Financial Statements and Report of Independent Certified Public Accountants

Catholic Housing and Community Services of the Archdiocese of Philadelphia

June 30, 2021 and 2020

Contents

GRANT THORNTON LLP
2001 Market St., Suite 700
Philadelphia, PA 19103-7065

D +1 215 561 4200
F +1 215 561 1066

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, 2021 and 2020, 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.

GrantThornton

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, 2021 and 2020, and the results of its operations 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 as of June 30, 2021 and statement of operations and changes in net assets for the year then ended, 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
February 22, 2022

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATED BALANCE SHEETS

June 30,

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,356,566	$ 7,797,003
Accounts receivable	94,943	34,525
Other receivables	2,719,312	1,344,134
Related party receivables	1,885,112	3,860,839
Prepaid expenses	414,649	402,180
Related party loans receivable - current portion	943,420	906,608
Total current assets	12,414,002	14,345,289
Investments	11,964,242	7,217,179
Property, plant and equipment, net	53,898,379	45,688,460
Beneficial interest in trusts	1,731,778	1,341,890
Reserve and escrow accounts	2,062,425	1,940,824
Amortizable costs	205,820	226,544
Related party loans receivable, net of current portion	37,697,871	38,949,558
Total assets	$ 119,974,517	$ 109,709,744

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,

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 226,411	$ 120,445
Accrued salaries	573,819	620,145
Accrued expenses	3,994,564	473,638
Other liability	647,467	-
Benevolent care liability - current portion	53,521	100,556
Related party payables	506,498	1,680,665
Loan payable	2,300,089	-
Deferred revenue	257,911	250,199
Total current liabilities	8,560,280	3,245,648
Benevolent care liability, net of current portion	-	27,848
Resident funds escrow accounts	84,762	85,866
Loan payable	-	1,173,815
Accrued mortgage interest	6,566,434	5,838,062
Mortgages payable	12,606,375	9,546,857
Total liabilities	27,817,851	19,918,096
Net assets		
Without donor restrictions		
Parent	54,412,349	52,490,626
Non-controlling interest	20,400,131	21,205,506
Total net assets without donor restrictions	74,812,480	73,696,132
With donor restrictions	17,344,186	16,095,516
Total net assets	92,156,666	89,791,648
Total liabilities and net assets	$ 119,974,517	$ 109,709,744

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, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues			
Housing programs	$ 2,052,302	$ -	$ 2,052,302
Management fees	2,840,902	-	2,840,902
Community programs	3,360,425	-	3,360,425
Other operating revenue	156,550	-	156,550
Distributions from beneficial interest in trusts	84,281	-	84,281
Gain on extinguishment of PPP loan	1,173,815	-	1,173,815
Net assets released from restrictions	428,029	(428,029)	-
Total operating revenues	10,096,304	(428,029)	9,668,275
Operating expenses			
Salaries and benefits	5,689,970	-	5,689,970
Administrative and general	1,654,881	-	1,654,881
Occupancy	1,648,247	-	1,648,247
Depreciation and amortization	1,711,061	-	1,711,061
Loan interest and fees	847,008	-	847,008
Direct expenses of care	657,548	-	657,548
Total operating expenses	12,208,715	-	12,208,715
Operating loss	(2,112,411)	(428,029)	(2,540,440)
Nonoperating revenues (expenses)			
Contributions and bequests	81,275	-	81,275
Capital contribution to related party	(192,021)	-	(192,021)
Contribution expense	(524,425)	-	(524,425)
Investment return, net	1,062,813	1,286,811	2,349,624
Loan and other interest income	1,591,325	-	1,591,325
Other nonoperating revenue	1,000	-	1,000
Change in fair value of beneficial interest in trusts	-	389,888	389,888
Total nonoperating revenues	2,019,967	1,676,699	3,696,666
Change in net assets before other changes	(92,444)	1,248,670	1,156,226
Change in net assets attributable to non-controlling interest	(2,014,167)	-	(2,014,167)
Change in net assets attributable to parent	1,921,723	1,248,670	3,170,393
Other changes in net assets			
Capital contributions from limited partners	1,208,792	-	1,208,792
Change in non-controlling interest	(2,014,167)	-	(2,014,167)
CHANGE IN NET ASSETS	1,116,348	1,248,670	2,365,018
Net assets			
Beginning of year	73,696,132	16,095,516	89,791,648
End of year	$ 74,812,480	$ 17,344,186	$ 92,156,666

