



**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Financial Statements and
Supplementary Financial Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

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KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Associated Catholic Charities, Inc.:

We have audited the accompanying combined financial statements of Associated Catholic Charities, Inc. and affiliated organizations (Catholic Charities), which comprise the combined statements of financial position as of June 30, 2017 and 2016, the related combined statements of activities, changes in net assets, and cash flows for the years then ended, and the combined statement of program operating expenses for the year ended June 30, 2017, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Associated Catholic Charities, Inc. and affiliated organizations as of June 30, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended, and their combined program expenses for the year ended June 30, 2017, in accordance with U.S. generally accepted accounting principles.



Other Matters – Supplemental Schedule

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

KPMG LLP

October 30, 2017

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Financial Position

June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 4,919,854	3,281,703
Restricted cash	2,836,909	3,928,934
Accounts receivable, less allowance for doubtful accounts (2017 – \$928,779; 2016 – \$1,456,226)	15,697,645	20,379,199
Prepaid expenses and other assets	3,220,574	3,144,452
Investments, at fair value	74,417,000	70,450,122
Property and equipment:		
Land and improvements	19,381,650	19,323,673
Buildings	234,987,381	232,922,058
Equipment	23,490,276	23,632,307
Construction in progress	24,293	650,428
	277,883,600	276,528,466
Accumulated depreciation	(132,530,737)	(123,778,798)
	145,352,863	152,749,668
Total assets	\$ 246,444,845	253,934,078
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,890,957	6,855,476
Accrued salaries and benefits	7,130,459	9,523,691
Accrued interest	1,341,266	1,177,576
Borrowings under line of credit	—	3,359,000
Deferred revenue	1,210,750	766,944
Due to Archdiocese	5,514,382	7,049,380
Other liabilities	6,354,537	5,006,041
Capital advances	98,722,922	98,722,922
Mortgages and bonds payable	54,363,239	56,412,700
Total liabilities	180,528,512	188,873,730
Net assets:		
Unrestricted – controlling interest	12,113,516	15,402,645
Unrestricted – noncontrolling interest	10,535,696	9,281,781
Total unrestricted	22,649,212	24,684,426
Temporarily restricted	19,223,641	16,369,218
Permanently restricted	24,043,480	24,006,704
Total net assets	65,916,333	65,060,348
Total liabilities and net assets	\$ 246,444,845	253,934,078

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Activities

Years ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:								
Purchase of services by governmental agencies	\$ 117,238,760	—	—	117,238,760	119,856,025	—	—	119,856,025
Purchase of services – other	1,988,213	—	—	1,988,213	1,911,488	—	—	1,911,488
Program service fees	8,089,300	—	—	8,089,300	7,851,364	—	—	7,851,364
Contributions, fundraising, and donated goods and services	11,506,390	4,375,326	—	15,881,716	11,276,988	3,416,038	—	14,693,026
Rental income	8,023,341	—	—	8,023,341	7,464,492	—	—	7,464,492
Other	361,381	—	—	361,381	409,121	—	—	409,121
Net assets released from restrictions	5,862,365	(5,862,365)	—	—	4,798,209	(4,798,209)	—	—
Total revenue	153,069,750	(1,487,039)	—	151,582,711	153,567,687	(1,382,171)	—	152,185,516
Program operating expenses:								
Family services	65,519,295	—	—	65,519,295	66,703,254	—	—	66,703,254
Community services	29,285,866	—	—	29,285,866	29,451,761	—	—	29,451,761
Senior services	47,959,555	—	—	47,959,555	45,997,812	—	—	45,997,812
Fundraising and awareness	3,053,486	—	—	3,053,486	3,089,367	—	—	3,089,367
Management and general	15,357,377	—	—	15,357,377	16,643,309	—	—	16,643,309
Total expenses	161,175,579	—	—	161,175,579	161,885,503	—	—	161,885,503
Total expenses in excess of total revenue	(8,105,829)	(1,487,039)	—	(9,592,868)	(8,317,816)	(1,382,171)	—	(9,699,987)
Nonoperating revenue (expense):								
Endowments and other gifts, including changes in donor's restrictions (note 8)	69,765	—	25,206	94,971	134,231	(1,398,667)	1,949,862	685,426
Investment income (loss), net (including net unrealized gains (losses): 2017 – \$3,678,859; 2016 – \$(953,151))	3,070,340	4,490,359	11,570	7,572,269	(267,160)	(289,701)	(12,127)	(568,988)
Other, net	139,515	50,000	—	189,515	56,271	—	—	56,271
Net assets released from restrictions	198,897	(198,897)	—	—	143,410	(143,410)	—	—
Total nonoperating revenue	3,478,517	4,341,462	36,776	7,856,755	66,752	(1,831,778)	1,937,735	172,709
Change in net assets	(4,627,312)	2,854,423	36,776	(1,736,113)	(8,251,064)	(3,213,949)	1,937,735	(9,527,278)
Change in net assets – noncontrolling interest	(1,338,183)	—	—	(1,338,183)	(898,350)	—	—	(898,350)
Change in net assets – controlling interest	\$ (3,289,129)	2,854,423	36,776	(397,930)	(7,352,714)	(3,213,949)	1,937,735	(8,628,928)

