

Financial Statements and Report of
Independent Certified Public
Accountants

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

June 30, 2022 and 2021

Contents

| | Page |
|---|------|
| Report of Independent Certified Public Accountants | 3 |
| Consolidated Financial Statements | |
| Consolidated balance sheets | 6 |
| Consolidated statements of operations and changes in net assets | 8 |
| Consolidated statements of cash flows | 10 |
| Notes to consolidated financial statements | 11 |
| Supplementary Information | |
| Consolidating balance sheet | 29 |
| Consolidating statement of operations and changes in net assets | 31 |

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Catholic Housing and Community Services of the Archdiocese of Philadelphia

Opinion

We have audited the consolidated financial statements of Catholic Housing and Community Services of the Archdiocese of Philadelphia, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Catholic Housing and Community Services of the Archdiocese of Philadelphia as of June 30, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Housing and Community Services of the Archdiocese of Philadelphia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Housing and Community Services of the Archdiocese of Philadelphia's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Catholic Housing and Community Services of the Archdiocese of Philadelphia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Housing and Community Services of the Archdiocese of Philadelphia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in the consolidating balance sheet and consolidating statement of operations and changes in net assets as of and for the year ended June 30, 2022, is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual organizations and is 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 audit 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania
December 22, 2022

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATED BALANCE SHEETS

June 30,

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,948,598 | \$ 6,356,566 |
| Accounts receivable, net | 170,241 | 94,943 |
| Other receivables, net | 1,423,117 | 2,719,312 |
| Related party receivables | 2,612,378 | 1,885,112 |
| Prepaid expenses | 424,321 | 414,649 |
| Related party loans receivable, current portion | <u>981,726</u> | <u>943,420</u> |
| Total current assets | <u>11,560,381</u> | <u>12,414,002</u> |
| Investments | 10,819,990 | 11,964,242 |
| Property, plant and equipment, net | 70,580,479 | 53,898,379 |
| Beneficial interest in trusts | 1,346,823 | 1,731,778 |
| Reserve and escrow accounts | 2,585,015 | 2,062,425 |
| Amortizable costs | 462,660 | 205,820 |
| Related party loans receivable, net of current portion | <u>36,395,361</u> | <u>37,697,871</u> |
| Total assets | <u>\$ 133,750,709</u> | <u>\$ 119,974,517</u> |

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,

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 1,043,243 | \$ 226,411 |
| Accrued salaries | 517,121 | 573,819 |
| Accrued expenses | 3,020,137 | 3,994,564 |
| Other liability | 610,624 | 647,467 |
| Benevolent care liability | 28,158 | 53,521 |
| Related party payables | 304,476 | 506,498 |
| Loans payable | 4,105,451 | 2,300,089 |
| Deferred revenue | <u>80,981</u> | <u>257,911</u> |
| Total current liabilities | <u>9,710,191</u> | <u>8,560,280</u> |
| Resident funds escrow accounts | 88,880 | 84,762 |
| Accrued mortgage interest | 7,336,905 | 6,566,434 |
| Mortgages payable | <u>14,540,642</u> | <u>12,606,375</u> |
| Total liabilities | <u>31,676,618</u> | <u>27,817,851</u> |
| Net assets | | |
| Without donor restrictions | | |
| Parent | 55,818,739 | 54,412,349 |
| Non-controlling interest | <u>31,273,919</u> | <u>20,400,131</u> |
| Total net assets without donor restrictions | 87,092,658 | 74,812,480 |
| With donor restrictions | <u>14,981,433</u> | <u>17,344,186</u> |
| Total net assets | <u>102,074,091</u> | <u>92,156,666</u> |
| Total liabilities and net assets | <u>\$ 133,750,709</u> | <u>\$ 119,974,517</u> |

