

Financial Statements and Report of  
Independent Certified Public  
Accountants

**St. Gabriel's System**

June 30, 2021 and 2020

**Contents**

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	8
Notes to financial statements	9
Supplemental Information	
Schedule of revenue	21
Schedule of operating expenses	22

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
St. Gabriel's System

**Report on the financial statements**

We have audited the accompanying financial statements of St. Gabriel's System (the "Entity"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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. Gabriel's System as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter regarding going concern**

The accompanying financial statements have been prepared assuming that St. Gabriel's System will continue as a going concern. As discussed in Note L to the financial statements, St. Gabriel's ceased its revenue generating operations effective December 1, 2020 and there exists substantial doubt about St. Gabriel's System's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note L. The financial statements do not include any adjustments that might result from the outcome. Our opinion is not modified with respect to this matter.

**Other matters***Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Philadelphia, Pennsylvania  
February 2, 2022

**St. Gabriel's System**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 501	\$ 2,327,990
Accounts receivable - DHS and CBH, less allowance of \$40,000 at June 30, 2020	-	2,190,636
Accounts receivable - State Act 30 educational funding, less allowance of \$28,000 at June 30, 2021 and 2020	615,754	2,976,194
Accounts receivable - other	136,553	71,876
Prepaid expenses and other assets	27,934	382,670
Total current assets	780,742	7,949,366
Property, plant and equipment, net	1,847,942	2,332,880
Investments	1,519,284	1,155,142
Trusts held by third parties	291,584	304,277
Total assets	\$ 4,439,552	\$ 11,741,665
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 135,368	\$ 291,751
Accounts payable - DHS	296,744	-
Salaries and wages payable	-	1,043,835
Due to Catholic Social Services and related entities	307,395	77,275
Loan payable	-	2,311,998
Related party term loan - St. Joseph's House for Homeless Industrious Boys	158,310	152,113
Total current liabilities	897,817	3,876,972
Related party term loan - St. Joseph's House for Homeless Industrious Boys, net of current portion	4,914,298	5,074,103
Total liabilities	5,812,115	8,951,075
<b>Net assets</b>		
Without donor restrictions	(1,664,148)	2,486,313
With donor restrictions	291,585	304,277
Total net assets	(1,372,563)	2,790,590
Total liabilities and net assets	\$ 4,439,552	\$ 11,741,665

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

St. Gabriel's System

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue</b>			
Governmental revenue	\$ 3,181,363	\$ -	\$ 3,181,363
PPP Loan Forgiveness	2,311,998	-	2,311,998
Total operating revenue	<u>5,493,361</u>	-	<u>5,493,361</u>
<b>Operating expenses</b>			
Salaries, wages and other payroll costs	7,166,438	-	7,166,438
Administrative and general expenses	1,854,947	-	1,854,947
Occupancy	1,032,087	-	1,032,087
Direct expenses of care	<u>211,742</u>	-	<u>211,742</u>
Total operating expenses	<u>10,265,214</u>	-	<u>10,265,214</u>
Deficiency of operating revenue under operating expenses	<u>(4,771,853)</u>	-	<u>(4,771,853)</u>
<b>Other revenue</b>			
Donations/bequests/other	224,251	-	224,251
Catholic Charities Appeal	25,000	-	25,000
Gain on Sale of Asset	8,000	-	8,000
Investment return, net	<u>364,141</u>	<u>(12,692)</u>	<u>351,449</u>
Total other revenue	<u>621,392</u>	<u>(12,692)</u>	<u>608,700</u>
<b>CHANGE IN NET ASSETS</b>	<u>(4,150,461)</u>	<u>(12,692)</u>	<u>(4,163,153)</u>
<b>Net assets</b>			
Beginning of year	<u>2,486,313</u>	<u>304,277</u>	<u>2,790,590</u>
End of year	<u>\$ (1,664,148)</u>	<u>\$ 291,585</u>	<u>\$ (1,372,563)</u>