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Changes in Net Assets

Years ended June 30, 2017 and 2016

	<u>Unrestricted controlling interest</u>	<u>Unrestricted noncontrolling interest</u>	<u>Total unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Net assets as of June 30, 2015	\$ 24,156,582	5,800,254	29,956,836	19,583,167	22,068,969	71,608,972
Change in net assets from activities	(7,352,714)	(898,350)	(8,251,064)	(3,213,949)	1,937,735	(9,527,278)
Assignment of limited partnership equity	(1,401,223)	1,401,223	—	—	—	—
Partner contributions	—	2,978,654	2,978,654	—	—	2,978,654
Net assets as of June 30, 2016	15,402,645	9,281,781	24,684,426	16,369,218	24,006,704	65,060,348
Change in net assets from activities	(3,289,129)	(1,338,183)	(4,627,312)	2,854,423	36,776	(1,736,113)
Partner contributions	—	2,592,098	2,592,098	—	—	2,592,098
Net assets as of June 30, 2017	\$ <u>12,113,516</u>	<u>10,535,696</u>	<u>22,649,212</u>	<u>19,223,641</u>	<u>24,043,480</u>	<u>65,916,333</u>

See accompanying notes to the combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
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Combined Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (1,736,113)	(9,527,278)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,039,738	8,968,766
Provision for bad debts	2,597,258	1,353,258
Change in fair value of interest rate swap and cap	(483,846)	339,204
Unrealized (gain) loss on investments, net	(3,678,859)	953,151
Realized (gain) loss on sale of investments, net	(2,617,507)	880,085
Deferred interest expense	299,244	297,875
Loss on disposal of property and equipment	136,768	52,688
Contributions restricted for long-term investment	(25,206)	(551,195)
Change in accounts receivable, net	2,084,296	(6,607,141)
Change in prepaid expenses and other assets	(388,973)	37,354
Change in accounts payable, accrued interest, and accrued salaries and benefits	(1,834,853)	(175,180)
Change in due to Archdiocese	(1,534,998)	(1,374,923)
Change in deferred revenue	443,806	(67,189)
Change in other liabilities	1,785,242	425,895
Net cash provided by (used in) operating activities	4,085,997	(4,994,630)
Cash flows from investing activities:		
Change in restricted cash	1,092,025	(1,573,763)
Purchase of property and equipment	(2,937,112)	(7,693,290)
Proceeds from the sale of property and equipment	508	16,526
Purchase of investments	(35,109,193)	(31,457,732)
Proceeds from sales and maturities of investments	37,438,681	33,413,540
Net cash provided by (used in) investing activities	484,909	(7,294,719)
Cash flows from financing activities:		
Change in contributions receivable	46,554	(34,510)
Contributions restricted for long-term investment	25,206	551,195
Change in debt issuance costs	25,617	(664,096)
Capital advances for HUD projects	—	922,153
(Repayments) borrowings under line of credit	(3,359,000)	3,221,000
Other debt proceeds	57,973	10,870,087
Other debt repayment	(2,321,203)	(5,437,887)
Capital contribution	2,592,098	2,978,654
Net cash (used in) provided by financing activities	(2,932,755)	12,406,596
Increase in cash and cash equivalents	1,638,151	117,247
Cash and cash equivalents at beginning of year	3,281,703	3,164,456
Cash and cash equivalents at end of year	\$ 4,919,854	3,281,703
Supplemental disclosure of cash flow information:		
Purchase of fixed asset additions in accounts payable	\$ 283,423	1,726,106

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statement of Program Operating Expenses
Year ended June 30, 2017 (with summary totals for 2016)