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, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues			
Housing programs	$ 2,022,358	$ -	$ 2,022,358
Management fees	3,543,971	-	3,543,971
Community programs	3,159,576	-	3,159,576
Other operating revenue	88,568	-	88,568
Distributions from beneficial interest in trusts	100,884	-	100,884
Net assets released from restrictions	184,014	(184,014)	-
Total operating revenues	9,099,371	(184,014)	8,915,357
Operating expenses			
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	12,370,865	-	12,370,865
Operating loss	(3,271,494)	(184,014)	(3,455,508)
Nonoperating revenues (expenses)			
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	1,583,965	6,350	1,590,315
Change in net assets before other changes	(1,687,529)	(177,664)	(1,865,193)
Change in net assets attributable to non-controlling interest	(1,852,377)	-	(1,852,377)
Change in net assets attributable to parent	164,848	(177,664)	(12,816)
Other changes in net assets			
Capital contributions from limited partners	71,536	-	71,536
Change in non-controlling interest	(1,852,377)	-	(1,852,377)
CHANGE IN NET ASSETS	(1,615,993)	(177,664)	(1,793,657)
Net assets			
Beginning of year	75,312,125	16,273,180	91,585,305
End of year	$ 73,696,132	$ 16,095,516	$ 89,791,648

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

Years ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 2,365,018	$ (1,793,657)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(2,082,778)	(106,294)
Depreciation and amortization	1,711,061	1,711,888
Capital contributions from limited partners	(1,208,792)	(71,536)
Change in fair value of and distributions from beneficial interest in trusts	(474,169)	33,338
Gain on extinguishment of PPP loan	(1,173,815)	-
Changes in assets and liabilities		
Accounts receivable	(60,418)	8,876
Reserve and escrow accounts	(121,601)	(139,125)
Related party receivables	1,975,727	(212,579)
Other receivables	(1,375,178)	(59,985)
Prepaid expenses	(12,469)	47,890
Accounts payable	105,966	9,414
Accrued salaries	(46,326)	18,537
Accrued expenses	(71,485)	71,527
Other liability	647,467	-
Related party payables	(1,174,167)	(3,718,626)
Resident funds escrow accounts	(1,104)	1,034
Benevolent care liability	(74,883)	(120,004)
Accrued mortgage interest	728,372	670,985
Deferred revenue	7,712	107,513
Net cash used in operating activities	(335,862)	(3,540,804)
Cash flows from investing activities:		
Capital expenditures	(6,307,845)	(1,768,735)
Purchases of investment securities	(13,547,563)	(676,114)
Proceeds from sale of investment securities	10,883,278	743,373
Distributions from beneficial interest in trusts	84,281	100,884
Payments received on related party loan	1,214,875	1,167,470
Net cash used in investing activities	(7,672,974)	(433,122)
Cash flows from financing activities:		
Capital contributions from limited partners	1,208,792	71,536
Proceeds from loans payable	2,300,089	1,173,815
Proceeds from mortgages payable	3,059,518	-
Net cash provided by financing activities	6,568,399	1,245,351
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,440,437)	(2,728,575)
Cash and cash equivalents		
Beginning of year	7,797,003	10,525,578
End of year	$ 6,356,566	$ 7,797,003
Supplemental disclosure of cash flow information		
Capital expenditures through accrued expenses	$ 3,592,411	$ -

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

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. The project is currently under construction and will consist of 46 units of housing located in Philadelphia, Pennsylvania. The project qualifies for the low-income tax credit established by the Tax Reform Act of 1986. St. Rita Place, Inc., a nonprofit corporation, entered into a partnership joint venture (St. Rita Place Senior Housing LP) for the project as the general partner and owns 0.01% interest in the partnership. St Rita Place Senior Housing, LP is a controlled entity.

- St. Joseph 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. The project will consist of 50 units of housing located in Collingdale, Pennsylvania. The construction has not yet started as of June 30, 2021. The project qualifies for the low-income tax credit established by the Tax Reform Act of 1986. St. Joseph Place, Inc., a nonprofit corporation, entered into a partnership joint venture (St Joseph Place Senior Housing, LP) for the project as the general partner and owns 0.01% interest in the partnership. St Joseph Place Senior Housing, LP is a controlled entity.

