

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Consolidated Financial Statements**

**June 30, 2016 and 2015**

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Table of Contents**

June 30, 2016 and 2015

---

Independent Auditors' Report .....	1 - 2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Cash Flows.....	5
Consolidated Statements of Functional Expenses .....	6 - 7
Notes to Consolidated Financial Statements.....	8 - 21

WHITTLESEY & HADLEY, P.C.

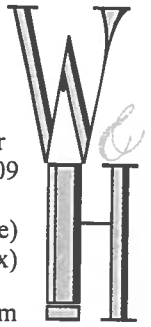
Certified Public Accountants/Consultants

280 Trumbull Street, 24th Floor  
Hartford, Connecticut 06103-3509

INDEPENDENT AUDITORS' REPORT

860.522.3111 (voice)  
860.728.0232 (fax)

www.whcpa.com



To the Board of Trustees of  
Catholic Charities, Inc. - Archdiocese of Hartford

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Catholic Charities, Inc. - Archdiocese of Hartford and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Charities, Inc. - Archdiocese of Hartford and Subsidiary as of June 30, 2016 and 2015, and the consolidated 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.

*Whittlesey & Halley, P.C.*

Hartford, Connecticut  
October 25, 2016

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Consolidated Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 8,458,033	\$ 9,049,910
Grants receivable	2,240,275	1,803,302
Accounts receivable, net of allowance	330,153	487,629
Deposits and prepaid expenses	93,711	114,876
Marketable securities	4,956,171	4,613,108
Property and equipment, net	8,764,669	8,142,652
Total assets	\$ 24,843,012	\$ 24,211,477
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,050,321	\$ 1,502,397
Grants payable	465,752	675,127
Reserve for self-funded unemployment insurance	321,929	254,061
Refundable advances	295,173	232,398
Notes payable	2,855,968	2,943,263
Accrued pension liability	3,655,710	2,762,635
Total liabilities	9,644,853	8,369,881
<b>Net Assets</b>		
Unrestricted:		
Undesignated	4,082,849	5,065,367
Board designated endowment	4,213,770	4,404,167
Net investment in property and equipment	5,908,701	5,199,389
Total unrestricted	14,205,320	14,668,923
Temporarily restricted	992,839	1,172,673
Total net assets	15,198,159	15,841,596
Total liabilities and net assets	\$ 24,843,012	\$ 24,211,477

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

# CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD AND SUBSIDIARY

## Consolidated Statements of Activities

For the years ended June 30, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Operating revenues and support:</b>				
Grants from government agencies	\$ 14,675,666	\$ -	\$ 14,675,666	\$ -
United Way	841,245	-	841,245	-
Archdiocese of Hartford	2,655,571	79,187	2,734,758	-
Contributions and private grants	1,278,493	173,712	1,452,205	-
Program service fees	5,427,490	-	5,427,490	233,889
Fundraising	365,878	-	365,878	-
Interest and dividends	100,485	-	100,485	-
Other	17,053	-	17,053	-
Net assets released from program restrictions	323,919	(323,919)	-	(333,184)
Total operating revenues and support	<u>25,685,800</u>	<u>(71,020)</u>	<u>25,614,780</u>	<u>(99,295)</u>
<b>Operating expenses:</b>				
Program services	20,811,478	-	20,811,478	-
Management and general	4,517,651	-	4,517,651	-
Fundraising and development:				
Fundraising	235,596	-	235,596	-
Development	291,479	-	291,479	-
Total fundraising and development	527,075	-	527,075	-
Total operating expenses	<u>25,856,204</u>	<u>-</u>	<u>25,856,204</u>	<u>-</u>
Change in net assets from operating activities	<u>(170,404)</u>	<u>(71,020)</u>	<u>(241,424)</u>	<u>(99,295)</u>
<b>Other changes in net assets:</b>				
Capital grants	674,827	100,000	774,827	100,000
Bequests	7,128	33,454	40,582	148,124
Unrealized (loss) on marketable securities	(106,912)	-	(106,912)	-
Realized gain on marketable securities	37,746	-	37,746	-
(Loss) on disposal of property	(24,159)	-	(24,159)	-
Pension changes other than net periodic pension cost	(1,124,097)	-	(1,124,097)	-
Net assets released from restrictions for capital grants	242,268	(242,268)	-	(3,132)
Total other changes in net assets	<u>(293,199)</u>	<u>(108,814)</u>	<u>(402,013)</u>	<u>244,992</u>
Change in net assets	<u>(463,603)</u>	<u>(179,834)</u>	<u>(643,437)</u>	<u>145,697</u>
Net assets, beginning of year	14,668,923	1,172,673	15,841,596	1,026,976
Net assets, end of year	<u>\$ 14,205,320</u>	<u>\$ 992,839</u>	<u>\$ 15,198,159</u>	<u>\$ 1,172,673</u>
			<u>\$ 14,668,923</u>	<u>\$ 1,172,673</u>
			<u>\$ 15,102,266</u>	<u>\$ 15,102,266</u>
			853,806	853,806
			2,605,564	2,605,564
			1,112,523	1,346,412
			5,085,813	5,085,813
			347,480	347,480
			83,925	83,925
			26,573	26,573
			333,184	-
			25,551,134	(99,295)
			20,815,710	-
			4,127,965	-
			250,428	-
			223,110	-
			473,538	-
			25,417,213	-
			133,921	(99,295)
			46,014	100,000
			291,595	148,124
			(163,628)	-
			133,494	-
			(28,578)	-
			(468,114)	-
			3,132	(3,132)
			(186,085)	244,992
			(52,164)	145,697
			14,721,087	1,026,976
			\$ 14,668,923	\$ 1,172,673
			\$ 15,841,596	\$ 15,841,596