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, 2022

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|--|---|-----------------------|
| Operating revenues | | | |
| Housing programs | \$ 2,317,566 | \$ - | \$ 2,317,566 |
| Management fees | 2,301,637 | - | 2,301,637 |
| Community programs | 2,840,187 | - | 2,840,187 |
| Other operating revenue | 374,135 | - | 374,135 |
| Distributions from beneficial interest in trusts | 66,523 | - | 66,523 |
| Net assets released from restrictions | <u>1,529,802</u> | <u>(1,529,802)</u> | <u>-</u> |
| Total operating revenues | <u>9,429,850</u> | <u>(1,529,802)</u> | <u>7,900,048</u> |
| Operating expenses | | | |
| Salaries and benefits | 5,385,898 | - | 5,385,898 |
| Administrative and general | 1,735,714 | - | 1,735,714 |
| Occupancy | 1,917,736 | - | 1,917,736 |
| Depreciation and amortization | 1,743,437 | - | 1,743,437 |
| Loan interest and fees | 850,948 | - | 850,948 |
| Direct expenses of care | <u>594,921</u> | <u>-</u> | <u>594,921</u> |
| Total operating expenses | <u>12,228,654</u> | <u>-</u> | <u>12,228,654</u> |
| Operating loss | <u>(2,798,804)</u> | <u>(1,529,802)</u> | <u>(4,328,606)</u> |
| Nonoperating revenues (expenses) | | | |
| Contributions and bequests | 204,461 | - | 204,461 |
| Capital contribution to related party | (80,000) | - | (80,000) |
| Investment return, net | (1,502,987) | (447,996) | (1,950,983) |
| Loan and other interest income | 1,535,040 | - | 1,535,040 |
| Other nonoperating revenue | 3,000 | - | 3,000 |
| Change in value of beneficial interest in trusts | <u>-</u> | <u>(384,955)</u> | <u>(384,955)</u> |
| Total nonoperating revenues (expenses) | <u>159,514</u> | <u>(832,951)</u> | <u>(673,437)</u> |
| Change in net assets before other changes | (2,639,290) | (2,362,753) | (5,002,043) |
| Change in net assets attributable to non-controlling interest | <u>(2,005,175)</u> | <u>-</u> | <u>(2,005,175)</u> |
| Change in net assets attributable to parent | (634,115) | (2,362,753) | (2,996,868) |
| Other changes in net assets | | | |
| Capital contributions from limited partners | 14,919,468 | - | 14,919,468 |
| Change in non-controlling interest | <u>(2,005,175)</u> | <u>-</u> | <u>(2,005,175)</u> |
| CHANGE IN NET ASSETS | 12,280,178 | (2,362,753) | 9,917,425 |
| Net assets | | | |
| Beginning of year | <u>74,812,480</u> | <u>17,344,186</u> | <u>92,156,666</u> |
| End of year | <u>\$ 87,092,658</u> | <u>\$ 14,981,433</u> | <u>\$ 102,074,091</u> |

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

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 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 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 STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2022 | 2021 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 9,917,425 | \$ 2,365,018 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Realized and unrealized losses (gains) on investments | 3,232,207 | (2,082,778) |
| Depreciation and amortization | 1,743,437 | 1,711,061 |
| Capital contributions from limited partners | (14,919,468) | (1,208,792) |
| Net depreciation (appreciation) in value of beneficial interest in trusts | 318,432 | (474,169) |
| Gain on extinguishment of PPP loan | - | (1,173,815) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (75,298) | (60,418) |
| Other receivables | 1,296,195 | (1,375,178) |
| Related party receivables | (727,266) | 1,975,727 |
| Prepaid expenses | (9,672) | (12,469) |
| Accounts payable | 816,832 | 105,966 |
| Accrued salaries | (56,698) | (46,326) |
| Accrued expenses | (974,427) | (71,485) |
| Other liability | (36,843) | 647,467 |
| Benevolent care liability | (25,363) | (74,883) |
| Related party payables | (202,022) | (1,174,167) |
| Deferred revenue | (176,930) | 7,712 |
| Resident funds escrow accounts | 4,118 | (1,104) |
| Accrued mortgage interest | 770,471 | 728,372 |
| Net cash provided by (used in) operating activities | 895,130 | (214,261) |
| Cash flows from investing activities: | | |
| Capital expenditures | (18,682,377) | (6,307,845) |
| Purchases of investment securities | (3,281,248) | (13,547,563) |
| Proceeds from sale of investment securities | 1,193,293 | 10,883,278 |
| Distributions from beneficial interest in trusts | 66,523 | 84,281 |
| Payments received on related party loan | 1,264,204 | 1,214,875 |
| Net cash used in investing activities | (19,439,605) | (7,672,974) |
| Cash flows from financing activities: | | |
| Capital contributions from limited partners | 14,919,468 | 1,208,792 |
| Payment of loans payable | (2,300,089) | - |
| Proceeds from loans payable | 4,105,451 | 2,300,089 |
| Proceeds from mortgages payable | 1,934,267 | 3,059,518 |
| Net cash provided by financing activities | 18,659,097 | 6,568,399 |
| CASH AND CASH EQUIVALENTS AND RESERVE AND ESCROW ACCOUNTS | 114,622 | (1,318,836) |
| Cash and cash equivalents and reserve and escrow accounts, beginning of year | 8,418,991 | 9,737,827 |
| Cash and cash equivalents and reserve and escrow accounts, end of year | \$ 8,533,613 | \$ 8,418,991 |
| Reconciliation to consolidated balance sheets: | | |
| Cash and cash equivalents | \$ 5,948,598 | \$ 6,356,566 |
| Reserve and escrow accounts | 2,585,015 | 2,062,425 |
| Total cash and cash equivalents and reserve and escrow accounts | \$ 8,533,613 | \$ 8,418,991 |
| Supplemental disclosure of cash flow information: | | |
| Capital expenditures through accrued expenses | \$ 2,520,905 | \$ 3,592,411 |

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

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 consists 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 is currently under construction and will consist of 50 units of housing located in Collingdale, Pennsylvania. 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.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, Nativity is considered to be controlled by Catholic Housing and Community Services.