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:

- 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. The post-closing services agreement was terminated during the year ended June 30, 2021.

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 Financial Accounting Standards Board ("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.

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 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 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

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 $20,724 and $35,586 for the years ended June 30, 2021 and 2020, respectively.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. CHCS adopted the guidance during the year ended June 30, 2021 using the modified retrospective method of application to all contracts existing on July 1, 2020, and determined that there is no change in the revenue recognition or effect on net assets in connection with the adoption of ASU 2014-09.

CHCS' revenues are reported at the amounts that reflect the consideration to which CHCS is expected to be entitled to in exchange for providing services. Consumer and third-party payors, including federal, state, and local government, are billed as services are performed. Performance obligations are determined based on the nature of the services provided. CHCS recognizes revenues for cost reimbursed programs, which includes community programs revenue, based on performance obligations satisfied over time based on actual charges incurred. CHCS believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. CHCS recognizes revenues for fee-for-service programs, which includes management fee revenue, based on performance obligations, which generally relate to consumers receiving monthly services, satisfied over time under contracts.

Other sources of revenue not otherwise categorized are recognized in the year in which they are earned.

Pledges/Contributions

In recognizing revenue from gifts and grants, CHCS evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, CHCS applies the guidance under Topic 606. If the transfer of assets is determined to be a contribution, CHCS evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before CHCS is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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.

Other Risk and Uncertainties

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which started to and continues to spread throughout the United States of America. The primary focus as the effects of COVID-19 began to affect CHCS facilities was the health and safety of the consumers in its care and employees. CHCS implemented various measures to provide the safest possible environment within its facilities during this pandemic and will continue to do so. Additionally, in response to the pandemic, CHCS incurred additional costs for testing, personal protective equipment, third party contract services and other operating costs associated with ensuring consumer and employee safety while operating during a pandemic.

Consumer volumes were reduced as various COVID-19 policies were implemented by CHCS and federal, state and local governments. Senior Centers closed in mid-March 2020 and were not permitted to reopen until the end of June 2021. During this period services shifted. Meals were distributed for pick up or delivery. Social services occurred via phone and activities were conducted virtually. Upon reopening, attendance is limited to meet COVID spacing requirements and no congregate meals or provision of food is currently allowable. Parish Eldercare halted home visits in March 2020 and began to conduct all social service interventions via phone. Limited home visits resumed in the summer of 2020 and full home visits resumed in the beginning of 2021. Senior housing closed all community rooms in March 2020 and stopped in-person social services. In-person social services resumed in the summer of 2020 and the community rooms opened in the spring of 2021.

Management continues to actively monitor the effect of COVID 19 to operating revenues and expenses and based on the continuing uncertainties of COVID-19, it is unable to determine if it will have a material impact on its operations for the year ending June 30, 2022.

CHCS has begun to see increases to its consumer volumes, however volumes have not returned to pre-pandemic levels. Management believes that the adverse impact that COVID-19 will have on its future operations and financial results will depend upon many factors, most of which are beyond management's capability to control or predict.

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 0% per annum, and shall be paid no later than the 15th anniversary of completion of construction.

- 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 0% per annum, and shall be paid no later than the 13th anniversary of completion of construction.

- 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, 2021	June 30, 2020
Assets available to management		
Cash and cash equivalents	$ 6,356,566	$ 7,797,003
Accounts receivable	94,943	34,525
Other receivables	2,719,312	1,344,134
Related party receivables	1,885,112	3,860,839
Investments without donor restrictions	8,837,567	2,774,754
Assets available to management	19,893,500	15,811,255
Liabilities to be settled within one year		
Accounts payable	(226,411)	(120,445)
Accrued salaries	(573,819)	(620,145)
Accrued expenses	(3,994,564)	(473,638)
Other liability	(647,467)	-
Benevolent care liability - current portion	(53,521)	(100,556)
Loan payable	(2,300,089)	-
Related party payables	(506,498)	(1,680,665)
Assets available to management less liabilities to be settled within one year	$ 11,591,131	$ 12,815,806

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.