	Family services	Community services	Senior services	Fundraising and awareness	Management and general	Total expenses June 30, 2017	Total expenses June 30, 2016
Salaries	\$ 38,708,151	13,763,760	16,640,587	1,376,393	8,842,621	79,331,512	80,279,847
Employee benefits and payroll taxes	11,664,729	4,365,144	4,523,112	382,479	2,316,202	23,251,666	23,911,926
Total employee compensation	50,372,880	18,128,904	21,163,699	1,758,872	11,158,823	102,583,178	104,191,773
Occupancy	4,153,209	3,697,728	6,794,979	173,692	1,075,894	15,895,502	16,131,252
Professional fees and contractual services	2,026,470	736,464	5,198,813	426,627	1,087,279	9,475,653	9,564,422
Food and other supplies	1,981,463	2,061,969	3,368,464	6,270	65,995	7,484,161	7,494,286
Transportation	1,145,020	174,052	155,046	11,658	57,398	1,543,174	1,633,601
Direct assistance	1,117,443	2,335,886	—	—	—	3,453,329	3,242,997
Postage, printing, and publications	103,505	66,076	120,711	425,621	41,561	757,474	834,589
Provision for bad debts	278,693	28,688	2,287,295	1,496	1,086	2,597,258	1,353,258
Interest expense	757,976	6,126	1,298,702	—	(426,298)	1,636,506	2,456,596
Depreciation	2,188,441	1,193,449	5,207,128	1,199	161,741	8,751,958	8,842,493
Other	1,394,195	856,524	2,364,718	248,051	2,133,898	6,997,386	6,140,236
Total program expenses	\$ 65,519,295	29,285,866	47,959,555	3,053,486	15,357,377	161,175,579	161,885,503
Total program expenses 2016	\$ 66,703,254	29,451,761	45,997,812	3,089,367	16,643,309	—	161,885,503

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Combined Financial Statements

June 30, 2017 and 2016

(1) Organization and Significant Accounting Policies

The significant accounting principles and policies followed by Associated Catholic Charities, Inc. and its affiliated organizations (Catholic Charities or the Organization) are summarized below:

(a) Organization

Catholic Charities is a nonprofit human services agency that provides services to children and families, the elderly, the disadvantaged, and people with developmental disabilities. Catholic Charities operates more than 80 programs in the city of Baltimore and throughout Maryland.

Catholic Charities' Mission: Inspired by the Gospel mandates to love, serve, and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need.

(b) Affiliated Organizations

The combined financial statements include all organizations operating under the auspices of Associated Catholic Charities, Inc., including Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., 661 Corporation, Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., Basilica Place Limited Partnership, and BPL, Inc.

All significant intercompany accounts and transactions have been eliminated. All of the combined organizations operate under the control of the Roman Catholic Archbishop of Baltimore (the Archdiocese).

(c) Basis of Presentation

Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

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- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes, primarily program services.

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as temporarily restricted until appropriated for expenditure. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions, which reflect reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(d) Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Cash Equivalents

Catholic Charities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except any such securities held by external investment managers are classified with the respective assets.

(f) Restricted Cash

Restricted cash represents cash held for various restricted purposes, including client funds, tenant security deposits, construction, and certain reserves for replacements.

(g) Allowance for Doubtful Accounts

Catholic Charities' policy is to write off all accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for amounts not yet written off, which are estimated to be uncollectible based upon specific review of accounts.

(h) Investments

Investments in mutual funds, government and agency obligations, corporate bonds, including asset-backed securities, and common stocks are reported at fair value, based primarily upon quoted market prices. Private investment funds are stated at estimated fair value based on the funds' net asset value (NAV), as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the Organization had no plans or intentions to sell the investment at an amount different from NAV. Realized and unrealized gains and

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losses are reflected in the combined statements of activities. Investment transactions are recorded on a trade date basis.

(i) Concentration of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of investment risk include cash and cash equivalents, and investments in debt and equity securities. The Organization's investments are overseen by the Investment Committee of the board of directors in accordance with Catholic Charities' investment policy. Members of the Investment Committee are experienced in investment and financial management. Though the market value of investments is subject to market fluctuations, Catholic Charities believes that its investment policy is prudent for the long-term welfare of the Organization. Based on the Organization's ability to access cash and other short-term investments, Catholic Charities does not anticipate having to sell these investments in the foreseeable future except for regular draws needed to support the Organization's annual operating needs.

Revenue from federal, state, and local governments represents a significant portion of the Organization's total revenue. Changes in federal and state funding mechanisms, changes in regulatory requirements, and related government budgetary constraints could have an adverse effect on Catholic Charities.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the government entities and organizations from whom the amounts are due.

(j) Property and Equipment

Property and equipment include assets intended for ongoing use in operations and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 25 to 40 years for buildings and improvements and 3 to 20 years for equipment. Maintenance and repairs are charged to expense as incurred.

(k) Purchase of Services by Governmental Agencies

Purchase of services revenue is recognized on the accrual basis of accounting, as services are rendered, in accordance with the contractual terms of the purchase of service agreements with governmental agencies. Cash received in advance is deferred until earned. Services provided by Catholic Charities under these agreements consist primarily of the operation of residential care facilities to provide the basic care, health, social service, and special education needs of physically handicapped and developmentally disabled children and adults and intensive diagnostic, stabilization, and treatment services to children with severe emotional behavioral challenges. In addition, Catholic Charities operates extended-care facilities, nursing homes, low-income senior housing communities, and early education, child development, and intervention services for low-income children and their families.

