Financial Statements and Report of Independent Certified Public Accountants

Communities of Don Guanella and Divine Providence

June 30, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Communities of Don Guanella and Divine Providence

Opinion
We have audited the financial statements of The Communities of Don Guanella and Divine Providence (the "Entity"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022 and 2021, and results of its activities and 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 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 the Entity 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 the Entity'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity'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.

Grant Thornton LLP

Philadelphia, Pennsylvania
February 14, 2023

Communities of Don Guanella and Divine Providence

STATEMENTS OF FINANCIAL POSITION

June 30,

	2022	2021
ASSETS		
Current assets		
Cash	$ 15,940	$ 15,940
Client escrow funds	1,014,482	1,251,318
Accounts receivable - Commonwealth of Pennsylvania net of allowance for doubtful accounts of $ 205,499 at June 30, 2022 and 2021	6,215,114	6,776,801
Accounts receivable - other	20,470	19,036
Prepaid expenses and other current assets	1,155,474	1,041,780
Related party note receivable - Archdiocese of Philadelphia, current	7,257	6,974
Total current assets	8,428,737	9,111,849
Noncurrent assets		
Property, plant and equipment, net	10,577,613	11,123,508
Investments - board designated	9,490,249	11,112,750
Investments	582,852	1,087,225
Related party note receivable - Archdiocese of Philadelphia, net of current portion	210,204	217,461
Total assets	$ 29,289,655	$ 32,652,793
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,066,971	$ 1,631,377
Salaries and wages payable	2,957,593	2,734,213
Client escrow funds	1,014,482	1,251,318
Due to Catholic Social Services	982,671	4,342,626
Total current liabilities	6,021,717	9,959,534
Net assets		
Without donor restrictions	22,581,018	21,945,222
With donor restrictions	686,920	748,037
Total net assets	23,267,938	22,693,259
Total liabilities and net assets	$ 29,289,655	$ 32,652,793

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

Communities of Don Guanella and Divine Providence

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Operating revenue			
Governmental revenue	$ 61,485,705	$ -	$ 61,485,705
Other revenue	238,948	-	238,948
Total operating revenue	61,724,653	-	61,724,653
Operating expenses			
Salaries, wages and other payroll costs	44,723,871	-	44,723,871
Administrative and general expenses	8,271,682	-	8,271,682
Occupancy	3,165,920	-	3,165,920
Direct expenses of care	3,208,827	-	3,208,827
Depreciation	1,221,943	-	1,221,943
Total operating expenses	60,592,243	-	60,592,243
Operating revenue in excess of operating expenses	1,132,410	-	1,132,410
Other revenue			
Donations, bequests, trusts, and other	932,554	20,000	952,554
Catholic Charities Appeal	235,050	-	235,050
Investment return	(1,664,218)	(81,117)	(1,745,335)
Total other revenue	(496,614)	(61,117)	(557,731)
(DECREASE) INCREASE IN NET ASSETS	635,796	(61,117)	574,679
Net assets at beginning of year	21,945,222	748,037	22,693,259
Net assets at end of year	$ 22,581,018	$ 686,920	$ 23,267,938

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

Communities of Don Guanella and Divine Providence

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Operating revenue			
Governmental revenue	$ 57,803,116	$ -	$ 57,803,116
Other revenue	199,202	-	199,202
Total operating revenue	58,002,318	-	58,002,318
Operating expenses			
Salaries, wages and other payroll costs	39,943,245	-	39,943,245
Administrative and general expenses	7,753,250	-	7,753,250
Occupancy	3,177,666	-	3,177,666
Direct expenses of care	2,693,380	-	2,693,380
Depreciation	1,129,954	-	1,129,954
Total operating expenses	54,697,495	-	54,697,495
Operating revenue in excess of operating expenses	3,304,823	-	3,304,823
Other revenue			
Donations, bequests, trusts, and other	877,044	-	877,044
Catholic Charities Appeal	75,000	-	75,000
Investment return	2,691,665	118,935	2,810,600
Total other revenue	3,643,709	118,935	3,762,644
INCREASE IN NET ASSETS	6,948,532	118,935	7,067,467
Net assets at beginning of year	14,996,690	629,102	15,625,792
Net assets at end of year	$ 21,945,222	$ 748,037	$ 22,693,259