Pending Accounting Pronouncement

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 and its amendments 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, 2021 and 2020, the consolidated financial statements reflect an estimated future liability of $53,521 and $128,404, 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.

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

2021	Without Donor Restrictions	With Donor Restrictions	Total
Catholic Values Equity Fund	$ 6,269,041	$ 2,217,857	$ 8,486,898
Catholic Values Fixed Income Fund	2,568,504	908,818	3,477,322
Liquidity Sub-Account	22	-	22
Total	$ 8,837,567	$ 3,126,675	$ 11,964,242

2020	Without Donor Restrictions	With Donor Restrictions	Total
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
Total	$ 2,774,754	$ 4,442,425	$ 7,217,179

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

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 104,137	$ 162,709	$ 266,846	$ 91,307	$ 70,417	$ 161,724
Net realized gains	39,580	797,925	837,505	58,100	158,780	216,880
Net change in unrealized gains and (losses) on investments	919,096	326,177	1,245,273	(21,961)	(88,625)	(110,586)
Total	$ 1,062,813	$ 1,286,811	$ 2,349,624	$ 127,446	$ 140,572	$ 268,018

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 CHCS' respective fair value of the underlying assets in the trusts. At June 30, 2021 and 2020, the allocable fair value of these trusts was $1,731,778 and $1,341,890, respectively, and is recorded as beneficial interest in trusts in the accompanying consolidated balance sheets.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

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

	2021	2020
Land	$ 1,702,993	$ 1,702,993
Buildings and improvements	50,999,213	50,880,766
Furniture and equipment	4,905,171	4,894,864
Construction in progress	10,728,172	956,670
	68,335,549	58,435,293
Accumulated depreciation	(14,437,170)	(12,746,833)
Property, plant and equipment, net	$ 53,898,379	$ 45,688,460

Depreciation expense was $1,690,337 and $1,676,302 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020. The amount expensed by CHCS for contributions to the Plan was $229,948 and $227,436 for the years ended June 30, 2021 and 2020, 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 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, 2021 and 2020, the employer contribution rate was 4.5% of base salary for eligible employees. The contributions by CHCS into the 403(b) plan totaled $177,331 and $191,525 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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 4.90% 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, 2021 and 2020, the outstanding balance was $1,765,000.

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 of 3% per annum 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, 2021 and 2020, 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 in June 2016 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. 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, 2021 and 2020, 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 the full amount of the principal will be required. There will be no interest due and payable on the loan. The loan is secured by the second mortgage on substantially all assets of St. Francis Villa Senior Housing LP. At both June 30, 2021 and 2020, 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 6.50% 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, 2021 and 2020, 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 6.50% 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, 2021 and 2020, the outstanding balance was $397,866.

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, 2021 and 2020, the outstanding balance was $1,695,000.

Mortgages Payable - St. Rita Place Senior Housing, LP

During the year ended June 30, 2021, the Philadelphia Housing Development Corporation ("PHDC") approved financing for St. Rita Place Senior Housing, LP in the amount of $2,500,000. Except in the event of default, as defined in the mortgage note, the PHDC Loan will bear interest at 1.00% per annum, compounded annually. The entire principal balance and accrued interest will be due and payable on the 42nd anniversary of the loan closing. At June 30, 2021 the outstanding balance was $2,250,588.

During the year ended June 30, 2021, the Pennsylvania Housing Finance Agency ("PHFA") approved financing for St. Rita Place Senior Housing, LP in the amount of $750,000, through the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program ("PHARE"). There will be no interest due and payable on the mortgage loan. Any balance of principal shall be due and payable upon an event of default under the PHFA loan documents, sale of the project, refinancing of the project, termination of the project, or upon expiration of the project's tax credit compliance period (35 years), whichever occurs earlier. At June 30, 2021, the outstanding balance was $508,930.

During the year ended June 30, 2021, the Federal Home Loan Bank of Pittsburgh approved a direct subsidy of $300,000 to the project's sponsor, CHCS, through the Federal Home Loan Bank's Affordable Housing Program ("AHP"). The sponsor, in turn, has funded a loan in the amount of $300,000 to the project, effective July 23, 2020. Until maturity, which is 40 years form the date of project completion, no payments of principal or interest shall be due, and no interest shall accrue on the entire principal amount of the loan outstanding. At June 30, 2021, the outstanding balance was $300,000.