The Organization operates a residential treatment center whereby services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. The Organization bills and receives an interim per diem rate during the year, which generally differs from the target rate cost basis for which revenue is recognized. The Organization ultimately settles final payment based upon an audited cost report filing of the residential treatment center's operating expenses.

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(l) Program Service Fees

Program service fees are charged primarily to facility residents and program participants for the cost of care and services rendered that are not funded by a governmental agency assistance program or collected from third-party payors pursuant to the cost reimbursement methodology in effect for eligible participants.

(m) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, giving consideration to estimated future cash flows and a risk adjusted interest rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of credit worthiness of the donors and past collection experience.

(n) Donated Goods and Services

Donated goods and certain contributions of services are recorded at their estimated fair values on the date of contribution. Contributions of services are recognized as revenue if the services received create or enhance nonfinancial assets or are performed by individuals requiring specialized skills. Revenue and expenses from donated goods and services recognized in 2017 and 2016 were \$1,679,749 and \$2,013,116, respectively. Catholic Charities receives a significant amount of volunteer services, which do not meet the above criteria for recognition in the combined financial statements. Accordingly, the value of these services has not been recorded in the accompanying combined financial statements.

(o) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable gift annuity agreements. Assets held under these agreements are included in investments and are recorded at fair value. Liabilities are recorded for the present value of the estimated future payments to be made to the donors or beneficiaries. As of June 30, 2017 and 2016, assets under the charitable annuity agreements were \$1.1 million and \$1.0 million, respectively, and the related liabilities as of June 30, 2017 and 2016 were \$0.8 million.

(p) Capital Advances

Capital advances from the U.S. Department of Housing and Urban Development (HUD) to finance rental housing projects are considered liabilities until the period of compliance, generally 40 years, has expired. These advances do not bear interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households.

(q) Rental Income

Rental payments received from residents of the Organization's low-income senior housing communities are recognized as revenue in the month earned. Prepayments by residents are deferred and applied to subsequent months. Substantially all residents qualify for resident housing assistance funds under

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Section 8 of the National Housing Act as administered by HUD or qualify for government-funded rent subsidy payments. Resident housing assistance funds that are recorded in purchase of services by governmental agencies aggregated \$10.6 million and \$10.4 million in 2017 and 2016, respectively.

(r) Nonoperating Revenue (Expense)

Nonoperating revenue (expense) primarily consists of contributions for endowment funds, capital, and capital grants, as well as investment income (net of investment expenses), including realized and unrealized gains and losses.

(s) Income Taxes

As an affiliate of the Archdiocese, Catholic Charities and its affiliated organizations, except as set forth below, are included in the Official Catholic Directory and thus are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements.

St. Mark's Housing, Inc., Hollins Ferry Road Apartments, Inc., Belair Senior Housing, Inc., Village Crossroads Senior Housing, Inc., and BPL, Inc. are for-profit corporations subject to federal income taxes under the Internal Revenue Code. St. Mark's L/P, Hollins Ferry Senior Housing L/P, Belair L/P, Village Crossroads Senior Housing L/P, and Basilica Place L/P are limited partnerships. No provision for income taxes was required in 2017 or 2016.

(t) Interest Rate Swaps and Cap Agreement

Catholic Charities is a party to interest rate swap and cap agreements to protect against interest rate risks associated with its variable rate Maryland Industrial Development Financing Authority (MIDFA) Bonds, Series 2013. The fair value of these agreements is recorded as an asset or a liability in the combined statements of financial position. The gain or loss resulting from changes in fair value of these instruments is recognized as interest expense in the combined statements of activities.

(u) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, 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 full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

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(v) Noncontrolling Interests

Noncontrolling interests are reported within unrestricted net assets on the combined statements of financial position and represent Catholic Charities' noncontrolling interest in three low-income senior housing partnerships. During the fiscal years ended June 30, 2017 and 2016, the limited partner in the Basilica Place Limited Partnership and the Village Crossroads Senior Housing Limited Partnership made equity contributions aggregating \$2.6 million and \$3.0 million, respectively.

(w) Related Parties

Members of the Organization's board of directors may, from time to time, be associated, either directly or indirectly, with companies doing business with Catholic Charities, particularly in the areas of banking and investment services. When such relationships exist, measures are taken to mitigate any actual or perceived conflicts, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration.

(x) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The primary changes, which will affect the look and feel of most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is evaluating the impact of the new standard on its combined financial statements.