Catholic Housing and Community Services manages Villa Saint Joseph, a personal care facility owned by the Archdiocese of Philadelphia (the “Archdiocese”). Catholic Housing and Community Services receives an annual fee for administrative support services from this entity in exchange for management services rendered.

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 consolidated 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.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 statement of operations and changes in net assets as a component of investment return, net.

Property, Plant and Equipment, Net

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

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

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

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Amortizable Costs

Amortizable costs consist of costs related to the St. Francis Villa Senior Housing, LP project development, the St. John Neumann Place II, LP project development, and the St. Rita Place, LP project development, and are being amortized using the straight-line method over their related useful lives. Amortization expense was \$29,954 and \$20,724 for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition

CHCS recognizes revenue and measures its revenues in accordance with Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 include 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.

Contributions and Related Receivables

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.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 re-opened just prior to the start of the fiscal year 2022 after having been closed since mid-March 2020. However, COVID precautions were still in place with limited attendance and no congregate meals. Congregate meals were approved to resume in June 2022. Parish eldercare and senior housing resumed in-person services in early 2021 and continued in that capacity throughout the fiscal year.

Management continues to actively monitor the effect of COVID-19 on 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, 2023.

CHCS has begun to see increases in its consumer volumes, however, volumes have not returned to pre-pandemic levels, particularly in the senior centers. 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 6% per annum, and shall be paid no later than March 2023.
- St. Francis Villa Senior Housing, LP - This developer fee totaled \$1,231,356, of which \$36,724 is deferred and will be paid to CHCS as cash flow permits. The deferred developer's fee will accrue interest at 6% per annum, and shall be paid no later than June 2029.
- Nativity - This developer fee totaled \$261,803, of which \$65,579 is deferred and will be paid to CHCS as cash flow permits.
- St. Rita Place Senior Housing, LP - This developer fee will total \$1,500,000, of which \$794,154 will be deferred and paid as cash flow permits. As of June 30, 2022, \$230,876 of the developer fee has been paid.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, | |
|---|--------------|---------------|
| | 2022 | 2021 |
| Assets available to management | | |
| Cash and cash equivalents | \$ 5,948,598 | \$ 6,356,566 |
| Accounts receivable, net | 170,241 | 94,943 |
| Other receivables, net | 1,423,117 | 2,719,312 |
| Related party receivables | 2,612,378 | 1,885,112 |
| Investments without donor restrictions | 8,334,580 | 8,837,567 |
| Assets available to management | 18,488,914 | 19,893,500 |
| Liabilities to be settled within one year | | |
| Accounts payable | (1,043,243) | (226,411) |
| Accrued salaries | (517,121) | (573,819) |
| Accrued expenses | (3,020,137) | (3,994,564) |
| Other liability | (610,624) | (647,467) |
| Benevolent care liability | (28,158) | (53,521) |
| Loans payable | (4,105,451) | (2,300,089) |
| Related party payables | (304,476) | (506,498) |
| Assets available to management less liabilities to be settled within one year | \$ 8,859,704 | \$ 11,591,131 |

CHCS provides cash management services for various entities, which include 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 \$1,500,000 for each of the 7 years following the closing date. At June 30, 2022 and 2021, the consolidated balance sheets reflect an estimated future liability of \$28,158 and \$53,521, respectively.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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:

| <u>2022</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------------|---------------------------------------|------------------------------------|----------------------|
| Catholic Values Equity Fund | \$ 5,793,469 | \$ 1,733,766 | \$ 7,527,235 |
| Catholic Values Fixed Income Fund | 2,541,111 | 751,644 | 3,292,755 |
| Total | <u>\$ 8,334,580</u> | <u>\$ 2,485,410</u> | <u>\$ 10,819,990</u> |
| | | | |
| <u>2021</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| 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 | <u>\$ 8,837,567</u> | <u>\$ 3,126,675</u> | <u>\$ 11,964,242</u> |