Loans Payable

In May 2020, CHCS borrowed $1,173,815 through the Small Business Administration Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief and Economic Security (CARES) Act. This program was designed to help small businesses, with less than 500 employees, with funds to cover compensation costs and other qualifying expenses (mortgage interest, rent and utilities). Under the program terms, PPP loans are forgiven if the loan proceeds have been used as outlined in the guidelines. Qualifying expenses were incurred and official loan forgiveness was received during the year ended June 30, 2021, thus CHCS recognized the forgiveness of the loan as gain on extinguishment of PPP loan in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2021.

Capital One, National Association, a national banking association, has approved financing in the amount of $10,002,242 for the construction of St. Rita Place Senior Housing, LP. The loan will bear interest at a fixed rate of 3.67% per year. Interest is due monthly and the entire balance of principal and interest is payable in full on the maturity date, January 23, 2022. At June 30, 2021, the outstanding balance was $2,300,089.

Future Maturities of Debt

Except for the $2,300,089 loan payable to Capital One, National Association which matures on January 23, 2022, there are no other principal repayments due under the loans and mortgages during the years ended June 30, 2022 through 2026.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Senior housing support	$ 2,274,532	$ 2,014,870
Community-based services for seniors	3,126,676	2,527,556
HUD Section 202 capital advance and grant (Note J)	10,211,200	10,211,200
Beneficial interest in trusts	1,731,778	1,341,890
	$ 17,344,186	$ 16,095,516

Net assets released from donor restrictions totaled $428,029 and $184,014 for the years ended June 30, 2021 and 2020, respectively.

NOTE J - HUD SECTION 202 CAPITAL ADVANCE AND GRANT

The restricted net assets of Nativity include a capital advance of $9,811,200 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.

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 as of June 30, 2021.

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, 2021 and 2020 allowed for a 7% draw of the three-year average market value of the restricted endowments, unless directed otherwise by the donor. CHCS drew $178,029 and $184,014 for the years ended June 30, 2021 and 2020, respectively. The Connelly Fund is designated to be used for senior housing construction and rental subsidies. CHCS drew $250,000 for the year ended June 30, 2021, and the balance of $2,174,532 was liquidated in anticipation of utilizing the funds in early fiscal year 2022.

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, 2021 and 2020, there were no deficiencies of this nature.

Endowment Balances

CHCS had the following endowment activities during the years ended June 30, 2021 and 2020. All endowment activities were donor restricted.

Endowment net assets, June 30, 2019	$ 4,485,867
Investment income	70,417
Net appreciation (realized and unrealized gains)	70,155
Total investment return	140,572
Amount appropriated for expenditure	(184,014)
Endowment net assets, June 30, 2020	4,442,425
Investment income	162,709
Net appreciation (realized and unrealized gains)	1,124,102
Total investment return	1,286,811
Amount appropriated for expenditure	(2,602,561)
Endowment net assets, June 30, 2021	$ 3,126,675

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 are 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 29% and 61% of CHCS's total accounts receivable and other receivable balances as of June 30, 2021 and 2020, respectively. Additionally, two funding sources account for 47% and 58% of CHCS's total operating revenue for the years ended June 30, 2021 and 2020, respectively.

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 inter-diocesan 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, 2021 and 2020, were $38,641,291 and $39,856,166, 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 4.00% amortized over 28 years, maturing on June 1, 2042.

The future principal amounts receivable on the loans at June 30, 2021 are as follows:

Years Ending June 30,	
2022	$ 943,420
2023	1,302,510
2024	1,355,397
2025	1,410,432
2026	1,467,701
Thereafter	32,161,831
Total	$ 38,641,291

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:

	2021	2020
Revenues		
Management fees	$ 2,613,385	$ 3,543,971
Engineering consulting	65,314	88,568
	$ 2,678,699	$ 3,632,539
Expenses		
Pension	$ 407,279	$ 418,961
Insurance	135,104	126,067
	$ 542,383	$ 545,028

CHCS had receivables due from related parties of $1,885,112 and $3,860,839, and payables of $506,498 and $1,680,665, at June 30, 2021 and 2020, respectively. Receivables include $400,073 and $552,123 due from Archdiocese related entities at June 30, 2021 and 2020, 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.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, modifying the disclosure requirements on fair value measurement. The amendments in the ASU are effective for all entities with annual periods beginning after December 15, 2019, however early adoption was permitted. CHCS adopted ASU 2018-13 for the year ended June 30, 2021. The adoption of this guidance did not have a material impact on CHCS's financial statements.

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

2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Investments in SEI	$ 11,964,242	$ -	$ -	$ 11,964,242
Beneficial interest in trusts	$ -	$ -	$ 1,731,778	$ 1,731,778
2020				
Assets				
Investments in SEI	$ 7,217,179	$ -	$ -	$ 7,217,179
Beneficial interest in trusts	$ -	$ -	$ 1,341,890	$ 1,341,890

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:

	2021	2020
Balance at beginning of year	$ 1,341,890	$ 1,476,112
Distributions received from trusts	(84,281)	(100,884)
Net appreciation (depreciation) in value	474,169	(33,338)
Balance at end of year	$ 1,731,778	$ 1,341,890

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:

	2021			
	Housing	Community Programs	General and Administrative	Total
Salaries and benefits	$ 484,787	$ 2,125,567	$ 3,079,616	$ 5,689,970
Administrative and general	351,458	105,657	1,197,766	1,654,881
Occupancy	967,754	366,704	313,789	1,648,247
Depreciation and amortization	1,381,691	162,923	166,447	1,711,061
Loan interest and fees	847,008	-	-	847,008
Direct expenses of care	241,484	416,064	-	657,548
Total	$ 4,274,182	$ 3,176,915	$ 4,757,618	$ 12,208,715

	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	$ 4,049,206	$ 3,003,532	$ 5,318,127	$ 12,370,865

NOTE R - LEASES

CHCS has entered into lease agreements for real estate with various affiliated and non-affiliated entities. There are no material future minimum lease payments for operating leases with non-cancellable lease terms in excess of one year.

Rental expense for the years ended June 30, 2021 and 2020 totaled approximately $343,000 and $368,000, respectively.

NOTE S - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2022, which is the date the consolidated financial statements were available to be issued, noting no items requiring recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET

June 30, 2021

	Community-Based Services	CHCS	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	St. Joseph Place Senior Housing LP	Eliminations	Total
ASSETS										
Current assets										
Cash and cash equivalents	$ 1,350	$ 4,919,934	$ 8,624	$ 205,748	$ 281,429	$ 12,652	$ 926,829	$ -	$ -	$ 6,356,566
Accounts receivable	23,749	-	896	6,710	56,015	7,573	-	-	-	94,943
Other receivables	837,255	1,882,057	-	-	-	-	-	-	-	2,719,312
Related party receivables	115	1,884,997	-	-	-	-	-	-	-	1,885,112
Due from consolidated entities	-	8,460,988	-	-	-	-	-	-	(8,460,988)	-
Prepaid expenses	37,209	363,497	9,934	-	2,586	1,423	-	-	-	414,649
Related party loans receivable - current portion	-	943,420	-	-	-	-	-	-	-	943,420
Total current assets	899,678	18,454,893	19,454	212,458	340,030	21,648	926,829	-	(8,460,988)	12,414,002
Investments	-	11,964,242	-	-	-	-	-	-	-	11,964,242
Property, plant and equipment, net	1,320,061	403,283	11,534,485	13,017,731	10,214,386	10,187,026	10,312,870	415,304	(3,506,767)	53,898,379
Deferred developer fee receivable	-	733,241	-	-	-	-	-	-	(733,241)	-
Deferred developer fee interest receivable	-	618,080	-	-	-	-	-	-	(618,080)	-
Mortgage interest receivable - related party	-	492,415	-	-	-	-	-	-	(492,415)	-
Beneficial interest in trusts	-	1,731,778	-	-	-	-	-	-	-	1,731,778
Reserve and escrow accounts	-	-	615,608	461,908	707,194	277,715	-	-	-	2,062,425
Amortizable costs	-	-	-	148,126	57,694	-	-	-	-	205,820
Related party note receivable	-	1,931,422	-	-	-	-	-	-	(1,931,422)	-
Related party loans receivable, net of current portion	-	37,697,871	-	-	-	-	-	-	-	37,697,871
Total assets	$ 2,219,739	$ 74,027,225	$ 12,169,547	$ 13,840,223	$ 11,319,304	$ 10,486,389	$ 11,239,699	$ 415,304	$ (15,742,913)	$ 119,974,517

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2021

	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	St. Joseph Place Senior Housing LP	Eliminations	Total
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable	$ 3,181	$ 142,457	$ 35,094	$ 6,853	$ 6,719	$ 32,107	$ -	$ -	$ -	$ 226,411
Accrued salaries	172,219	349,410	14,853	10,009	5,576	21,752	-	-	-	573,819
Accrued expenses	31,828	92,105	61,988	25,974	130,158	60,100	3,592,411	-	-	3,994,564
Other liability	-	-	-	-	-	-	647,467	-	-	647,467
Benevolent care liability - current portion	-	53,521	-	-	-	-	-	-	-	53,521
Due to consolidated entities	8,045,684	-	-	-	-	-	-	415,304	(8,460,988)	-
Related party payables	-	424,748	-	-	81,750	-	-	-	-	506,498
Loan payable	-	-	-	-	-	-	2,300,089	-	-	2,300,089
Deferred revenue	218,123	39,788	-	-	-	-	-	-	-	257,911
Total current liabilities	8,471,035	1,102,029	111,935	42,836	224,203	113,959	6,539,967	415,304	(8,460,988)	8,560,280
Deferred developer fee	-	-	630,938	-	36,724	65,579	-	-	(733,241)	-
Accrued developer fee interest	-	-	601,494	-	16,586	-	-	-	(618,080)	-
Benevolent care liability, net of current portion	-	-	-	-	-	-	-	-	-	-
Resident funds escrow accounts	-	-	39,185	12,609	10,519	22,449	-	-	-	84,762
Accrued mortgage interest	-	-	5,844,262	488,587	726,000	-	-	-	(492,415)	6,566,434
Mortgages payable	-	-	4,960,000	2,147,866	2,243,991	1,695,000	3,490,940	-	(1,931,422)	12,606,375
Total liabilities	8,471,035	1,102,029	12,187,814	2,691,898	3,258,023	1,896,987	10,030,907	415,304	(12,236,146)	27,817,851
Net (deficit) assets										
Without donor restrictions										
Parent	(6,251,296)	65,792,210	-	-	-	(1,621,798)	-	-	(3,506,767)	54,412,349
Non controlling interest	-	-	(18,267)	11,148,325	8,061,281	-	1,208,792	-	-	20,400,131
Total net (deficit) assets without donor restrictions	(6,251,296)	65,792,210	(18,267)	11,148,325	8,061,281	(1,621,798)	1,208,792	-	(3,506,767)	74,812,480
With donor restrictions	-	7,132,986	-	-	-	10,211,200	-	-	-	17,344,186
Total net (deficit) assets	(6,251,296)	72,925,196	(18,267)	11,148,325	8,061,281	8,589,402	1,208,792	-	(3,506,767)	92,156,666
Total liabilities and net assets	$ 2,219,739	$ 74,027,225	$ 12,169,547	$ 13,840,223	$ 11,319,304	$ 10,486,389	$ 11,239,699	$ 415,304	$ (15,742,913)	$ 119,974,517

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2021

	Without Donor Restrictions									With Donor Restrictions			
	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	Total
Operating revenues													
Housing programs	$ -	$ -	$ 544,023	$ 496,916	$ 377,189	$ 634,174	$ -	$ -	$ 2,052,302	$ -	$ -	$ -	$ 2,052,302
Management fees	-	3,356,248	-	-	-	-	-	(515,346)	2,840,902	-	-	-	2,840,902
Community programs	3,053,244	307,181	-	-	-	-	-	-	3,360,425	-	-	-	3,360,425
Other operating revenue	-	156,550	-	-	-	-	-	-	156,550	-	-	-	156,550
Distributions from beneficial interest in trusts	-	84,281	-	-	-	-	-	-	84,281	-	-	-	84,281
Gain on extinguishment of PPP loan	-	1,173,815	-	-	-	-	-	-	1,173,815	-	-	-	1,173,815
Net assets released from restrictions	-	428,029	-	-	-	-	-	-	428,029	(428,029)	-	(428,029)	-
Total operating revenues	3,053,244	5,506,104	544,023	496,916	377,189	634,174	-	(515,346)	10,096,304	(428,029)	-	(428,029)	9,668,275
Operating expenses													
Salaries and benefits	2,005,981	3,247,384	137,992	87,623	83,828	127,162	-	-	5,689,970	-	-	-	5,689,970
Administrative and general	750,348	1,096,131	79,839	75,832	66,678	101,399	-	(515,346)	1,654,881	-	-	-	1,654,881
Occupancy	312,486	396,205	288,171	186,768	131,237	333,380	-	-	1,648,247	-	-	-	1,648,247
Depreciation and amortization	162,923	166,447	390,800	405,014	327,907	365,218	-	(107,248)	1,711,061	-	-	-	1,711,061
Loan interest and fees	-	-	643,991	220,808	161,394	-	-	(179,185)	847,008	-	-	-	847,008
Direct expenses of care	386,424	84,230	71,147	49,429	23,837	42,481	-	-	657,548	-	-	-	657,548
Total operating expenses	3,618,162	4,990,397	1,611,940	1,025,474	794,881	969,640	-	(801,779)	12,208,715	-	-	-	12,208,715
Operating loss	(564,918)	515,707	(1,067,917)	(528,558)	(417,692)	(335,466)	-	286,433	(2,112,411)	(428,029)	-	(428,029)	(2,540,440)
Nonoperating revenues (expenses)													
Contributions and bequests	-	81,275	-	-	-	-	-	-	81,275	-	-	-	81,275
Capital contribution to related party	-	(192,021)	-	-	-	-	-	-	(192,021)	-	-	-	(192,021)
Contribution expense	-	(524,425)	-	-	-	-	-	-	(524,425)	-	-	-	(524,425)
Investment return, net	-	1,062,813	-	-	-	-	-	-	1,062,813	1,286,811	-	1,286,811	2,349,624
Loan interest income	-	1,770,486	-	-	-	24	-	(179,185)	1,591,325	-	-	-	1,591,325
Other nonoperating revenue	-	1,000	-	-	-	-	-		1,000	-	-	-	1,000
Change in fair value of beneficial interest in trusts	-	-	-	-	-	-	-	-	-	389,888	-	389,888	389,888
Total nonoperating revenues	-	2,199,128	-	-	-	24	-	(179,185)	2,019,967	1,676,699	-	1,676,699	3,696,666
Change in net assets before other changes	(564,918)	2,714,835	(1,067,917)	(528,558)	(417,692)	(335,442)	-	107,248	(92,444)	1,248,670	-	1,248,670	1,156,226
Change in net assets attributable to non-controlling interest	-	-	(1,067,917)	(528,558)	(417,692)	-	-	-	(2,014,167)	-	-	-	(2,014,167)
Change in net assets attributable to parent	(564,918)	2,714,835	-	-	-	(335,442)	-	107,248	1,921,723	1,248,670	-	1,248,670	3,170,393
Other changes in net assets													
Capital contributions from limited partners	-	-	-	-	-	-	1,208,792	-	1,208,792	-	-	-	1,208,792
Change in non-controlling interest	-	-	(1,067,917)	(528,558)	(417,692)	-	-	-	(2,014,167)	-	-	-	(2,014,167)
CHANGE IN NET ASSETS	(564,918)	2,714,835	(1,067,917)	(528,558)	(417,692)	(335,442)	1,208,792	107,248	1,116,348	1,248,670	-	1,248,670	2,365,018
Net (deficit) assets													
Beginning of year	(5,686,378)	63,077,375	1,049,650	11,676,883	8,478,973	(1,286,356)	-	(3,614,015)	73,696,132	5,884,316	10,211,200	16,095,516	89,791,648
End of year	$ (6,251,296)	$ 65,792,210	$ (18,267)	$ 11,148,325	$ 8,061,281	$ (1,621,798)	$ 1,208,792	$ (3,506,767)	$ 74,812,480	$ 7,132,986	$ 10,211,200	$ 17,344,186	$ 92,156,666