(2) Investments

Investments consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Certificates of deposit and cash	\$ 7,070,775	8,245,111
Mutual funds	20,875,323	17,834,878
U.S. government and agency obligations	9,660,904	10,260,466
Corporate bonds	4,861,504	3,605,204
Common stocks	30,114,787	29,291,331
Asset backed securities	815,753	952,381
Private investment funds	1,017,954	260,751
	<u>\$ 74,417,000</u>	<u>70,450,122</u>

(3) Borrowings under Line of Credit

Catholic Charities has a line-of-credit agreement that provides for borrowings up to \$20 million. Borrowings under the bank line bear interest, payable monthly, at 125 basis points over the 30-day LIBOR. As security for the line of credit, Catholic Charities granted the bank a security interest in certain revenue, cash receipts, and certain real and personal property, all as defined in the agreement. The outstanding balance

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on the line of credit, which expires May 31, 2018, but can be extended at the sole discretion of the lender, was \$0 and \$3.4 million as of June 30, 2017 and 2016, respectively.

Interest paid on line-of-credit borrowings was \$46,641 and \$43,622 in fiscal years 2017 and 2016, respectively.

As of June 30, 2017 and 2016, Catholic Charities had outstanding irrevocable letters of credit of \$1.1 million issued primarily to the State as security for self-funded unemployment insurance programs and to secure certain HUD and other development projects.

(4) Capital Advances

Capital advances from HUD are used to assist in financing rental housing projects. These advances bear no interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households for a period of 40 years, after which the advances shall be deemed to be forgiven. Upon default, however, the entire principal sum and interest per annum at a rate ranging from 3.0% to 8.375% would become due and payable. Capital advances aggregated \$98.7 million as of June 30, 2017 and 2016.

(5) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2017 and 2016:

	2017	2016
ACC MIDFA Bonds, Series 2013	\$ 14,550,417	15,700,417
HUD 202 Projects -- Mortgages	26,187,747	26,860,385
Other mortgages	13,625,075	13,851,898
	\$ 54,363,239	56,412,700

(a) ACC MIDFA Bonds, Series 2013

In June 2013, Catholic Charities issued Economic Development Refunding Revenue Bonds through the MIDFA, in the amount of \$19.1 million (Series 2013 Bonds). The bonds, which mature in 2035, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MEDCO Bonds Series 1999, 2002, and 2004 Issues, its MIDFA Bonds Series 2009 Issue, and Jenkins Memorial Nursing Home's MEDCO Bonds Series 1997 Issue. At June 2023, the bank has the right to put the bonds back to Catholic Charities in an amount equal to the then remaining principal balance. Jenkins Memorial Nursing Home, Inc. is a limited guarantor under the bank loan.

The Series 2013 Bonds are repayable in monthly principal installments, beginning in July 2013 of \$92,000, increasing annually to monthly payments of \$110,000 in July of 2022, then decreasing to the final payment of \$51,000 in June 2035. Interest is payable monthly at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%. Outstanding borrowings under the agreement are secured by certain revenue and cash receipts and certain real and personal property, all as defined in the agreement. Catholic Charities must satisfy certain financial covenants as long as the bonds are outstanding. As of June 30, 2017, Catholic Charities was in compliance with the financial covenants.

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(b) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2017 and 2016:

	2017	2016
<p>Various mortgages payable to/insured by HUD bearing interest at fixed rates ranging from 3.280% to 9.250%. These mortgages require monthly principal and interest payments of approximately \$204,000 with the installment on the final mortgage due in 2050. All of the property and equipment of the HUD 202 Projects is subject to lien under the mortgage agreements.</p>	\$ 17,549,457	18,329,690
<p>Various mortgages payable to the Community Development Administration, a division of the Department of Housing and Community Development of the State of Maryland, Baltimore County, Harford County, and Arundel Community Development Services, bear interest at fixed rates ranging from 0% to 4.5%. Upon default, however, the interest rate on certain of these mortgages will increase to 8.0%. These mortgages are subordinated to the related mortgages payable to HUD. The mortgage principal and accrued interest are due on the same day as the last monthly installment due on the related HUD mortgages or, in the case of capital advances, after 40 years. Also included are approximately \$480,000 of advances from Maryland Affordable Housing Trust and Federal Home Loan Bank in both fiscal years 2017 and 2016. These advances bear no interest and repayment is not required so long as the project remains available to very low income seniors for 15 years.</p>	<div style="text-align: right;">8,638,290</div> <hr style="width: 100%;"/> <div style="text-align: right;">\$ 26,187,747</div>	<div style="text-align: right;">8,530,695</div> <hr style="width: 100%;"/> <div style="text-align: right;">26,860,385</div>

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(c) Other Mortgages

Other mortgages consist of the following as of June 30, 2017 and 2016:

	2017	2016
Various mortgages payable to HUD, the Department of Housing and Community Development of the State of Maryland, Baltimore City, and various banks for the construction, purchase, and/or renovation of various program facilities. Monthly principal and interest payments are approximately \$35,000 for terms of 30 to 40 years with fixed interest rates ranging from 0% to 8%.	\$ 13,625,075	13,757,338
Seller-financed mortgage bearing imputed interest at 8% for a term of 20 years requiring annual principal and interest payments of \$102,125.	—	94,560
	\$ 13,625,075	13,851,898

(d) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2017 is as follows:

Fiscal year:	
2018	\$ 2,221,121
2019	2,192,421
2020	1,836,307
2021	1,900,774
2022	1,914,077
Thereafter	44,298,539
	\$ 54,363,239

Deferred interest is not paid unless noncompliance occurs with HUD mortgages as described above.