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

| | <u>2022</u> | | | <u>2021</u> | | |
|--|---------------------------------------|------------------------------------|-----------------------|---------------------------------------|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Interest and dividend income | \$ 1,003,993 | \$ 277,231 | \$ 1,281,224 | \$ 104,137 | \$ 162,709 | \$ 266,846 |
| Net realized gains | - | 56,800 | 56,800 | 39,580 | 797,925 | 837,505 |
| Net change in unrealized (losses) and gains on investments | <u>(2,506,980)</u> | <u>(782,027)</u> | <u>(3,289,007)</u> | <u>919,096</u> | <u>326,177</u> | <u>1,245,273</u> |
| Total | <u>\$ (1,502,987)</u> | <u>\$ (447,996)</u> | <u>\$ (1,950,983)</u> | <u>\$ 1,062,813</u> | <u>\$ 1,286,811</u> | <u>\$ 2,349,624</u> |

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021, the allocable fair value of these trusts was \$1,346,823 and \$1,731,778, respectively, and is recorded as beneficial interest in trusts in the accompanying consolidated balance sheets.

NOTE F - PROPERTY, PLANT AND EQUIPMENT, NET

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

| | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| Land | \$ 2,901,770 | \$ 1,702,993 |
| Buildings and improvements | 65,778,165 | 50,999,213 |
| Furniture and equipment | 4,982,844 | 4,905,171 |
| Construction in progress | 13,068,353 | 10,728,172 |
| | 86,731,132 | 68,335,549 |
| Accumulated depreciation | (16,150,653) | (14,437,170) |
| Property, plant and equipment, net | \$ 70,580,479 | \$ 53,898,379 |

Depreciation expense was \$1,713,483 and \$1,690,337 for the years ended June 30, 2022 and 2021, 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 5.9% of the salaries of eligible employees for the years ended June 30, 2022 and 2021. The amount expensed by CHCS for contributions to the Plan was \$204,751 and \$229,948 for the years ended June 30, 2022 and 2021, 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.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021, the employer contribution rate was 4.5% of base salary for eligible employees. The contributions by CHCS into the 403(b) plan totaled \$172,343 and \$177,331 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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 loan agreement. 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, 2022 and 2021, 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, 2022 and 2021, the outstanding balance was \$335,000.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 became 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, 2022 and 2021, 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, 2022 and 2021, 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, CHCS, 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, 2022 and 2021, 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, CHCS, 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, 2022 and 2021, 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, 2022 and 2021, the outstanding balance was \$1,695,000.

Mortgages Payable - St. Rita Place Senior Housing, LP

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, 2022 and 2021, the outstanding balances were \$2,261,676 and \$2,250,588, respectively.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 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, 2022 and 2021, the outstanding balances were \$661,609 and \$508,930, respectively.

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 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 from 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, 2022 and 2021, the outstanding balance was \$300,000.

During the year ended June 30, 2022, the Federal Home Loan Bank of Atlanta approved a direct subsidy of \$500,000 to the project’s sponsor, CHCS, through the Federal Home Loan Bank’s AHP. The loan is non-interest bearing. The entire principal balance is due and payable on the 40th anniversary of the loan closing. At June 30, 2022, the outstanding balance was \$500,000.

Mortgages Payable - St. Joseph Place Senior Housing, LP

During the year ended June 30, 2022, the Federal Home Loan Bank of Pittsburgh approved a direct subsidy of \$558,000 to the project’s sponsor, CHCS, through the Federal Home Loan Bank’s AHP. The sponsor, in turn, has funded a loan in the amount of \$558,000 to the project, effective August 26, 2021. Until maturity, which is 40 years from 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, 2022, the outstanding balance was \$558,000.

During the year ended June 30, 2022, the County of Delaware has approved financing in the amount of \$750,000 through the Delaware County Affordable Housing Fund. Commencing on March 30th of the year immediately following the first anniversary of the completion date, and annually on each March 30th thereafter until the county loan has been paid in full, the borrower shall make annual payment to the county of principal only, to the extent of “excess revenue”, in such an amount sufficient to satisfy the amortized principal for the immediately preceding twelve months. On December 31st of the 40th year following the completion date, the entire remaining balance shall become immediately due and payable to the County. The loan is non-interest bearing. At June 30, 2022, the outstanding balance was \$712,500.

Loans Payable

During the year ended June 30, 2022, TD Bank, N.A., a national banking association, has approved financing in the amount of \$9,974,426 for the construction of St. Joseph Place Senior Housing, LP. The loan will bear interest at a rate of LIBOR plus 250 bps. Interest is due monthly, commencing September 1, 2021. The entire principal balance is payable in full upon the completion date, estimated to be March 2023. At June 30, 2022, the outstanding balance was \$4,105,451.

During 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 had an interest at a fixed rate of 3.67% per year and was due monthly. At June 30, 2021, the outstanding balance was \$2,300,089 and was paid in full on April 22, 2022.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2022 | 2021 |
|--|---------------|---------------|
| Senior housing support | \$ 938,000 | \$ 2,274,532 |
| Community-based services for seniors | 2,485,410 | 3,126,676 |
| HUD Section 202 capital advance and grant (Note J) | 10,211,200 | 10,211,200 |
| Beneficial interest in trusts | 1,346,823 | 1,731,778 |
| | \$ 14,981,433 | \$ 17,344,186 |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose totaled \$1,529,802 and \$428,029 for the years ended June 30, 2022 and 2021, 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, 2022.

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 net assets without donor restrictions. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021 allowed for a 7% draw of the three-year average market value of the restricted endowments, unless directed otherwise by the donor. CHCS drew \$193,270 and \$178,029 for the years ended June 30, 2022 and 2021, respectively. The Connelly Funds are restricted cash designated to be used for senior housing construction and rental subsidies. CHCS drew \$1,236,532 for the year ended June 30, 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, 2022 and 2021, there were no deficiencies of this nature.

Endowment Balances

CHCS had the following endowment activities during the years ended June 30, 2022 and 2021. All endowment activities were donor restricted.

| | |
|---|---------------------|
| Endowment net assets, June 30, 2020 | \$ 4,442,426 |
| Investment income | 162,709 |
| Net appreciation (realized and unrealized gains) | <u>1,124,102</u> |
| Investment return, net | 1,286,811 |
| Amount appropriated for expenditure | <u>(2,602,561)</u> |
| Endowment net assets, June 30, 2021 | 3,126,676 |
| Investment income | 277,231 |
| Net depreciation (realized and unrealized losses) | <u>(725,227)</u> |
| Investment return, net | (447,996) |
| Amount appropriated for expenditure | <u>(193,270)</u> |
| Endowment net assets, June 30, 2022 | <u>\$ 2,485,410</u> |

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 any 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 44% and 29% of CHCS's total accounts receivable and other receivable balances as of June 30, 2022 and 2021, respectively. Additionally, two funding sources account for 47% of CHCS's total operating revenue for the years ended June 30, 2022 and 2021, 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 Loan 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, 2022 and 2021, were \$37,377,087 and \$38,641,291, 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.

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The future principal amounts receivable on the loans at June 30, 2022 are as follows:

| <u>Years Ending June 30,</u> | |
|------------------------------|--------------------------|
| 2023 | \$ 981,726 |
| 2024 | 1,355,397 |
| 2025 | 1,410,432 |
| 2026 | 1,467,701 |
| 2027 | 1,527,295 |
| Thereafter | <u>30,634,536</u> |
| Total | <u>\$ 37,377,087</u> |

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

| | <u>2022</u> | <u>2021</u> |
|------------------------|---------------------|---------------------|
| Revenues | | |
| Management fees | \$ 2,301,637 | \$ 2,613,385 |
| Engineering consulting | 70,577 | 65,314 |
| | <u>\$ 2,372,214</u> | <u>\$ 2,678,699</u> |
| Expenses | | |
| Pension | \$ 377,095 | \$ 407,279 |
| Insurance | 66,051 | 135,104 |
| | <u>\$ 443,146</u> | <u>\$ 542,383</u> |

CHCS had receivables due from related parties of \$2,612,378 and \$1,885,112, and payables of \$304,476 and \$506,498, at June 30, 2022 and 2021, respectively. Receivables include \$295,683 and \$400,073 due from Archdiocese related entities at June 30, 2022 and 2021, 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

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|-------------------------------|--|--|---|---------------------|
| <u>2022</u> | | | | |
| Assets | | | | |
| Investments in SEI | \$ 10,819,990 | \$ - | \$ - | \$ 10,819,990 |
| Beneficial interest in trusts | \$ - | \$ - | \$ 1,346,823 | \$ 1,346,823 |
| <u>2021</u> | | | | |
| Assets | | | | |
| Investments in SEI | \$ 11,964,242 | \$ - | \$ - | \$ 11,964,242 |
| Beneficial interest in trusts | \$ - | \$ - | \$ 1,731,778 | \$ 1,731,778 |

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:

| | <u>2022</u> | <u>2021</u> |
|--|--------------|--------------|
| Balance at beginning of year | \$ 1,731,778 | \$ 1,341,890 |
| Distributions received from trusts | (66,523) | (84,281) |
| Net (depreciation) appreciation in value | (318,432) | 474,169 |
| Balance at end of year | \$ 1,346,823 | \$ 1,731,778 |