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

Communities of Don Guanella and Divine Providence

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2022	2021
Cash flows from operating activities:		
Increase in net assets	$ 574,679	$ 7,067,467
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,221,943	1,129,954
Net realized and unrealized (gains) losses on investments	3,448,396	(2,810,600)
Changes in operating assets and liabilities:		
Accounts receivable - Commonwealth of Pennsylvania	561,687	215,328
Accounts receivable - other	(1,434)	254
Prepaid expenses and other current assets	(113,694)	(57,712)
Accounts payable and accrued expenses	(564,406)	718,718
Salaries and wages payable	223,380	227,552
Related party note receivable - Archdiocese of Philadelphia	6,974	6,663
Due to Catholic Social Services	(3,359,955)	(5,926,264)
Net cash provided by operating activities	1,997,570	571,360
Cash flows from investing activities:		
Capital expenditures	(676,048)	(471,278)
Purchases of investments	(1,424,505)	(864,823)
Sales of investments	102,983	768,137
Net cash used in investing activities	(1,997,570)	(567,964)
INCREASE IN CASH AND CASH EQUIVALENTS	-	3,396
Cash at beginning of year	15,940	12,544
Cash at end of year	$ 15,940	$ 15,940

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

NOTE A - ORGANIZATION

On July 1, 2019, Don Guanella Village merged with Divine Providence Village. Both organizations operated intermediate facilities under Catholic Social Services of the Archdiocese of Philadelphia ("CSS"). The merged corporation will continue all services under the name the Communities of Don Guanella and Divine Providence (the "Communities"). The merger was approved by the Board of Directors of CSS on December 14, 2018. All services and operations after June 30, 2019 will be provided by the Communities.

The Communities operates 14 community-based intermediate care facilities in Delaware, Chester and Philadelphia counties, and has the capacity for 94 men. The Communities also operates a residential facility located in Springfield, Pennsylvania called Divine Providence Village. Divine Providence Village has the capacity to provide services for 96 intellectually disabled/developmentally disabled individuals. The Communities also operates 12 Community Living Arrangements/Group Homes ("CLA") in Delaware County. The Group Homes provide residential services to intellectually disabled/developmentally disabled adults. Finally, the Communities operates a Family Living Program, In Home Support Program, and Community Outreach Program to provide services to intellectually disabled and developmentally disabled clients in the community.

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services ("CSS") and 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. The Communities is one of the entities operating under CSS.

The accompanying financial statements include programs operated and administered by the Communities.

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. The Communities, a related entity, 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 the Communities.

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"). The Communities presents its financial statements in accordance with the guidance set forth by the Financial Accounting Standards Board ("FASB") in regard to *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Communities' net assets and revenues, expenses, gains and losses are classified into two categories, based on the existence or absence of donor-imposed restrictions.

> Net assets without donor restrictions are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions include contributions, including pledges, trusts, remainder interests, income and appreciation which can be expended but for which restrictions have not yet been met, or which are required by donors to be perpetually retained. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions include the allowance for doubtful accounts, useful lives of depreciable assets and the fair value of investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Communities considers investments in highly liquid securities, authorized by management, purchased with a maturity of three months or less from the date purchased, to be cash equivalents. With the exception of client escrow funds, for the years ended June 30, 2022 and 2021, the Communities possessed only petty cash held on site. The client escrow funds held by the Communities may at times exceed Federal Deposit Insurance Corporation limits.

Accounting for Long-Lived Assets

The Communities continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives 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, the Communities 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. The Communities believes that no revision to the remaining useful lives or write-down of long-lived assets were required at June 30, 2022 and 2021.

Client Escrow Funds

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

Investments

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund (“Catholic Values Funds”), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops (“USCCB”). The Archdiocese appointed SEI Private Trust Company to act as custodian (the “Custodian”) of the investments, which consist of certain cash and securities and are more fully described in Note C.

Investments are reported at fair value. Realized gains and losses are reported to the participating entities monthly. Gains and losses realized by the participating entities as a result of sales are recorded in their specific accounts. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets as a component of investment return.

Governmental Revenue

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

Net program service revenues are from funding sources under fee-for-service contracts for several of the Communities' programs. For other programs, the Communities receives program service fees from funding sources under per diem-type contracts for certain programs and unit prices for outpatient services. Revenue for these programs is recorded when the services are provided, while adjustments to prior recognized revenues are recorded in following periods, as final settlements are determined. The Communities recorded governmental revenue of $3,540,435 and $6,743,132 for the years ended June 30, 2022 and 2021, respectively, related to settlements received for prior years.

The Communities 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.

Contributions

All contributions are considered to be available for 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, the Communities reports the support as without donor restriction. When a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of long-lived assets received without donor stipulations are reported as 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 restricted support; those restrictions expire when the assets are placed in service.

Unconditional promises to give ("pledges") are recorded as receivables and revenues within the appropriate net asset category, all of which will be collected within one year.

Allowance for Doubtful Accounts

The Communities 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, the Communities' loss history, the nature of the service provided and other pertinent factors. The Communities 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 related institutions and group homes, including the Communities. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro-rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities and changes in net assets. Any difference between the allocation and the amount charged to the institution during the year is considered a contribution of services from CSS.