(e) Interest Rate Swap and Cap Agreements

In June 2013, the Organization entered into an interest rate swap agreement with an original notional amount of \$14.3 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization pays a fixed rate of 3.3% and will receive a variable interest payment of 72% of the sum of one-month LIBOR plus 1.76%. The fair value of this swap agreement included in other liabilities at June 30, 2017 and 2016 was \$347,866 and \$832,432, respectively.

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In June 2013, Catholic Charities also entered into an interest rate cap agreement. The agreement has an original notional amount of \$4.8 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization receives from the bank an amount equal to the excess interest expense (at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%) above 5.0%. The fair value of this agreement at June 30, 2017 and 2016 was an asset of \$2,904 and \$3,624, respectively. In connection with the agreement, Catholic Charities paid an up-front premium of \$86,200, which is deferred and is being amortized over the life of the cap agreement.

(f) Interest Paid

Catholic Charities paid interest related to these mortgages and bonds payable of approximately \$1.5 million in fiscal years 2017 and 2016.

(6) Fair Value Measurements

The following tables present the Organization's fair value measurements for its financial assets/liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash, cash equivalents, and restricted cash	\$ 7,756,763	—	—	7,756,763
Investments:				
Certificates of deposit and cash	7,070,775	—	—	7,070,775
Mutual funds	20,875,323	—	—	20,875,323
U.S. government and agency obligations	6,815,207	2,845,697	—	9,660,904
Corporate bonds	—	4,861,504	—	4,861,504
Common stocks	30,114,787	—	—	30,114,787
Asset backed securities	—	815,753	—	815,753
Private investment funds	—	—	1,017,954	1,017,954
Total fair value of investments	<u>64,876,092</u>	<u>8,522,954</u>	<u>1,017,954</u>	<u>74,417,000</u>
Liabilities:				
Interest rate swap and cap agreements	—	(344,962)	—	(344,962)
Total fair value of financial assets, net of liabilities	<u>\$ 72,632,855</u>	<u>8,177,992</u>	<u>1,017,954</u>	<u>81,828,801</u>

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	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash, cash equivalents, and restricted cash	\$ 7,210,637	—	—	7,210,637
Investments:				
Certificates of deposit and cash	8,245,111	—	—	8,245,111
Mutual funds	17,834,878	—	—	17,834,878
U.S. government and agency obligations	6,604,646	3,655,820	—	10,260,466
Corporate bonds	—	3,605,204	—	3,605,204
Common stocks	29,291,331	—	—	29,291,331
Asset-backed securities	—	952,381	—	952,381
Real estate investment fund	—	—	260,751	260,751
Total fair value of investments	<u>61,975,966</u>	<u>8,213,405</u>	<u>260,751</u>	<u>70,450,122</u>
Liabilities:				
Interest rate swap and cap agreements	—	(828,808)	—	(828,808)
Total fair value of financial assets, net of liabilities	<u>\$ 69,186,603</u>	<u>7,384,597</u>	<u>260,751</u>	<u>76,831,951</u>

There were no significant transfers between levels for the years ended June 30, 2017 or 2016.

The Organization's Level 2 investments and liabilities consist of corporate bonds, government-sponsored debt securities, and interest rate swap and cap agreements, which do not have directly observable quoted prices in active markets, but are valued based upon broker quotes for similar securities in active markets.

Catholic Charities' Level 3 investments consist of three private investment funds, which have little or no observable market. As of June 30, 2017, the Organization has a remaining unfunded commitment of \$0.7 million for one of the funds.

(7) Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions restricted for programs	\$ 2,053,026	1,998,164
Endowment returns	17,074,111	14,272,380
Estates, trusts, and other net assets	<u>96,504</u>	<u>98,674</u>
Total	<u>\$ 19,223,641</u>	<u>16,369,218</u>

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Permanently restricted net assets consist of the following as of June 30, 2017 and 2016:

	2017	2016
Donor-restricted endowment funds	\$ 23,872,105	23,846,899
Estates and trusts	171,375	159,805
Total	\$ 24,043,480	24,006,704

(8) Endowments

Catholic Charities' endowment funds consist of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The endowments were 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. Board-designated endowment funds include \$5.1 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2017.

Catholic Charities has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and prudence. Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board of directors in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds; (2) the mission of Catholic Charities and the purpose of donor-restricted endowment funds; (3) general economic conditions; (4) the possible effects of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Catholic Charities; and (7) the investment policies of Catholic Charities.