Catholic Housing and Community Services of the Archdiocese of Philadelphia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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:

| | 2022 | | | |
|-------------------------------|---------------------|---------------------|----------------------------|----------------------|
| | Housing | Community Programs | General and Administrative | Total |
| Salaries and benefits | \$ 599,952 | \$ 2,097,224 | \$ 2,688,722 | \$ 5,385,898 |
| Administrative and general | 253,969 | 128,336 | 1,353,409 | 1,735,714 |
| Occupancy | 1,116,509 | 607,497 | 193,730 | 1,917,736 |
| Depreciation and amortization | 1,442,607 | 163,115 | 137,715 | 1,743,437 |
| Loan interest and fees | 850,948 | - | - | 850,948 |
| Direct expenses of care | 214,029 | 380,892 | - | 594,921 |
| Total | \$ 4,478,014 | \$ 3,377,064 | \$ 4,373,576 | \$ 12,228,654 |

| | 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 |

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, 2022 and 2021 totaled \$299,924 and \$341,708, respectively.

NOTE S - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 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, 2022

| | 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 | \$ 4,371,079 | \$ 3,785 | \$ 303,557 | \$ 272,526 | \$ 6,474 | \$ 379,203 | \$ 610,624 | \$ - | \$ 5,948,598 |
| Accounts receivable | - | - | 2,880 | 6,214 | 28,046 | 8,086 | 125,015 | - | - | 170,241 |
| Other receivables | 734,354 | 688,763 | - | - | - | - | - | - | - | 1,423,117 |
| Related party receivables | 115 | 2,612,263 | - | - | - | - | - | - | - | 2,612,378 |
| Due from consolidated entities | - | 8,689,118 | - | - | - | - | - | - | (8,689,118) | - |
| Prepaid expenses | 28,653 | 374,257 | 9,884 | 2,318 | 2,507 | 1,297 | 5,405 | - | - | 424,321 |
| Related party loans receivable - current portion | - | 981,726 | - | - | - | - | - | - | - | 981,726 |
| Total current assets | 764,472 | 17,717,206 | 16,549 | 312,089 | 303,079 | 15,857 | 509,623 | 610,624 | (8,689,118) | 11,560,381 |
| Investments | - | 10,819,990 | - | - | - | - | - | - | - | 10,819,990 |
| Property, plant and equipment, net | 1,221,874 | 295,355 | 11,139,775 | 12,632,703 | 9,898,115 | 9,822,857 | 15,702,070 | 13,492,353 | (3,624,623) | 70,580,479 |
| Deferred developer fee receivable | - | 733,241 | - | - | - | - | - | - | (733,241) | - |
| Deferred developer fee interest receivable | - | 675,663 | - | - | - | - | - | - | (675,663) | - |
| Mortgage interest receivable - related party | - | 621,922 | - | - | - | - | - | - | (621,922) | - |
| Beneficial interest in trusts | - | 1,346,823 | - | - | - | - | - | - | - | 1,346,823 |
| Reserve and escrow accounts | - | - | 652,274 | 501,817 | 724,054 | 316,843 | 390,027 | - | - | 2,585,015 |
| Amortizable costs | - | - | - | 134,800 | 46,059 | - | 281,801 | - | - | 462,660 |
| Related party note receivable | - | 3,155,254 | - | - | - | - | - | - | (3,155,254) | - |
| Related party loans receivable, net of current portion | - | 36,395,361 | - | - | - | - | - | - | - | 36,395,361 |
| Total assets | \$ 1,986,346 | \$ 71,760,815 | \$ 11,808,598 | \$ 13,581,409 | \$ 10,971,307 | \$ 10,155,557 | \$ 16,883,521 | \$ 14,102,977 | \$ (17,499,821) | \$ 133,750,709 |

