCS in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Archdiocese of Philadelphia to release a percentage, which is elected annually, of the market value of its endowment funds into unrestricted income. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

***Return Objectives and Risk Parameters***

CHCS has adopted investment policies established by the Archdiocese's Investment Committee and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of plus 3% over the consumer price index while assuming a moderate level of investment risk. CHCS expects their endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from that amount.

***Spending Policy***

Commonwealth of Pennsylvania law permits CHCS to adopt a spending policy for endowment earnings, subject to certain limitations. CHCS follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. CHCS' spending policy for the years ended June 30, 2020 and 2019 allowed for a 7% draw of the three-year average market value of the restricted endowments, unless directed otherwise by the donor. CHCS drew \$184,014 and \$0 for the years ended June 30, 2020 and 2019, respectively.

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as funds to be held in perpetuity. At both June 30, 2020 and 2019, there were no deficiencies of this nature.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**Endowment Balances**

CHCS had the following endowment activities during the years ended June 30, 2020 and 2019. All endowment activities were donor restricted.

Endowment net assets, June 30, 2018	\$ 4,220,822
Investment income	73,609
Net appreciation (realized and unrealized gains)	191,436
Total investment return	<u>265,045</u>
Endowment net assets, June 30, 2019	<u>4,485,867</u>
Investment income	70,417
Net appreciation (realized and unrealized gains)	70,155
Total investment return	<u>140,572</u>
Amount appropriated for expenditure	<u>(184,014)</u>
Endowment net assets, June 30, 2020	<u>\$ 4,442,425</u>

**NOTE L - INCOME TAXES**

CHCS and Nativity are nonprofit corporations that have been granted exempt status from federal and state taxation under Section 501(c)(3) of the Internal Revenue Code.

CHCS has not recorded any provision or benefit for federal or state income taxes related to the for-profit partnerships that are included in the consolidated financial statements since taxable income or loss passes through to and is reportable by the partners. The partnerships are subject to City of Philadelphia Gross Receipts Tax, which will be expensed as paid.

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

**NOTE M - CONTINGENCIES**

CHCS is from time to time subject to routine litigation incidental to its business. In the opinion of management, after consulting with legal counsel, the settlement of litigation and claims, in the aggregate, will not have a material adverse effect on CHCS's consolidated balance sheets.

**NOTE N - CONCENTRATION OF CREDIT RISK**

Three funding sources account for approximately 61% and 70% of CHCS's total accounts receivable and other receivable balances as of June 30, 2020 and 2019, respectively. Additionally, two funding sources account for 58% and 59% of CHCS's total operating revenue for the years ended June 30, 2020 and 2019, respectively.

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE O - RELATED PARTY TRANSACTIONS**

***Loans Receivable***

In June 2012, the Archdiocese and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. These retired obligations include the Variable Rate Revenue Bonds Series of 2008 issued through the Montgomery County Industrial Development Authority totaling \$47,007,923; the Variable Rate Revenue Bonds Series of 2001 through the Chester County Industrial Development Authority totaling \$50,708,547; and the various interest rate swap transactions associated with these debts totaling \$15,750,000. The transactions resulted in the interdiocesan Term Loan Receivables and Term Loans Payables totaling \$71,357,582 at participating Archdiocesan entities, which included a loan receivable of \$48,713,240 recorded by CHCS. The loan receivable was refinanced on July 1, 2014, with terms as described below. The outstanding balances of the loans receivable at June 30, 2020 and 2019, were \$39,856,166 and \$41,023,636, respectively.

The loans are collateralized by first priority mortgage liens encumbering the following Archdiocesan high school premises: Bonner-Prendergrast High School, Pope John Paul II High School, Bishop Shanahan High School and Archbishop Wood High School. In addition, the Archdiocese of Philadelphia pledges the High School Revenue associated with these specific schools. The loans carry a fixed interest rate of 4% amortized over 28 years, maturing on June 1, 2042.

The future principal amounts receivable on the loans at June 30, 2020 are as follows:

Year ending June 30,

2021	\$ 906,608
2022	1,251,687
2023	1,302,510
2024	1,355,397
2025	1,410,432
Thereafter	<u>33,629,532</u>
 Total	 <u>\$ 39,856,166</u>

CHCS is covered under various insurance, retirement and other plans of the Archdiocese. The transactions with the Archdiocese and affiliates recorded as revenue or charged to expense for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Management fees	\$ 3,543,971	\$ 3,466,907
Engineering consulting	88,568	116,315
	<u>\$ 3,632,539</u>	<u>\$ 3,583,222</u>
Expenses		
Pension	\$ 418,961	\$ 442,496
Insurance	126,067	126,736
	<u>\$ 545,028</u>	<u>\$ 569,232</u>

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

CHCS had receivables due from related parties of \$3,860,839 and \$3,648,260, and payables of \$1,680,665 and \$5,399,291, at June 30, 2020 and 2019, respectively. Receivables include \$552,123 and \$412,644 due from Archdiocese related entities at June 30, 2020 and 2019, respectively. The remaining related party balances are the result of cash management arrangements between CHCS and other managed entities.

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

The following table presents the fair values of the investments held by CHCS by level within the fair value hierarchy, as of June 30:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2020</u>				
Assets				
Investments in SEI	\$ 7,217,179	\$ -	\$ -	\$ 7,217,179
Beneficial interest in trusts	\$ -	\$ -	\$ 1,341,890	\$ 1,341,890
<u>2019</u>				
Assets				
Investments in SEI	\$ 7,178,144	\$ -	\$ -	\$ 7,178,144
Beneficial interest in trusts	\$ -	\$ -	\$ 1,476,112	\$ 1,476,112



**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

The table below sets forth a summary of changes in the fair value of CHCS's Level 3 assets for the years ended June 30:

	2020	2019
Balance at beginning of year	\$ 1,476,112	\$ 1,640,595
Distributions received from trusts	(100,884)	(87,675)
Net appreciation	(33,338)	79,982
Reduction in fair value due to change in beneficiaries (Note E)	-	(156,790)
Net change in fair value	<u>(33,338)</u>	<u>(76,808)</u>
Balance at end of year	<u>\$ 1,341,890</u>	<u>\$ 1,476,112</u>

**NOTE Q - FUNCTIONAL EXPENSES**

CHCS provides a variety of services, as described in Note A. Expenses related to providing these services are as follows for the years ended June 30:

	2020			
	Housing	Community Programs	General and Administrative	Total
Salaries and benefits	\$ 689,123	\$ 1,857,898	\$ 3,446,558	\$ 5,993,579
Administrative and general	195,079	151,000	1,408,392	1,754,471
Occupancy	811,939	381,638	297,880	1,491,457
Depreciation and amortization	1,397,117	149,474	165,297	1,711,888
Loan interest and fees	739,597	-	-	739,597
Direct expenses of care	216,351	463,522	-	679,873
Total	<u>\$ 4,049,206</u>	<u>\$ 3,003,532</u>	<u>\$ 5,318,127</u>	<u>\$ 12,370,865</u>
	2019			
	Housing	Community Programs	General and Administrative	Total
Salaries and benefits	\$ 616,676	\$ 2,123,500	\$ 3,445,905	\$ 6,186,081
Administrative and general	203,853	171,793	1,297,926	1,673,572
Occupancy	758,517	465,386	293,753	1,517,656
Depreciation and amortization	1,418,840	24,602	200,872	1,644,314
Loan interest and fees	676,910	-	-	676,910
Direct expenses of care	193,105	453,742	-	646,847
Total	<u>\$ 3,867,901</u>	<u>\$ 3,239,023</u>	<u>\$ 5,238,456</u>	<u>\$ 12,345,380</u>

**Catholic Housing and Community Services of the Archdiocese of Philadelphia**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE R - LEASES**

CHCS has entered into lease agreements for real estate with various affiliated and non-affiliated entities. The following is a schedule of future minimum lease payments for operating leases with non-cancellable lease terms in excess of one year:

Year ending June 30,

2021	\$	20
2022		20
2023		20
2024		20
2025		20
Thereafter		<u>480</u>
Total	<u>\$</u>	<u>580</u>

Rental expense for the years ended June 30, 2020 and 2019 totaled approximately \$368,000 and \$430,000, respectively.

**NOTE S - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 16, 2020, which is the date the consolidated financial statements were available to be issued, noting no items requiring accrual or disclosure in the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET

June 30, 2020

	Community Based Services	CHS	St. John Neumann Place LP	St. John Neumann Place II LP	St. Francis Villa Senior Housing LP	Nativity BVM Place	St. Rita Place Senior Housing LP	Eliminations	Total
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	\$ 1,350	\$ 7,224,785	\$ 9,509	\$ 258,131	\$ 242,073	\$ 61,155	\$ -	\$ -	\$ 7,797,003
Accounts receivable	32,050	-	140	207	2,128	-	-	-	34,525
Other receivables	857,775	486,359	-	-	-	-	-	-	1,344,134
Related party receivables	-	3,860,839	-	-	-	-	-	-	3,860,839
Due from consolidated entities	-	8,596,552	-	-	-	-	-	(8,596,552)	-
Prepaid expenses	33,556	347,890	14,111	2,577	2,621	1,425	-	-	402,180
Related party loans receivable - current portion	-	906,608	-	-	-	-	-	-	906,608
Total current assets	924,731	21,423,033	23,760	260,915	246,822	62,580	-	(8,596,552)	14,345,289
Investments	-	7,217,179	-	-	-	-	-	-	7,217,179
Property, plant and equipment, net	1,481,625	490,515	11,932,220	13,412,229	10,530,658	10,504,065	951,163	(3,614,015)	45,688,460
Deferred developer fee receivable	-	733,241	-	-	-	-	-	(733,241)	-
Deferred developer fee interest receivable	-	560,497	-	-	-	-	-	(560,497)	-
Mortgage interest receivable - related party	-	370,813	-	-	-	-	-	(370,813)	-
Beneficial interest in trusts	-	1,341,890	-	-	-	-	-	-	1,341,890
Reserve and escrow accounts	-	-	591,375	422,154	689,397	237,898	-	-	1,940,824
Amortizable costs	-	-	(4,237)	161,452	69,329	-	-	-	226,544
Related party note receivable	-	1,500,000	-	-	-	-	-	(1,500,000)	-
Related party loans receivable	-	38,949,558	-	-	-	-	-	-	38,949,558
Total assets	\$ 2,406,356	\$ 72,586,726	\$ 12,543,118	\$ 14,256,750	\$ 11,536,206	\$ 10,804,543	\$ 951,163	\$ (15,375,118)	\$ 109,709,744

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2020

	Community Based Services	CHS	St. John Neumann Place LP	St. John Neumann Place II LP	St. Francis Villa Senior Housing LP	Nativity BVM Place	St. Rita Place Senior Housing LP	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable	\$ 6,467	\$ 82,753	\$ 5,989	\$ 8,019	\$ 1,519	\$ 15,698	\$ -	\$ -	\$ 120,445
Accrued salaries	175,650	382,705	16,853	11,583	10,172	23,182	-	-	620,145
Accrued expenses	68,442	205,030	31,395	29,759	80,674	58,338	-	-	473,638
Benevolent care liability - current portion	-	100,556	-	-	-	-	-	-	100,556
Due to consolidated entities	7,645,389	-	-	-	-	-	951,163	(8,596,552)	-
Related party payables	-	1,598,915	-	-	81,750	-	-	-	1,680,665
Deferred revenue	196,786	53,413	-	-	-	-	-	-	250,199
Total current liabilities	8,092,734	2,423,372	54,237	49,361	174,115	97,218	951,163	(8,596,552)	3,245,648
Deferred developer fee	-	-	630,938	-	36,724	65,579	-	(733,241)	-
Accrued developer fee interest	-	-	551,019	-	9,478	-	-	(560,497)	-
Benevolent care liability	-	27,848	-	-	-	-	-	-	27,848
Resident funds escrow accounts	-	-	41,297	11,742	10,925	21,902	-	-	85,866
Loan payable	-	1,173,815	-	-	-	-	-	-	1,173,815
Accrued mortgage interest	-	-	5,255,977	370,898	582,000	-	-	(370,813)	5,838,062
Mortgages payable	-	-	4,960,000	2,147,866	2,243,991	1,695,000	-	(1,500,000)	9,546,857
Total liabilities	8,092,734	3,625,035	11,493,468	2,579,867	3,057,233	1,879,699	951,163	(11,761,103)	19,918,096
<b>Net assets (deficit)</b>									
Without donor restrictions									
Parent	(5,686,378)	63,077,375	-	-	-	(1,286,356)	-	(3,614,015)	52,490,626
Non controlling interest	-	-	1,049,650	11,676,883	8,478,973	-	-	-	21,205,506
Total net assets without donor restrictions	(5,686,378)	63,077,375	1,049,650	11,676,883	8,478,973	(1,286,356)	-	(3,614,015)	73,696,132
With donor restrictions	-	5,884,316	-	-	-	10,211,200	-	-	16,095,516
Total net assets (deficit)	(5,686,378)	68,961,691	1,049,650	11,676,883	8,478,973	8,924,844	-	(3,614,015)	89,791,648
Total liabilities and net assets	\$ 2,406,356	\$ 72,586,726	\$ 12,543,118	\$ 14,256,750	\$ 11,536,206	\$ 10,804,543	\$ 951,163	\$ (15,375,118)	\$ 109,709,744

Catholic Housing and Community Services of the Archdiocese of Philadelphia  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

Year ended June 30, 2020

	Without donor restrictions							With donor restrictions			Total		
	Community Based Services	CHS	St. John Neumann Place LP	St. John Neumann Place II LP	St. Francis Villa Senior Housing LP	Nativity BVM Place	St. Rita Place Senior Housing LP	Eliminations	Subtotal	CHCS		Nativity BVM Place	Subtotal
<b>Operating revenues</b>													
Housing programs	\$ -	\$ -	\$ 534,312	\$ 498,854	\$ 352,746	\$ 636,446	\$ -	\$ -	\$ 2,022,358	\$ -	\$ -	\$ -	\$ 2,022,358
Management fees	-	4,016,105	-	-	-	-	-	(472,134)	3,543,971	-	-	-	3,543,971
Community programs	2,978,130	-	-	-	-	-	-	-	2,978,130	-	-	-	2,978,130
Other operating revenue	-	270,014	-	-	-	-	-	-	270,014	-	-	-	270,014
Distributions from beneficial interest in trusts	-	100,884	-	-	-	-	-	-	100,884	-	-	-	100,884
Net assets released from restrictions	-	184,014	-	-	-	-	-	-	184,014	(184,014)	-	(184,014)	-
<b>Total operating revenues</b>	<b>2,978,130</b>	<b>4,571,017</b>	<b>534,312</b>	<b>498,854</b>	<b>352,746</b>	<b>636,446</b>	<b>-</b>	<b>(472,134)</b>	<b>9,099,371</b>	<b>(184,014)</b>	<b>-</b>	<b>(184,014)</b>	<b>8,915,357</b>
<b>Operating expenses</b>													
Salaries and benefits	1,873,922	3,566,338	126,626	87,692	106,839	232,162	-	-	5,993,579	-	-	-	5,993,579
Administrative and general	732,304	1,218,015	68,589	64,384	57,245	86,068	-	(472,134)	1,754,471	-	-	-	1,754,471
Occupancy	412,393	295,323	252,283	159,888	108,313	263,257	-	-	1,491,457	-	-	-	1,491,457
Depreciation and amortization	149,474	165,297	416,751	398,229	327,907	361,478	-	(107,248)	1,711,888	-	-	-	1,711,888
Loan interest and fees	-	-	580,464	172,318	158,581	-	-	(171,766)	739,597	-	-	-	739,597
Direct expenses of care	463,522	34,905	69,074	47,987	23,141	41,244	-	-	679,873	-	-	-	679,873
<b>Total operating expenses</b>	<b>3,631,615</b>	<b>5,279,878</b>	<b>1,513,787</b>	<b>930,498</b>	<b>782,026</b>	<b>984,209</b>	<b>-</b>	<b>(751,148)</b>	<b>12,370,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,370,865</b>
<b>Operating loss</b>	<b>(653,485)</b>	<b>(708,861)</b>	<b>(979,475)</b>	<b>(431,644)</b>	<b>(429,280)</b>	<b>(347,763)</b>	<b>-</b>	<b>279,014</b>	<b>(3,271,494)</b>	<b>(184,014)</b>	<b>-</b>	<b>(184,014)</b>	<b>(3,455,508)</b>
<b>Nonoperating revenues (expenses)</b>													
Contributions and bequests	-	51,330	-	-	-	-	-	-	51,330	-	-	-	51,330
Capital contribution to related party	-	(208,409)	-	-	-	-	-	-	(208,409)	-	-	-	(208,409)
Loss on disposal of fixed assets	-	-	(5,000)	(6,978)	-	-	-	-	(11,978)	-	-	-	(11,978)
Investment return, net	-	299,176	-	-	-	36	-	(171,766)	127,446	140,572	-	140,572	268,018
Loan interest income	-	1,623,576	-	-	-	-	-	-	1,623,576	-	-	-	1,623,576
Other nonoperating revenue	-	2,000	-	-	-	-	-	-	2,000	-	-	-	2,000
Change in fair value of beneficial interest in trusts	-	-	-	-	-	-	-	-	-	(134,222)	-	(134,222)	(134,222)
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>1,767,673</b>	<b>(5,000)</b>	<b>(6,978)</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>(171,766)</b>	<b>1,583,965</b>	<b>6,350</b>	<b>-</b>	<b>6,350</b>	<b>1,590,315</b>
<b>(Deficiency in) excess of revenues over expenses</b>	<b>(653,485)</b>	<b>1,058,812</b>	<b>(984,475)</b>	<b>(438,622)</b>	<b>(429,280)</b>	<b>(347,727)</b>	<b>-</b>	<b>107,248</b>	<b>(1,687,529)</b>	<b>(177,664)</b>	<b>-</b>	<b>(177,664)</b>	<b>(1,865,193)</b>
Loss attributable to non-controlling interest	-	-	(984,475)	(438,622)	(429,280)	-	-	-	(1,852,377)	-	-	-	(1,852,377)
<b>(Deficiency in) excess of revenues over expenses attributable to parent</b>	<b>(653,485)</b>	<b>1,058,812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(347,727)</b>	<b>-</b>	<b>107,248</b>	<b>164,848</b>	<b>(177,664)</b>	<b>-</b>	<b>(177,664)</b>	<b>(12,816)</b>
<b>Other changes in net assets</b>													
Capital contributions from limited partners	-	-	-	71,536	-	-	-	-	71,536	-	-	-	71,536
Change in non-controlling interest	-	-	(984,475)	(438,622)	(429,280)	-	-	-	(1,852,377)	-	-	-	(1,852,377)
<b>Change in net assets</b>	<b>(653,485)</b>	<b>1,058,812</b>	<b>(984,475)</b>	<b>(367,086)</b>	<b>(429,280)</b>	<b>(347,727)</b>	<b>-</b>	<b>107,248</b>	<b>(1,615,993)</b>	<b>(177,664)</b>	<b>-</b>	<b>(177,664)</b>	<b>(1,793,657)</b>
<b>Net assets (deficit)</b>													
<b>Beginning of year</b>	<b>(5,032,893)</b>	<b>62,018,563</b>	<b>2,034,125</b>	<b>12,043,969</b>	<b>8,908,253</b>	<b>(938,629)</b>	<b>-</b>	<b>(3,721,263)</b>	<b>75,312,125</b>	<b>6,061,980</b>	<b>10,211,200</b>	<b>16,273,180</b>	<b>91,585,305</b>
<b>End of year</b>	<b>\$ (5,686,378)</b>	<b>\$ 63,077,375</b>	<b>\$ 1,049,650</b>	<b>\$ 11,676,883</b>	<b>\$ 8,478,973</b>	<b>\$ (1,286,356)</b>	<b>\$ -</b>	<b>\$ (3,614,015)</b>	<b>\$ 73,696,132</b>	<b>\$ 5,884,316</b>	<b>\$ 10,211,200</b>	<b>\$ 16,095,516</b>	<b>\$ 89,791,648</b>