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To maximize investment performance, endowment assets are pooled with other Catholic Charities' investments and are invested in accordance with the Organization's investment policy. The investment policy objectives include the long-term preservation of real purchasing power of the endowment assets, net of inflation and investment management costs, sufficient to fund the annual spending requirements discussed below, while limiting exposure to risk of loss. To satisfy its long-term return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Catholic Charities targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

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Catholic Charities annually appropriates a portion of its endowment funds for expenditure in the upcoming fiscal year. The amount appropriated is generally 5% to 6% of the trailing three-year average balance of funds designated or restricted for such purposes. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. In all cases, appropriated amounts are subject to the intent of donors expressed in the gift instruments and the prudent spending requirements of MUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	17,074,111	23,872,105	40,946,216
Board-designated endowment funds		12,626,747	—	—	12,626,747
Total funds	\$	12,626,747	17,074,111	23,872,105	53,572,963
		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	14,272,380	23,846,899	38,119,279
Board-designated endowment funds		11,908,840	—	—	11,908,840
Total funds	\$	11,908,840	14,272,380	23,846,899	50,028,119

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Changes in endowment net assets for the fiscal years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets as of June 30, 2015	\$ 12,480,224	16,104,018	21,897,037	50,481,279
Investment return:				
Investment income	198,650	716,700	—	915,350
Net appreciation (realized and unrealized)	<u>(301,105)</u>	<u>(1,028,335)</u>	<u>—</u>	<u>(1,329,440)</u>
Total investment return	(102,455)	(311,635)	—	(414,090)
Contributions, including changes in donor's restrictions	114,486	(1,398,667)	1,949,862	665,681
Appropriation of endowment assets for expenditure	<u>(583,415)</u>	<u>(121,336)</u>	<u>—</u>	<u>(704,751)</u>
Net assets as of June 30, 2016	11,908,840	14,272,380	23,846,899	50,028,119
Investment return:				
Investment income	211,638	753,980	—	965,618
Net appreciation (realized and unrealized)	<u>1,124,080</u>	<u>3,671,262</u>	<u>—</u>	<u>4,795,342</u>
Total investment return	1,335,718	4,425,242	—	5,760,960
Contributions	150	—	25,206	25,356
Appropriation of endowment assets for expenditure	<u>(617,961)</u>	<u>(1,623,511)</u>	<u>—</u>	<u>(2,241,472)</u>
Net assets as of June 30, 2017	<u>\$ 12,626,747</u>	<u>17,074,111</u>	<u>23,872,105</u>	<u>53,572,963</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires Catholic Charities to retain as a fund of perpetual duration. These shortfalls result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Organization. There were no significant shortfalls of this nature as of June 30, 2017 or 2016.

In fiscal year 2016, the Organization reclassified the balance of a donor-restricted fund from temporarily restricted to permanently restricted after clarification from the donor that the fund be maintained as an endowment.

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(9) Retirement Plans

Certain employees of Catholic Charities participate in the Retirement Plan for Lay Employees of the Archdiocese of Baltimore with other affiliated organizations of the Archdiocese, which is a single-employer plan under common control. Effective July 1, 2011, the Archdiocese froze participation in and benefits accumulation of its plan. Accordingly, no Catholic Charities' employees hired subsequent to that date will become participants and benefits accumulated as of July 1, 2011 are frozen. Benefits were based on age, years of service, and level of compensation.

Pension-related expense, which was \$1.2 million in 2017 and \$1.4 million in 2016, is determined and allocated by the Archdiocese to Catholic Charities and is the amount that Catholic Charities is to remit to the Archdiocese. Annual cash payments, which are also determined by and made to the Archdiocese for remittance to the plan, were \$2.7 million in 2017 and 2016. The net amount due to the Archdiocese as of June 30, 2017 and 2016 is \$5.5 million and \$7.0 million, respectively.

Participating employers, including Catholic Charities, are responsible for continued funding of the plan for their proportional participation as well as any nonperformance of other affiliated employers, if any. Risks of participation in the plan include the following: (a) assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers; and (b) if a participating employer withdraws from the plan, the unfunded obligation of the plan may be borne by the remaining participating employers. As of June 30, 2017, the plan was less than 65% funded.

Effective July 1, 2011, Catholic Charities adopted its own 403(b) employee retirement plan, which permits participants to defer a percentage of their salary, on a pretax basis, and allows Catholic Charities to make discretionary contributions, based on participants' eligible compensation. Employer contributions are subject to vesting requirements. Expense incurred for the 403(b) retirement plan was \$2.3 million and \$2.2 million for fiscal years 2017 and 2016, respectively.

(10) Leases

Catholic Charities has entered into commitments to lease certain office and program space. The lease terms expire at various dates through June 2022. The following is a schedule of future minimum lease payments required under the operating leases that have remaining lease terms in excess of one year as of June 30, 2017:

Fiscal year:	
2018	\$ 3,417,474
2019	1,797,930
2020	1,315,135
2021	501,474
2022	<u>108,340</u>
	<u>\$ 7,140,353</u>

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The minimum rentals above do not include additional payments for insurance, property taxes, and maintenance costs that may be due as provided for in the lease agreements. Rent expense was approximately \$2.1 million and \$2.0 million for fiscal years 2017 and 2016, respectively.

Catholic Charities leases office space from the Archdiocese. Rent paid to the Archdiocese was approximately \$146,000 and \$142,000 for fiscal years 2017 and 2016, respectively.

(11) Legal and Regulatory Contingencies

Catholic Charities is engaged in various legal proceedings arising out of and incidental to its businesses. After reviewing developments with legal counsel, management is of the opinion that these legal proceedings will not have a material adverse effect on the combined financial position of Catholic Charities.

Amounts received and expended by the Organization under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the combined financial position of the Organization.

(12) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2017 and through October 30, 2017 and determined that no adjustments or disclosures to the combined financial statements were required, except as follows:

Pursuant to an Asset Purchase Agreement dated April 28, 2017, Catholic Charities Nursing, Inc. (formerly ACC Greenhouse Residences, Inc.) sold its fixed assets at book value (\$0.1 million) and transferred its operations to a third party effective August 1, 2017. Total revenue included in accompanying financial statements for the year ended June 30, 2017 was \$5.3 million. As a result, Catholic Charities Nursing, Inc. has ceased operations.

SUPPLEMENTARY FINANCIAL INFORMATION

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Supplemental Combining Statement of Financial Position

June 30, 2017

Assets	Senior			Combined
	ACC (A)	Communities (B)	Eliminations (C)	
Cash and cash equivalents	\$ 2,395,152	2,524,702	—	4,919,854
Restricted cash	1,340,771	1,496,138	—	2,836,909
Accounts receivable, less allowance for doubtful accounts	14,320,241	1,377,404	—	15,697,645
Prepaid expenses and other assets	2,071,865	1,148,709	—	3,220,574
Investments, at fair value	69,941,277	4,475,723	—	74,417,000
Property and equipment, net	49,183,854	102,926,722	(6,757,713)	145,352,863
Intercompany	9,753,147	(9,753,147)	—	—
Total assets	<u>\$ 149,006,307</u>	<u>104,196,251</u>	<u>(6,757,713)</u>	<u>246,444,845</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 4,805,977	1,084,980	—	5,890,957
Accrued salaries and benefits	7,017,772	112,687	—	7,130,459
Accrued interest	882,928	458,338	—	1,341,266
Deferred revenue	1,141,780	68,970	—	1,210,750
Due to Archdiocese	5,514,382	—	—	5,514,382
Other liabilities	5,577,900	776,637	—	6,354,537
Capital advances	5,980,900	92,742,022	—	98,722,922
Mortgages and bonds payable	21,420,644	32,942,595	—	54,363,239
Total liabilities	<u>52,342,283</u>	<u>128,186,229</u>	<u>—</u>	<u>180,528,512</u>
Net assets (deficits):				
Unrestricted – controlling interest	53,396,903	(34,525,674)	(6,757,713)	12,113,516
Unrestricted – noncontrolling interest	—	10,535,696	—	10,535,696
Total unrestricted	53,396,903	(23,989,978)	(6,757,713)	22,649,212
Temporarily restricted	19,223,641	—	—	19,223,641
Permanently restricted	24,043,480	—	—	24,043,480
Total net assets	<u>96,664,024</u>	<u>(23,989,978)</u>	<u>(6,757,713)</u>	<u>65,916,333</u>
Total liabilities and net assets	<u>\$ 149,006,307</u>	<u>104,196,251</u>	<u>(6,757,713)</u>	<u>246,444,845</u>

See accompanying notes to independent auditors' report.

Note: The combining statement of financial position is included to separately present the assets, liabilities, and net assets of the Organization's low-income senior housing communities, which include a substantial investment in property and equipment, financed primarily with mortgages, and capital advances from the United States Department of Housing and Urban Development (HUD) (Senior Communities). The Senior Communities' net deficits relate primarily to depreciation of property and equipment, which is not currently funded by HUD.

- (A) Comprising Associated Catholic Charities, Inc., and certain of its affiliated organizations, as follows: Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., 661 Corporation, My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., and Esperanza Center Health Services, Inc.
- (B) Comprising the Organization's low-income senior communities, as follows: Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starnier Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., Basilica Place Limited Partnership, and BPL, Inc.
- (C) The elimination relates primarily to construction developer fees paid by the HUD communities to ACC.