Property, Plant and Equipment

Property, plant and equipment are capitalized at cost or at their fair market value if donated. Depreciation is computed on a straight-line basis and is recognized as an expense over the estimated useful lives of the assets, which are as follows:

Automobiles	5 years
Furniture and equipment	5 - 15 years
Building and leasehold improvements	5 - 20 years
Building	20 - 25 years

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 at June 30:

	2022	2021
Cash and cash equivalents	$ 15,940	$ 15,940
Accounts receivable	6,235,584	6,795,837
Investments - board designated	9,490,249	11,112,750
Investments	582,852	1,087,225
Assets available to management	16,324,625	19,011,752
Liabilities to be settled within one year:		
Accounts payable and accrued expenses	(1,066,971)	(1,615,437)
Salaries and wages payable	(2,957,593)	(2,734,213)
Due to CSS	(982,671)	(4,342,626)
Assets available to management less liabilities to be settled within one year	$ 11,317,390	$ 10,303,536

The Communities 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 CSS and is settled periodically.

Pending Accounting Pronouncements

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. The Communities are assessing the impact of the new standard and its amendments at this time.

Risks 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 the Communities was the health and safety of the individuals in their care and the employees. The Communities implemented various measures to provide the safest possible environment within its programs during this pandemic and will continue to do so. Additionally, in response to the pandemic, the Communities 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.

The Communities Day Program services closed in March of 2020 and reopened only to the individuals served residentially by the Communities in October of 2020. Very limited Day Program services resumed to community participants in June 2021.

The impact of the COVID-19 pandemic did not have a material effect on the Communities financial results during the years ended June 30, 2022 and 2021. Management continues to actively monitor the effect of COVID-19 to operating revenues and expenses and based on the continuing uncertainties of COVID-19, it is unable to determine if it will have a material impact on its operations for the year ending June 30, 2023.

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

NOTE C - INVESTMENTS

The investment in the Trustee Account and other investments are reported at fair value and consist of the following:

Catholic Values Equity Fund (or "fund") - Invests in common stocks and is managed by SEI. The equity fund is valued at the closing price of the traded fund.

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

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 in the Trustee Account as of June 30, 2022 and 2021.

At June 30, the Communities held the following categories of investments:

	2022	2021
Catholic Values Equity Fund	$ 6,609,641	$ 7,882,378
Catholic Values Fixed Income Fund	2,880,608	3,230,372
	$ 9,490,249	$ 11,112,750

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

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Other revenue			
Interest and dividend income	$ 1,280,263	$ 28,516	$ 1,308,779
Net realized gains	52,392	21,633	74,025
Change in unrealized net losses on investments	(2,996,873)	(451,523)	(3,448,396)
Total	$ (1,664,218)	$ (401,374)	$ (2,065,592)

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Other revenue			
Interest and dividend income	$ 138,801	$ 8,099	$ 146,900
Net realized gains	219,111	-	219,111
Change in unrealized net gains on investments	2,333,753	110,836	2,444,589
Total	$ 2,691,665	$ 118,935	$ 2,810,600

NOTE D - PROPERTY, PLANT AND EQUIPMENT

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

	2022	2021
Buildings	$ 5,598,104	$ 5,598,104
Leasehold improvements	11,658,171	11,307,728
Furniture and equipment	2,229,879	2,236,822
Land	193,956	193,956
Automobiles	1,482,896	1,175,554
	21,163,006	20,512,164
Accumulated depreciation	(10,585,393)	(9,388,656)
Property, plant and equipment, net	$ 10,577,613	$ 11,123,508

Depreciation expense of $1,221,943 and $1,129,954 was incurred for the years ended June 30, 2022 and 2021, respectively.

NOTE E - ACCOUNTS RECEIVABLE - COMMONWEALTH OF PENNSYLVANIA

At June 30, 2022 and 2021, the Communities had uncollateralized accounts receivable, primarily from the Commonwealth of Pennsylvania Department of Public Welfare ("DPW"), of $6,235,584 and $6,795,837 respectively. This balance potentially subjects the Communities to a concentration of credit risk. The Communities monitors its funding arrangements with the DPW and other agencies.

NOTE F - RELATED PARTY NOTE RECEIVABLE - ARCHDIOCESE OF PHILADELPHIA

In June 2012, the Archdiocese and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. The transaction 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 $2,412,576 recorded by Divine Providence Village. The loan receivable was refinanced on July 1, 2014, with terms as described below.

The loan is collateralized by first priority mortgage liens encumbering the following Archdiocesan high school premises: Bonner-Prendergast 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 loan carries a fixed interest rate of 4% amortized over 28 years, maturing on June 1, 2042.