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

St. Gabriel's System

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue</b>			
Governmental revenue	\$ 18,605,631	\$ -	\$ 18,605,631
Total operating revenue	<u>18,605,631</u>	<u>-</u>	<u>18,605,631</u>
<b>Operating expenses</b>			
Salaries, wages and other payroll costs	13,814,179	-	13,814,179
Administrative and general expenses	3,118,800	-	3,118,800
Occupancy	1,561,367	-	1,561,367
Direct expenses of care	1,027,640	-	1,027,640
Total operating expenses	<u>19,521,986</u>	<u>-</u>	<u>19,521,986</u>
Deficiency of operating revenue under operating expenses	<u>(916,355)</u>	<u>-</u>	<u>(916,355)</u>
<b>Other revenue</b>			
Donations/bequests/other	212,008	-	212,008
Catholic Charities Appeal	25,000	-	25,000
Investment return, net	34,848	36,181	71,029
Total other revenue	<u>271,856</u>	<u>36,181</u>	<u>308,037</u>
<b>CHANGE IN NET ASSETS</b>	<u>(644,499)</u>	<u>36,181</u>	<u>(608,318)</u>
<b>Net assets</b>			
Beginning of year	<u>3,130,812</u>	<u>268,096</u>	<u>3,398,908</u>
End of year	<u>\$ 2,486,313</u>	<u>\$ 304,277</u>	<u>\$ 2,790,590</u>

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

**St. Gabriel's System**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (4,163,153)	\$ (608,318)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	-	32,584
Depreciation	497,259	892,466
Net realized and unrealized gains on investments	(306,372)	6,895
Changes in operating assets and liabilities		
Accounts receivable - DHS	2,190,636	(1,494,679)
Accounts receivable - State Act 30 educational funding	2,360,440	2,060,582
Accounts receivable - other	(64,677)	302,856
PPP Loan Forgiveness	(2,311,998)	-
Prepaid expenses and other assets	354,736	50,229
Accounts payable and accrued expenses	140,361	(43,999)
Salaries and wages payable	(1,043,835)	(135,375)
Due to Catholic Social Services	230,120	(757,553)
	<u>(2,116,483)</u>	<u>305,688</u>
<b>Net cash provided by operating activities</b>		
	<u>(2,116,483)</u>	<u>305,688</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(12,321)	(83,280)
Purchases of investments	95,919	(77,928)
Sales of investments	(140,996)	-
	<u>(57,398)</u>	<u>(161,208)</u>
<b>Net cash used in investing activities</b>		
	<u>(57,398)</u>	<u>(161,208)</u>
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	-	2,311,998
Payments on related party term loan - St. Joseph's House for Homeless Industrious Boys	(153,608)	(144,663)
	<u>(153,608)</u>	<u>(144,663)</u>
<b>Net cash provided by (used in) financing activities</b>		
	<u>(153,608)</u>	<u>2,167,335</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,327,489)	2,311,815
<b>Cash and cash equivalents</b>		
Beginning of year	2,327,990	16,175
	<u>2,327,990</u>	<u>16,175</u>
End of year	<u>\$ 501</u>	<u>\$ 2,327,990</u>

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



## St. Gabriel's System

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

#### NOTE A - ORGANIZATION

St. Gabriel's System ("St. Gabriel's") is a multi-service agency of the Archdiocese of Philadelphia providing residential and community-based services for court adjudicated delinquent boys and young men at three facilities. These facilities are St. Gabriel's Hall, De La Salle Vocational, and Aftercare Program.

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

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. Gabriel's is one of the organizations.

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. Gabriel'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. Gabriel'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. Gabriel'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 and Healthcare Organizations*. Accordingly, St. Gabriel'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 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.

##### ***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 values of investments. Actual results could differ from those estimates.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Accounting for Long-Lived Assets***

St. Gabriel'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. Gabriel'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. Gabriel's believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2021 and 2020.

***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 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 statements of activities as a component of investment return, net.

***Governmental Revenue***

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

Net program service revenues are from funding sources under cost reimbursement-type contracts for several of St. Gabriel's programs. St. Gabriel's records revenues under such contracts as costs are incurred. For other programs, St. Gabriel'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. Retroactive adjustments are recorded in the period that final settlements are determined. There were no retroactive adjustments recorded related to prior period final settlements as of June 30, 2021 and 2020.

St. Gabriel'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 of client services. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***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. Gabriel's reports the support as without donor restrictions. 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 as net assets released from restrictions.

Contributions of long-lived assets received without donor stipulations are reported as revenue without donor restrictions 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 support with donor restrictions; 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. See Note G for more information on pledges.

***Allowance for Doubtful Accounts***

St. Gabriel'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. Gabriel's previous loss history, the nature of the service provided and other pertinent factors. St. Gabriel'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. Gabriel'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. Any difference between the allocation and the amount charged to the institutions and group homes during the year is considered a contribution of services from CSS.

***Property, Plant and Equipment***

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

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

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***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,	
	2021	2020
Cash and cash equivalents	\$ 501	\$ 2,327,990
Accounts receivable - government payors	615,754	5,166,830
Investments - board designated	1,519,284	1,155,142
Assets available to management	2,135,539	8,649,962
Liabilities to be settled within one year		
Accounts payable and accrued expenses	(432,112)	(291,751)
Salaries and wages payable	-	(1,043,835)
Due to CSS	(307,395)	(77,275)
Assets available to management less liabilities to be settled within one year	\$ 1,396,032	\$ 7,237,101

St. Gabriel'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 are settled periodically.

***Recently Adopted Accounting Pronouncements***

St. Gabriel's adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, using the retrospective method of application to all contracts existing on July 1, 2020. The core principle of the standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of the standard had no material impact on St. Gabriel's current or historical financial position, results of operations or cash flows. Additionally, management does not anticipate that the standard will have a material impact on the amount or timing of when St. Gabriel's recognizes revenue prospectively. However, in accordance with the standard, St. Gabriel's now recognizes its previously reported provision for bad debts, as a direct reduction to revenues as an implicit pricing concession, instead of separately as bad debt expense. St. Gabriel's revenue recognition and accounts receivable policies are more fully described above.

**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.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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

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

There are no donor restrictions on the investments as of June 30, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Catholic values equity fund	\$ 1,077,680	\$ 813,695
Catholic values fixed income fund	<u>441,604</u>	<u>341,447</u>
	<u>\$ 1,519,284</u>	<u>\$ 1,155,142</u>

**NOTE D - TRUSTS HELD BY THIRD PARTIES**

St. Gabriel's is the beneficiary of individual trusts held by third parties. At June 30, 2021 and 2020, the allocable fair value of these trusts was \$291,584 and \$304,277, respectively, and is recorded as trusts held by third parties in the accompanying statements of financial position. During the year ended June 30, 2021, St. Gabriel's recognized depreciation of \$(12,692) and during the year ended June 30, 2020 recognized appreciation of \$36,181 related to these trusts.

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

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

	<u>2021</u>	<u>2020</u>
Buildings	\$ 6,250	\$ 6,250
Building improvements	16,868,996	16,868,996
Equipment	<u>3,934,654</u>	<u>3,922,333</u>
	20,809,900	20,797,579
Accumulated depreciation	<u>(18,961,958)</u>	<u>(18,464,699)</u>
Property, plant and equipment, net	<u>\$ 1,847,942</u>	<u>\$ 2,332,880</u>

Depreciation expense of \$497,259 and \$892,466 was incurred for the years ended June 30, 2021 and 2020, respectively.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE F - ACCOUNTS RECEIVABLE - DHS, CBH AND OTHER GOVERNMENTAL AGENCIES**

At June 30, 2021 St Gabriel's had a \$296,744 accounts payable due to DHS from received overpayments and at June 30, 2020, St. Gabriel's had uncollateralized accounts receivable from Philadelphia Department of Human Services ("DHS") of \$2,190,636. The receivable due from other governmental agencies was \$136,553 and \$71,876 as of June 30, 2021 and 2020, respectively. The receivable due from the State of Pennsylvania was \$615,754 and \$2,976,194 as of June 30, 2021 and 2020, respectively. These balances subject St. Gabriel's to a concentration of credit risk. St. Gabriel's continually monitors its funding arrangements with DHS and other governmental 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; 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 St. Gabriel'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.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

The following table presents the fair values of the investments held by St. Gabriel'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>2021</u>				
Assets				
Investments	\$ 1,519,284	\$ -	\$ -	\$ 1,519,284
Trusts held by third parties	-	-	291,584	291,584
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,519,284	\$ -	\$ 292,584	\$ 1,810,868
	<hr/>	<hr/>	<hr/>	<hr/>
<u>2020</u>				
Assets				
Investments	\$ 1,155,142	\$ -	\$ -	\$ 1,155,142
Trusts held by third parties	-	-	304,277	304,277
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,155,142	\$ -	\$ 304,277	\$ 1,459,419
	<hr/>	<hr/>	<hr/>	<hr/>

During 2021 and 2020, no investments were transferred between Level 1, 2 or 3.

**NOTE H - PENSION PLANS**

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

Through June 30, 2014, the eligible lay employees of St. Gabriel'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. Gabriel's made annual contributions to the Plan at rates of 5.9% of the salaries of eligible employees for the years ended June 30, 2021 and 2020. The amount expensed by St. Gabriel's for contributions to the Plan was \$318,193 and \$562,149 for the fiscal 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***

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

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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 2021 and 2020, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by St. Gabriel's into the 403(b) plan totaled \$242,690 and \$428,758 for the years ended June 30, 2021 and 2020, respectively.

**NOTE I - RELATED PARTY TRANSACTIONS**

St. Gabriel's leases certain facilities and equipment, utilized in the delivery of its services, from the Archdiocese and is covered under various insurance and retirement plans administered by the Archdiocese.

CSS provides administrative and accounting services for related institutions and group homes, including St. Gabriel'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. 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 to CSS is expected when cash is available. The amount due to CSS was \$307,395 and \$77,275 at June 30, 2021 and 2020, respectively.



**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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

	<u>2021</u>	<u>2020</u>
Archdiocese of Philadelphia		
Insurance - auto and general	\$ 446,296	\$ 409,699
Lay employee pension contributions	<u>318,193</u>	<u>562,149</u>
	<u>\$ 764,489</u>	<u>\$ 971,848</u>
Catholic social services		
Automobile leases	\$ -	\$ -
Allocated administrative and accounting costs	299,298	527,244
Information technology services	<u>233,501</u>	<u>232,461</u>
	<u>\$ 532,799</u>	<u>\$ 759,705</u>

Catholic Charities Appeal donated \$25,000 and \$25,000 to St. Gabriel's during the years ended June 30, 2021 and 2020, respectively.

Included in accounts payable are certain related party amounts. These amounts are as follows for June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Catholic Housing and Community Services	\$ 39,200	\$ 80,558

***Related Party Term Loan***

To finance the retirement of its portion of the 2001 Bonds, St. Gabriel's (borrower) entered into a term loan agreement with St. Joseph's House for Homeless Industrious Boys, a related party (lender). The loan is collateralized by a first-priority mortgage lien encumbering the premises and all revenues and rights associated with the premises. The loan carries a fixed interest rate of 4% amortized over 28 years and matures on June 1, 2042.

The future principal payments relating to the related party term loan outstanding at June 30, 2021 are as follows:

2022	\$ 158,310
2023	164,760
2024	171,473
2025	178,459
2026	185,729
Thereafter	<u>4,213,877</u>
	<u>\$ 5,072,608</u>

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE J - INCOME TAX STATUS**

St. Gabriel'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.

St. Gabriel's is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. St. Gabriel's 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. Gabriel's has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**NOTE K - FUNCTIONAL EXPENSES**

St. Gabriel's provides a variety of services. Expenses related to providing these services are as follows:

	Program	Supporting Management and General	Total Expenses Year Ended June 30, 2021
Salaries, wages and other payroll costs	\$ 6,490,311	\$ 676,127	\$ 7,166,438
Administrative and general expenses	1,198,631	656,316	1,854,947
Occupancy	1,021,365	10,722	1,032,087
Direct expenses of care	211,742	-	211,742
	<u>\$ 8,922,049</u>	<u>\$ 1,343,165</u>	<u>\$ 10,265,214</u>
Total expenses			
	Program	Supporting Management and General	Total Expenses Year Ended June 30, 2020
Salaries, wages and other payroll costs	\$ 12,861,906	\$ 952,273	\$ 13,814,179
Administrative and general expenses	2,179,469	939,331	3,118,800
Occupancy	1,500,484	60,883	1,561,367
Direct expenses of care	1,027,640	-	1,027,640
	<u>\$ 17,569,499</u>	<u>\$ 1,952,487</u>	<u>\$ 19,521,986</u>
Total expenses			

**NOTE L - COVID-19 PANDEMIC LEADING FACTOR OF PROGRAM CLOSURE**

St. Gabriel's officially ceased operations December 1, 2020 due to critical financial impact based on a rapidly declining census starting in March 2020 at both St. Gabriel's Hall and De La Salle Vocational. Summer '20 negotiations with Philadelphia Department of Human Services did not lead to a sustainable fiscal model moving forward. The Board of Directors of Catholic Social Services voted in late September 2020 to close by Dec 1, 2020.

**St. Gabriel's System**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

St Gabriel's Hall served clients through late October 2020 and DeLaSalle Vocational served clients through late November 2020. Aftercare services continued for post placement St Gabriel's Hall youth through March 2021. One hundred and sixty-five staff were laid with a severance package to include severance pay commensurate with service years along with three months medical coverage and applicable vacation wages payout. Management is currently planning to liquidate the remaining assets of St. Gabriel's, most notably with the sale of St Gabriel's Hall property in Audubon, PA. The sale process could take up to three years or more and St Gabriel's System will continue to manage the property and its buildings through that timeline.

**NOTE M - SUBSEQUENT EVENTS**

Management has evaluated subsequent events for the year ended June 30, 2021, the date of the financial statements, through February 2, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**St. Gabriel's System**

**SCHEDULE OF REVENUE**

**Year ended June 30, 2021**

**Operating revenue**

Governmental revenue	
Human services funding	\$ 1,403,430
Philadelphia Human Services grants	896,347
PPP Loan Forgiveness	2,311,998
State Act 30 educational funding	423,381
Title I	65,561
Nutritional program	18,257
Medical Assistance	332,572
Counseling Clinic	41,815
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Total operating revenue	5,493,361

**Other revenue**

Donations/bequests/other	186,123
United Way	38,127
Catholic Charities Appeal	25,000
Gain on Sale of Asset	8,000
Dividends and interest income	45,081
Net realized and unrealized gains on investments	306,369
	<hr/>
Total other revenue	608,700
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Total revenue	<u><u>\$ 6,102,061</u></u>

**St. Gabriel's System**

**SCHEDULE OF OPERATING EXPENSES**

Year ended June 30, 2021

**Salaries, wages and other payroll costs**

Administration	\$ 1,365,901
Professional	1,830,372
Clerical	421,463
Maintenance and services	459,877
Child care	745,314
FICA (employer's share)	358,721
Workers' compensation insurance	391,146
Unemployment tax	51,868
Employees' health and retirement benefits	<u>1,541,776</u>
 Total salaries, wages and other payroll costs	 <u>7,166,438</u>

**Administrative and general expenses**

Administrative and accounting services allocated from Archdiocese of Philadelphia - Catholic Social Services	532,799
Professional fees	287,613
Telephone	42,268
Transportation	107,212
Conference and conventions	410
Dues	508
Subscriptions and publications	541
Equipment - replacement	16,710
Equipment - rental	7,601
General expenses and supplies	127,230
Postage	4,001
Staff development	3,975
Bad debt expense	-
Interest	206,220
Charity	20,600
Depreciation	<u>497,259</u>
 Total administrative and general expenses	 <u>1,854,947</u>

**Cost of occupancy**

Rental	25,500
Insurance - buildings and contents, etc.	420,683
Repairs and maintenance - buildings and grounds	67,384
Utilities	321,488
Janitorial and maintenance contracts	<u>197,032</u>
 Total cost of occupancy	 <u>1,032,087</u>

**Direct expenses of care**

Food	97,156
Clothing	68,986
Medical and dental fees and supplies	14,427
Activities	3,756
Personal	6,299
Other direct child care expenses	<u>21,118</u>
 Total direct expenses of care	 <u>211,742</u>

Total operating expenses	<u><u>\$ 10,265,214</u></u>
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