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2022

| | 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 | \$ 10,982 | \$ 87,610 | \$ 71,961 | \$ - | \$ 1,000 | \$ 86,488 | \$ 785,202 | \$ - | \$ - | \$ 1,043,243 |
| Accrued salaries | 140,555 | 311,223 | 16,990 | 13,425 | 7,946 | 26,982 | - | - | - | 517,121 |
| Accrued expenses | 33,749 | 101,736 | 96,329 | 60,871 | 100,420 | 88,225 | 17,902 | 2,520,905 | - | 3,020,137 |
| Other liability | - | - | - | - | - | - | - | 610,624 | - | 610,624 |
| Benevolent care liability | - | 28,158 | - | - | - | - | - | - | - | 28,158 |
| Due to consolidated entities | 8,689,118 | - | - | - | - | - | - | - | (8,689,118) | - |
| Related party payables | - | 50,065 | - | - | 81,750 | - | 172,661 | - | - | 304,476 |
| Loan payable | - | - | - | - | - | - | - | 4,105,451 | - | 4,105,451 |
| Deferred revenue | 66,864 | 13,506 | - | - | - | 611 | - | - | - | 80,981 |
| Total current liabilities | 8,941,268 | 592,298 | 185,280 | 74,296 | 191,116 | 202,306 | 975,765 | 7,236,980 | (8,689,118) | 9,710,191 |
| Deferred developer fee | - | - | 630,938 | - | 36,724 | 65,579 | - | - | (733,241) | - |
| Accrued developer fee interest | - | - | 651,969 | - | 23,694 | - | - | - | (675,663) | - |
| Resident funds escrow accounts | - | - | 40,052 | 12,580 | 10,211 | 21,977 | 4,060 | - | - | 88,880 |
| Accrued mortgage interest | - | - | 6,446,571 | 621,922 | 870,001 | - | 20,333 | - | (621,922) | 7,336,905 |
| Mortgages payable | - | - | 4,960,000 | 2,147,866 | 2,243,991 | 1,695,000 | 4,154,707 | 2,494,332 | (3,155,254) | 14,540,642 |
| Total liabilities | 8,941,268 | 592,298 | 12,914,810 | 2,856,664 | 3,375,737 | 1,984,862 | 5,154,865 | 9,731,312 | (13,875,198) | 31,676,618 |
| Net (deficit) assets | | | | | | | | | | |
| Without donor restrictions | | | | | | | | | | |
| Parent | (6,954,922) | 66,398,284 | - | - | - | - | - | - | (3,624,623) | 55,818,739 |
| Non controlling interest | - | - | (1,106,212) | 10,724,745 | 7,595,570 | (2,040,505) | 11,728,656 | 4,371,665 | - | 31,273,919 |
| TOTAL NET (DEFICIT) ASSETS WITHOUT DONOR RESTRICTIONS | (6,954,922) | 66,398,284 | (1,106,212) | 10,724,745 | 7,595,570 | (2,040,505) | 11,728,656 | 4,371,665 | (3,624,623) | 87,092,658 |
| With donor restrictions | - | 4,770,233 | - | - | - | 10,211,200 | - | - | - | 14,981,433 |
| Total net (deficit) assets | (6,954,922) | 71,168,517 | (1,106,212) | 10,724,745 | 7,595,570 | 8,170,695 | 11,728,656 | 4,371,665 | (3,624,623) | 102,074,091 |
| Total liabilities and net assets | \$ 1,986,346 | \$ 71,760,815 | \$ 11,808,598 | \$ 13,581,409 | \$ 10,971,307 | \$ 10,155,557 | \$ 16,883,521 | \$ 14,102,977 | \$ (17,499,821) | \$ 133,750,709 |