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

2023	$ 7,257
2024	7,552
2025	7,858
2026	8,178
2027	8,510
Thereafter	178,106
Total	$ 217,461

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;

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 the Communities believe their 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.

As of June 30, 2022 and 2021, all investments held by the Communities are classified as Level 1 securities.

NOTE H - PENSION PLANS

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

Through June 30, 2014, the eligible lay employees of the Communities 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. The Communities made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for the years ended June 30, 2022 and 2021. The amounts expensed by the Communities for contributions to the Plan were $1,817,512 and $1,584,298 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, 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.

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 year 2021, the Archdiocese employer contribution rate was 4.5% of base salary for eligible employees. The contributions by the Communities into the 403(b) plan totaled $ 1,386,238 and $1,208,141 for the years ended June 30, 2022 and 2021, respectively.

Other Contributions

The Communities also makes contributions to the various orders of the religious personnel who provide services at its institutions. The amount of expense related to these contributions was $16,330 and $15,855 for the years ended June 30, 2022 and 2021, respectively.

NOTE I - RELATED-PARTY TRANSACTIONS

The Communities 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 the Communities. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro-rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities and changes in net assets. Any difference between the allocation and the amount charged to the institution during each year is considered a contribution of services from CSS. Repayment of amounts due to CSS is expected when cash is available. The net amount due to CSS was $982,671 and $4,342,626 at June 30, 2022 and 2021, respectively.

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

	2022	2021
Archdiocese of Philadelphia:		
Insurance	$ 425,663	$ 430,935
Lay employee pension contributions:	1,817,512	1,584,298
Rental of facility - contributed	724,000	724,000
Religious employee pension contributions	16,330	15,855
	$ 2,983,505	$ 2,755,088
Catholic Social Services:		
Allocated administrative and accounting costs	$ 1,413,188	$ 1,240,602
Information technology services	683,095	660,144
Allocated administrative and accounting costs - contributed	52,649	22,532
	$ 2,148,932	$ 1,923,278

Catholic Charities Appeal donated $235,050 and $75,000 to the Communities for the fiscal years ended June 30, 2022 and 2021, respectively.

NOTE J - INCOME TAX STATUS

The Communities is recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (“IRC”), except on activities unrelated to their exempt purposes. The Communities 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.

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

NOTE K - FUNCTIONAL EXPENSES

The Communities provides a variety of services. Expenses related to providing these services are as follows for the years ended June 30:

	2022		
	Program	Supporting Management and General	Total Expenses
Salaries, wages and other payroll costs	$ 42,720,375	$ 2,003,496	$ 44,723,871
Administrative and general expenses	5,660,582	2,611,100	8,271,682
Occupancy	3,039,283	126,637	3,165,920
Direct expenses of care	3,208,827	-	3,208,827
Depreciation	1,173,066	48,877	1,221,943
Total expenses	$ 55,802,133	$ 4,790,110	$ 60,592,243

	2021		
	Program	Supporting Management and General	Total Expenses
Salaries, wages and other payroll costs	$ 38,142,310	$ 1,800,935	$ 39,943,245
Administrative and general expenses	7,443,120	310,130	7,753,250
Occupancy	3,050,560	127,106	3,177,666
Direct expenses of care	2,693,380	-	2,693,380
Depreciation	1,084,756	45,198	1,129,954
Total expenses	$ 52,414,126	$ 2,283,369	$ 54,697,495

Expenses are charged directly to the functions above except for key employee salaries and benefits, which are allocated based on estimated time performing activities for each respective function.

NOTE L - FUNDING

The Communities is a certified Intermediate Care Facility for the Intellectually Disabled ("ICF/ID") and is reimbursed under the Commonwealth of Pennsylvania's Medical Assistance Program. Reimbursement is limited to the lower of total allowable operating expenses or the approved operating budget.

The Communities' per diem reimbursement rate from the Commonwealth of Pennsylvania under its Medical Assistance Programs range from $595.94 to $841.98 and from $517.33 to $863.14 per day for the years ended June 30, 2022 and 2021, respectively.

The Communities has 12 CLAs: Sunnybrook Lane, Pickering Lane, Stewart Avenue, Glen Spring Lane, Collins Drive, Hickory Lane, Kenwood Road, Hedgerow Lane, Center Road, Presidential, Belfield and War Admiral, each of which generally house and care for one to four intellectually disabled adults in a residential setting.

Each living area has a predetermined per diem rate based on the characteristics and needs of the individual residents. These per diem rates range from $1,021.19 to $399.23 per day for the years ended June 30, 2022 and 2021.

NOTE M - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 consisted of the following:

	2022	2021
Capital projects	$ 686,920	$ 748,037

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2022 through February 14, 2023, which is the date the financial statements were available to be issued. Pursuant to the requirements, there were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements.