

Financial Statements and Report of
Independent Certified Public
Accountants

St. Edmond's Home for Crippled Children

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of St. Edmond's Home for Crippled Children, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 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 St. Edmond's Home for Crippled Children as of June 30, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania
January 5, 2021

St. Edmond's Home for Crippled Children

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 4,447	\$ 325
Accounts receivable - Commonwealth of Pennsylvania, net of allowance for doubtful accounts of \$131,413 at June 30, 2020 and 2019	1,477,954	2,435,529
Accounts receivable - other	32,927	27,876
Due from Catholic Social Services	13,671,371	13,297,689
Prepaid expenses and other current assets	142,683	132,903
Client escrow funds	69,593	32,909
Total current assets	15,398,975	15,927,231
Property, plant and equipment, net	3,507,227	2,873,559
Notes receivable - Catholic Social Services	4,400,000	4,400,000
Investments	16,133,865	15,647,350
Beneficial interest in net assets held by affiliated organization	2,236,393	2,236,393
Trusts held by third parties	1,011,399	1,049,439
Total assets	<u>\$ 42,687,859</u>	<u>\$ 42,133,972</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 411,102	\$ 259,172
Salaries and wages payable	468,645	404,335
Client escrow funds	69,593	32,909
Total current liabilities	949,340	696,416
NET ASSETS		
Without donor restrictions	38,431,447	38,145,653
With donor restrictions	3,307,072	3,291,903
Total net assets	41,738,519	41,437,556
Total liabilities and net assets	<u>\$ 42,687,859</u>	<u>\$ 42,133,972</u>

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

St. Edmond's Home for Crippled Children

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Operating revenue			
Governmental revenue	\$ 9,937,901	\$ -	\$ 9,937,901
Total operating revenue	9,937,901	-	9,937,901
Operating expenses			
Salaries, wages and other payroll	7,453,849	-	7,453,849
Administrative and general	1,967,547	-	1,967,547
Occupancy	569,025	-	569,025
Direct expenses of care	369,096	-	369,096
Depreciation	336,005	-	336,005
Total operating expenses	10,695,522	-	10,695,522
Deficiency in operating revenue under operating expenses	(757,621)	-	(757,621)
Other revenue, gains and (losses)			
Donations and other	319,925	57,780	377,705
Women's auxiliary	66,247	-	66,247
Catholic Charities Appeal	25,000	-	25,000
Legacies and bequests	9,157	-	9,157
Increase in investment held by affiliated organization	-	-	-
Investment return, net	618,515	(38,040)	580,475
Total other revenue, gains and (losses)	1,038,844	19,740	1,058,584
Net assets released from restrictions	4,571	(4,571)	-
Increase in net assets	285,794	15,169	300,963
Net assets			
Beginning of year	38,145,653	3,291,903	41,437,556
End of year	<u>\$ 38,431,447</u>	<u>\$ 3,307,072</u>	<u>\$ 41,738,519</u>

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

St. Edmond's Home for Crippled Children

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2019

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Operating revenue			
Governmental revenue	\$ 9,258,898	\$ -	\$ 9,258,898
Total operating revenue	<u>9,258,898</u>	<u>-</u>	<u>9,258,898</u>
Operating expenses			
Salaries, wages and other payroll	7,096,552	-	7,096,552
Administrative and general	1,824,631	-	1,824,631
Occupancy	594,637	-	594,637
Direct expenses of care	270,860	-	270,860
Depreciation	304,366	-	304,366
Total operating expenses	<u>10,091,046</u>	<u>-</u>	<u>10,091,046</u>
Deficiency in operating revenue under operating expenses	<u>(832,148)</u>	<u>-</u>	<u>(832,148)</u>
Other revenue, gains and (losses)			
Donations and other	464,578	6,071	470,649
Women's auxiliary	318,051	-	318,051
Catholic Charities Appeal	25,000	-	25,000
Legacies and bequests	15,698	-	15,698
Investment return, net	1,001,810	(25,261)	976,549
Total other revenue, gains and (losses)	<u>1,825,137</u>	<u>(19,190)</u>	<u>1,805,947</u>
Net assets released from restrictions	<u>15,612</u>	<u>(15,612)</u>	<u>-</u>
Increase (decrease) in net assets	1,008,601	(34,802)	973,799
Net assets			
Beginning of year	<u>37,137,052</u>	<u>3,326,705</u>	<u>40,463,757</u>
End of year	<u><u>\$ 38,145,653</u></u>	<u><u>\$ 3,291,903</u></u>	<u><u>\$ 41,437,556</u></u>

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

St. Edmond's Home for Crippled Children

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$ 300,963	\$ 973,799
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	336,005	304,366
Increase in investment held by affiliated organization	-	-
Net realized and unrealized gains on investments	29,777	(198,386)
Changes in operating assets and liabilities		
Accounts receivable - Commonwealth of Pennsylvania	957,588	737,002
Accounts receivable - other	(5,052)	14,653
Due from Catholic Social Services	(373,682)	(506,611)
Deferred revenue	-	(142,000)
Prepaid gains and other assets	(9,780)	(10,489)
Accounts payable and accrued expenses	151,921	55,650
Salaries and wages payable	64,319	8,055
	<u>1,452,059</u>	<u>1,236,039</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Capital expenditures	(969,685)	(589,876)
Purchases of investments	<u>(478,252)</u>	<u>(646,163)</u>
	<u>(1,447,937)</u>	<u>(1,236,039)</u>
Net cash used in investing activities		
Change in cash	4,122	-
Cash		
Beginning of year	<u>325</u>	<u>325</u>
End of year	<u><u>\$ 4,447</u></u>	<u><u>\$ 325</u></u>

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

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - ORGANIZATION

St. Edmond's Home for Crippled Children ("St. Edmond's") is a residential facility of the Archdiocese of Philadelphia located in Rosemont, Delaware County, Pennsylvania. St. Edmond's serves physically handicapped/intellectually disabled children between the ages of 6 and 21 years with a licensed capacity of 44 beds.

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

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

The Archdiocese of Philadelphia (the "Archdiocese") was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the "Church") for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. St. Edmond's, which is related, is operated separately and distinctly from the Archdiocese.

Catholic Charities Appeal, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including St. Edmond's.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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"). St. Edmond's 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, St. Edmond's net assets and 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 not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions include contributions, including pledges, trusts, remainder interests, income and appreciation which can be expended but for which restrictions have not yet been met, or which are required by donors to be perpetually retained. 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.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 and beneficial interest in net assets held by affiliated organization. Actual results could differ from those estimates.

Cash and Cash Equivalents

St. Edmond's 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. With the exception of escrow client funds, for the years ended June 30, 2020 and 2019, St. Edmond's possessed only petty cash held on site. The client escrow funds held by St. Edmond's may at times exceed Federal Deposit Insurance Corporation limits.

Accounting for Long-Lived Assets

St. Edmond's continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, St. Edmond's uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based on market prices, where available, or discounted cash flows. St. Edmond's believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2020 or 2019.

Client Escrow Funds

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

Investments

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese 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 included in the statements of activities as a component of investment return, net.

St. Edmond's Home for Crippled Children
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Beneficial Interest in Net Assets Held by Affiliated Organization

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

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 net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, St. Edmond's reports the support as without donor restriction. When a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of long-lived assets received without donor stipulations are reported as unrestricted revenue at the fair value of 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, all of which will be collected within one year.

Governmental Revenue

St. Edmond's receives its funding through contracts with Pennsylvania, various cities and counties, federal programs and agreements with managed care and insurance organizations. These contracts/agreements are generally fee-for-service agreements. The ultimate determination of amounts reimbursable under cost reimbursement contracts/agreements is based upon allowable costs to be reported to and subject to audit by grantors and/or their agents.

Program service revenues are from funding sources under fee-for-service contracts for several of St. Edmond's programs. For other programs, St. Edmond's 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, while adjustments to prior recognized revenues are recorded in following periods, as final settlements are determined. St. Edmond's recorded an increase to revenue of \$267,788 and \$230,659 related to settlements received from prior years for the years ended June 30, 2020 and 2019, respectively

St. Edmond's is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues for 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.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Allowance for Doubtful Accounts

St. Edmond's continually monitors accounts receivable for collectability issues. The allowance is based upon management's judgment and is determined by considering a number of factors, including the length of time accounts receivable are past due, St. Edmond's previous loss history, the nature of the service provided and other pertinent factors. St. Edmond's writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Allocated Expenses - Archdiocese of Philadelphia - Catholic Social Services

CSS provides administrative and accounting services for institutions and group homes, including St. Edmond's. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is recorded as a general and administrative expense in the statements of activities and changes in net assets. Any difference between the allocation and the amount charged to the institution or group homes during the year is considered a contribution of services from CSS.

Property, Plant and Equipment

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

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

Risks and Uncertainties

The outbreak of a novel coronavirus COVID-19 ("COVID-19"), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce, and financial markets globally. St. Edmond's has been monitoring and continues to closely monitor the COVID-19 pandemic and its impact on the entity. Though the full impact of COVID-19 and the scope of any impact on St. Edmond's operations and financial condition cannot yet be determined, potential adverse consequences to St. Edmond's of COVID-19 may include a decline in revenues and contributions, as well as a decrease in interest and investment income from St. Edmond's investment assets.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 statement of financial position date consist of the following:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 4,447	\$ 325
Accounts receivable	1,510,881	2,463,405
Investments - board designated	<u>16,133,865</u>	<u>15,647,350</u>
Assets available to management	17,649,193	18,111,080
Liabilities to be settled within one year		
Accounts payable and accrued expenses	(411,102)	(259,172)
Salaries and wages payable	<u>(468,645)</u>	<u>(404,335)</u>
Assets available to management less liabilities to be settled within one year	<u>\$ 16,769,446</u>	<u>\$ 17,447,573</u>

St. Edmond's receives cash management services from CSS, which includes the receipt of program revenues and payments of operating expenses. The cash activity is recorded through due to affiliated institutions which is settled periodically.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, with 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 periods 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. St. Edmond's is evaluating the impact of ASU 2014-09 and its amendments at this time.

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.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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.

There are no donor restrictions on the investments as of June 30, 2020 or 2019.

At June 30, St. Edmond's held the following categories of investments:

	2020	2019
Catholic values equity fund	\$ 11,364,877	\$ 11,295,758
Catholic values fixed income fund	4,768,988	4,351,592
	<u>\$ 16,133,865</u>	<u>\$ 15,647,350</u>

Investment return for investments 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
Other revenue						
Interest and dividend income	\$ 648,293	\$ -	\$ 648,293	\$ 778,163	\$ -	\$ 778,163
Net realized gains (losses)	100,209	-	100,209	(8,372)	-	(8,372)
Change in unrealized net gains and losses on investments	(129,987)	(38,040)	(168,027)	232,019	(25,261)	206,758
Total	<u>\$ 618,515</u>	<u>\$ (38,040)</u>	<u>\$ 580,475</u>	<u>\$ 1,001,810</u>	<u>\$ (25,261)</u>	<u>\$ 976,549</u>

NOTE D - TRUSTS HELD BY THIRD PARTIES

St. Edmond's is the beneficiary of individual trusts held in perpetuity by third parties. At June 30, 2020 and 2019, the allocable fair value of these trusts was \$1,011,399 and \$1,049,439, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During the years ended June 30, 2020 and 2019, St. Edmond's recognized depreciation of \$38,040 and \$25,261, respectively, related to these trusts.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - PROPERTY, PLANT AND EQUIPMENT

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

	2020	2019
Land	\$ 47,166	\$ 47,166
Buildings	1,389,875	1,389,875
Building improvements	8,104,113	7,161,619
Furniture and equipment	930,220	903,041
	<u>10,471,374</u>	<u>9,501,701</u>
Accumulated depreciation	<u>(6,964,147)</u>	<u>(6,628,142)</u>
Property, plant and equipment, net	<u>\$ 3,507,227</u>	<u>\$ 2,873,559</u>

Depreciation expense of \$336,005 and \$304,366 was incurred for the years ended June 30, 2020 and 2019, respectively.

NOTE F - ACCOUNTS RECEIVABLE - COMMONWEALTH OF PENNSYLVANIA

At June 30, 2020 and 2019, St. Edmond's had uncollateralized accounts receivable from various public agencies, primarily the Commonwealth of Pennsylvania, Department of Human Services ("DHS"), of \$1,477,954 and \$2,435,529, respectively. These balances subject St. Edmond's to a concentration of credit risk. St. Edmond's monitors its funding arrangements with DHS and other agencies.

NOTE G - 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.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although St. Edmond's believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the fair values of the investments held by St. Edmond's 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	\$ 16,133,865	\$ -	\$ -	\$ 16,133,865
Trusts held by third parties	-	-	1,011,399	1,011,399
Beneficial interest in net assets held by affiliated organization	-	-	2,335,065	2,335,065
Total assets at June 30, 2020	<u>\$ 16,133,865</u>	<u>\$ -</u>	<u>\$ 3,346,464</u>	<u>\$ 19,480,329</u>
<u>2019</u>				
Assets				
Investments	\$ 15,647,350	\$ -	\$ -	\$ 15,647,350
Trusts held by third parties	-	-	1,049,439	1,049,439
Beneficial interest in net assets held by affiliated organization	-	-	2,236,393	2,236,393
Total assets at June 30, 2019	<u>\$ 15,647,350</u>	<u>\$ -</u>	<u>\$ 3,285,832</u>	<u>\$ 18,933,182</u>

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

	Trusts held by third parties	Beneficial interest in net assets held by affiliated organization
Fair value June 30, 2018	\$ 1,074,700	\$ 2,263,393
Unrealized losses, net	(25,261)	-
Fair value June 30, 2019	1,049,439	2,263,393
Unrealized (losses) gains, net	(38,040)	98,672
Fair value June 30, 2020	<u>\$ 1,011,399</u>	<u>\$ 2,335,065</u>

During 2020 and 2019, no investments were transferred between Levels 1, 2 or 3.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE H - PENSION PLAN

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

Through June 30, 2014, the eligible lay employees of St. Edmond's 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. St. Edmond's made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for the years ended June 30, 2020 and 2019. The amount expensed by St. Edmond's was \$280,863 and \$266,544 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.

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 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.

In fiscal years 2020 and 2019, the Archdiocese employer contribution rate was 4.5% of base salary for eligible employees. The contributions by St. Edmond's into the 403(b) plan totaled \$214,217 and \$203,299 for the years ended June 30, 2020 and 2019, respectively.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE I - RELATED PARTY TRANSACTIONS

St. Edmond's is covered under various insurance and retirement plans administered by the Archdiocese.

CSS provides administrative and accounting services for related institutions and group homes, including St. Edmond's. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities and changes in net assets. Any difference between the allocation and the amount charged to the institution during the year is considered a contribution of services from CSS. Repayment of amounts due from CSS is expected when cash is available. The amount due from CSS was \$13,671,371 and \$13,297,689 at June 30, 2020 and 2019, respectively.

The transactions with the Archdiocese and CSS charged to expense for the year ended June 30, were as follows:

	<u>2020</u>	<u>2019</u>
Archdiocese of Philadelphia		
Insurance	\$ 68,916	\$ 56,028
Lay employee pension contributions	<u>280,863</u>	<u>266,544</u>
	<u>\$ 349,779</u>	<u>\$ 322,572</u>
Catholic Social Services		
Allocated administrative and accounting costs	\$ 686,889	\$ 637,224
Information technology services	<u>100,601</u>	<u>98,424</u>
	<u>\$ 787,490</u>	<u>\$ 735,648</u>

Catholic Charities Appeal donated \$25,000 to St. Edmond's during the fiscal years ended June 30, 2020 and 2019.

On September 24, 2009, CSS (borrower) entered into a loan agreement with St. Edmond's (lender) in the amount of \$5,000,000. The loans payable bear interest at an annual fixed rate of 3%, with repayment due when cash is available. On December 1, 2012, CSS and St. Edmond's amended the previously executed loan agreement to increase the ceiling on the loan to a maximum of \$8,000,000. All other terms of the original agreement remain in effect. As of both June 30, 2020 and 2019, St. Edmond's holds notes receivable of \$ 4,400,000 from CSS. For both the years ended June 30, 2020 and 2019, St Edmond's recorded \$132,000 in investment return, net in the statements of activities and changes in net assets in relation to these notes receivable.

Included in accounts payable are certain related party amounts. The amount payable to Catholic Housing and Community Services of the Archdiocese of Philadelphia was \$ 38,040 and \$26,791 at June 30, 2020 and 2019, respectively.

St. Edmond's Home for Crippled Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE J - INCOME TAX STATUS

St. Edmond's is recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"), except on activities unrelated to their exempt purposes. The organization has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

St. Edmond's follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The organization has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements.

NOTE K - FUNCTIONAL EXPENSES

St. Edmond's provides services to physically handicapped/intellectually disabled children between the ages of 6 and 21 years. Expenses related to providing these services at June 30, 2020 and 2019 are as follows:

	<u>Program</u>	<u>Supporting management and general</u>	<u>Total expenses year ended June 30, 2020</u>
Salaries, wages and other payroll costs	\$ 7,183,490	\$ 270,359	\$ 7,453,849
Administrative and general expenses	1,115,997	851,550	1,967,547
Occupancy	548,136	20,889	569,025
Direct expenses of care	369,096	-	369,096
Depreciation	<u>323,670</u>	<u>12,335</u>	<u>336,005</u>
Total expenses	<u>\$ 9,540,389</u>	<u>\$ 1,155,133</u>	<u>\$ 10,695,522</u>

	<u>Program</u>	<u>Supporting management and general</u>	<u>Total expenses year ended June 30, 2019</u>
Salaries, wages and other payroll costs	\$ 6,839,153	\$ 257,399	\$ 7,096,552
Administrative and general expenses	1,314,513	510,118	1,824,631
Occupancy	572,808	21,829	594,637
Direct expenses of care	270,860	-	270,860
Depreciation	<u>290,667</u>	<u>13,699</u>	<u>304,366</u>
Total expenses	<u>\$ 9,288,001</u>	<u>\$ 803,045</u>	<u>\$ 10,091,046</u>

NOTE L - FUNDING

St. Edmond's is a certified Intermediate Care Facility for Individuals with Intellectual Disabilities and is reimbursed under the Commonwealth of Pennsylvania's Medical Assistance Program (the "Program").

St. Edmond's Home for Crippled Children
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

Reimbursement is limited to the lower of total allowable operating expenses or the approved operating budget.

St. Edmond's per diem reimbursement rate from the Commonwealth of Pennsylvania under its Medical Assistance Program was \$599.88 and \$582.94 for the years ended June 30, 2020 and 2019, respectively.

NOTE M - COMMITMENTS

St. Edmond's is from time to time subject to routine litigation incidentals to its business. In the opinion of management, there are no matters which will have a material effect on St. Edmond's financial position, results of operations, or cash flows.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2020, the date of the financial statements, through January 5, 2021, 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.