Catholic Housing and Community Services of the Archdiocese of Philadelphia

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended June 30, 2022

| | Without Donor Restrictions | | | | | | | | | With Donor Restrictions | | | Total | |
|---|----------------------------|----------------------|---------------------------|------------------------------|-------------------------------------|-----------------------|-----------------------------------|------------------------------------|-----------------------|-------------------------|---------------------|----------------------|----------------------|-----------------------|
| | Community-Based Services | CHS | St. John Neumann Place LP | St. John Neumann Place II LP | St. Francis Villa Senior Housing LP | Nativity BVM Place | St. Rita Place Senior Housing, LP | St. Joseph Place Senior Housing LP | Eliminations | Subtotal | CHCS | Nativity BVM Place | | Subtotal |
| Operating revenues | | | | | | | | | | | | | | |
| Housing programs | \$ - | \$ - | \$ 554,174 | \$ 492,793 | \$ 369,517 | \$ 644,350 | \$ 256,732 | \$ - | \$ - | \$ 2,317,566 | \$ - | \$ - | \$ - | \$ 2,317,566 |
| Management fees | - | 2,759,668 | - | - | - | - | - | - | (458,031) | 2,301,637 | - | - | - | 2,301,637 |
| Community programs | 2,604,864 | 235,323 | - | - | - | - | - | - | - | 2,840,187 | - | - | - | 2,840,187 |
| Other operating revenue | - | 374,135 | - | - | - | - | - | - | - | 374,135 | - | - | - | 374,135 |
| Developers fees | - | 230,876 | - | - | - | - | - | - | (230,876) | - | - | - | - | - |
| Distributions from beneficial interest in trusts | - | 66,523 | - | - | - | - | - | - | - | 66,523 | - | - | - | 66,523 |
| Net assets released from restrictions | - | 1,529,802 | - | - | - | - | - | - | - | 1,529,802 | (1,529,802) | - | (1,529,802) | - |
| Total operating revenues (losses) | 2,604,864 | 5,196,327 | 554,174 | 492,793 | 369,517 | 644,350 | 256,732 | - | (688,907) | 9,429,850 | (1,529,802) | - | (1,529,802) | 7,900,048 |
| Operating expenses | | | | | | | | | | | | | | |
| Salaries and benefits | 1,850,310 | 3,024,586 | 140,259 | 89,577 | 116,792 | 139,189 | 25,185 | - | - | 5,385,898 | - | - | - | 5,385,898 |
| Administrative and general | 683,601 | 1,166,622 | 76,506 | 78,556 | 58,600 | 88,559 | 41,301 | - | (458,031) | 1,735,714 | - | - | - | 1,735,714 |
| Occupancy | 304,205 | 525,217 | 298,951 | 152,030 | 145,779 | 427,412 | 64,142 | - | - | 1,917,736 | - | - | - | 1,917,736 |
| Depreciation and amortization | 163,115 | 137,715 | 394,710 | 406,519 | 327,907 | 364,168 | 62,323 | - | (113,020) | 1,743,437 | - | - | - | 1,743,437 |
| Loan interest and fees | - | - | 658,412 | 138,780 | 161,626 | - | 79,220 | - | (187,090) | 850,948 | - | - | - | 850,948 |
| Direct expenses of care | 307,259 | 82,690 | 73,281 | 50,911 | 24,524 | 43,756 | 12,500 | - | - | 594,921 | - | - | - | 594,921 |
| Total operating expenses | 3,308,490 | 4,936,830 | 1,642,119 | 916,373 | 835,228 | 1,063,084 | 284,671 | - | (758,141) | 12,228,654 | - | - | - | 12,228,654 |
| Operating loss (revenue) | (703,626) | 259,497 | (1,087,945) | (423,580) | (465,711) | (418,734) | (27,939) | - | 69,234 | (2,798,804) | (1,529,802) | - | (1,529,802) | (4,328,606) |
| Nonoperating revenues (expenses) | | | | | | | | | | | | | | |
| Contributions and bequests | - | 204,461 | - | - | - | - | - | - | - | 204,461 | - | - | - | 204,461 |
| Capital contribution to related party | - | (80,000) | - | - | - | - | - | - | - | (80,000) | - | - | - | (80,000) |
| Investment return, net | - | (1,502,987) | - | - | - | - | - | - | - | (1,502,987) | (447,996) | - | (447,996) | (1,950,983) |
| Loan and other interest income | - | 1,722,103 | - | - | - | 27 | - | - | (187,090) | 1,535,040 | - | - | - | 1,535,040 |
| Other nonoperating revenue | - | 3,000 | - | - | - | - | - | - | - | 3,000 | - | - | - | 3,000 |
| Change in fair value of beneficial interest in trusts | - | - | - | - | - | - | - | - | - | - | (384,955) | - | (384,955) | (384,955) |
| Total nonoperating revenues | - | 346,577 | - | - | - | 27 | - | - | (187,090) | 159,514 | (832,951) | - | (832,951) | (673,437) |
| Change in net assets before other changes | (703,626) | 606,074 | (1,087,945) | (423,580) | (465,711) | (418,707) | (27,939) | - | (117,856) | (2,639,290) | (2,362,753) | - | (2,362,753) | (5,002,043) |
| Change in net assets attributable to non-controlling interest | - | - | (1,087,945) | (423,580) | (465,711) | - | (27,939) | - | - | (2,005,175) | - | - | - | (2,005,175) |
| Change in net assets attributable to parent | (703,626) | 606,074 | - | - | - | (418,707) | - | - | (117,856) | (634,115) | (2,362,753) | - | (2,362,753) | (2,996,868) |
| Other changes in net assets | | | | | | | | | | | | | | |
| Capital contributions from limited partners | - | - | - | - | - | - | 10,547,803 | 4,371,665 | - | 14,919,468 | - | - | - | 14,919,468 |
| Change in non-controlling interest | - | - | (1,087,945) | (423,580) | (465,711) | - | (27,939) | - | - | (2,005,175) | - | - | - | (2,005,175) |
| CHANGE IN NET ASSETS | (703,626) | 606,074 | (1,087,945) | (423,580) | (465,711) | (418,707) | 10,519,864 | 4,371,665 | (117,856) | 12,280,178 | (2,362,753) | - | (2,362,753) | 9,917,425 |
| Net (deficit) assets | | | | | | | | | | | | | | |
| Beginning 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 |
| End of year | \$ (6,954,922) | \$ 66,398,284 | \$ (1,106,212) | \$ 10,724,745 | \$ 7,595,570 | \$ (2,040,505) | \$ 11,728,656 | \$ 4,371,665 | \$ (3,624,623) | \$ 87,092,658 | \$ 4,770,233 | \$ 10,211,200 | \$ 14,981,433 | \$ 102,074,091 |