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

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Consolidated Statements of Cash Flows

For the years ended June 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (643,437)	\$ 93,533
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	460,686	446,944
Bequests	(40,582)	(439,719)
Contributions restricted for capital purposes	(774,827)	(146,014)
Unrealized and realized loss on marketable securities	69,166	30,134
Bad debt	568	23,030
Loss on disposal of property	24,159	28,578
(Increase)/decrease in assets:		
Grants receivable	(436,973)	1,375,711
Accounts receivable, net of allowance	156,908	(245,757)
Deposits and prepaid expenses	21,165	14,536
Increase/(decrease) in liabilities:		
Accounts payable and accrued liabilities	547,924	(332,623)
Grants payable	(209,375)	173,103
Reserve for self-funded unemployment insurance	67,868	58,332
Refundable advances	62,775	89,007
Accrued pension liability	893,075	305,202
Net change in cash from operating activities	<u>199,100</u>	<u>1,473,997</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,106,862)	(214,049)
Proceeds from the sale of marketable securities	161,839	187,188
Purchases of marketable securities	(574,068)	(514,828)
Net change in cash from investing activities	<u>(1,519,091)</u>	<u>(541,689)</u>
<b>Cash flows from financing activities:</b>		
Bequests	40,582	439,719
Contributions restricted for capital purposes	774,827	146,014
Proceeds from refinance of note payable	-	210,000
Repayment of notes payable	(87,295)	(285,626)
Net change in cash from financing activities	<u>728,114</u>	<u>510,107</u>
Net change in cash and cash equivalents	(591,877)	1,442,415
Cash and cash equivalents, beginning of year	9,049,910	7,607,495
Cash and cash equivalents, end of year	<u>\$ 8,458,033</u>	<u>\$ 9,049,910</u>

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

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2016

	Program Services	Management and General	Fundraising and Development	Total
<b>Salaries and related expenses:</b>				
Salaries	\$ 11,945,418	\$ 2,319,446	\$ 301,056	\$ 14,565,920
Employee benefits	2,436,473	609,420	81,239	3,127,132
Payroll taxes	878,451	168,337	22,578	1,069,366
Total salaries and related expenses	<u>15,260,342</u>	<u>3,097,203</u>	<u>404,873</u>	<u>18,762,418</u>
<b>Other expenses:</b>				
Professional fees and contract services	1,287,646	359,053	17,578	1,664,277
Occupancy	1,185,912	339,713	12,548	1,538,173
Program and office supplies	819,606	55,310	2,842	877,758
Rental and maintenance of equipment	405,887	272,397	19,366	697,650
Specific assistance	664,867	5,904	1,047	671,818
Travel	282,107	31,940	492	314,539
Telephone	166,530	36,480	4,431	207,441
Conferences, conventions and meetings	104,689	25,687	1,335	131,711
Interest	123,257	2,558	-	125,815
Membership dues and subscriptions	3,634	71,630	204	75,468
Program activities	74,091	-	-	74,091
Bank and service charges	25,712	46,520	-	72,232
Miscellaneous	246	46,076	-	46,322
Advertising	29,812	7,756	2,958	40,526
Fundraising	3,476	-	36,828	40,304
Printing and publications	7,817	5,562	15,310	28,689
Postage	12,068	8,264	5,386	25,718
Bad debt	-	568	-	568
Total other expenses	<u>5,197,357</u>	<u>1,315,418</u>	<u>120,325</u>	<u>6,633,100</u>
Total expenses before depreciation	20,457,699	4,412,621	525,198	25,395,518
Depreciation	<u>353,779</u>	<u>105,030</u>	<u>1,877</u>	<u>460,686</u>
Total expenses	<u>\$ 20,811,478</u>	<u>\$ 4,517,651</u>	<u>\$ 527,075</u>	<u>\$ 25,856,204</u>

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



**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2015

	Program Services	Management and General	Fundraising and Development	Total
<b>Salaries and related expenses:</b>				
Salaries	\$ 12,209,882	\$ 2,302,032	\$ 265,818	\$ 14,777,732
Employee benefits	2,284,422	491,190	63,652	2,839,264
Payroll taxes	898,451	166,229	19,958	1,084,638
Total salaries and related expenses	<u>15,392,755</u>	<u>2,959,451</u>	<u>349,428</u>	<u>18,701,634</u>
<b>Other expenses:</b>				
Professional fees and contract services	966,888	293,432	15,278	1,275,598
Occupancy	1,331,975	232,600	11,491	1,576,066
Program and office supplies	840,470	37,661	3,164	881,295
Rental and maintenance of equipment	385,628	260,035	14,830	660,493
Specific assistance	738,939	-	-	738,939
Travel	290,451	32,600	1,280	324,331
Telephone	177,539	27,724	3,807	209,070
Conferences, conventions and meetings	73,597	28,197	1,760	103,554
Interest	119,121	2,398	-	121,519
Membership dues and subscriptions	2,627	76,454	35	79,116
Program activities	62,579	-	-	62,579
Bank and service charges	13,824	54,235	-	68,059
Miscellaneous	333	-	1,417	1,750
Advertising	31,238	6,409	2,961	40,608
Fundraising	-	-	39,205	39,205
Printing and publications	8,170	7,196	19,025	34,391
Postage	15,189	7,849	5,994	29,032
Bad debt	20,985	2,045	-	23,030
Total other expenses	<u>5,079,553</u>	<u>1,068,835</u>	<u>120,247</u>	<u>6,268,635</u>
Total expenses before depreciation	20,472,308	4,028,286	469,675	24,970,269
Depreciation	<u>343,402</u>	<u>99,679</u>	<u>3,863</u>	<u>446,944</u>
Total expenses	<u>\$ 20,815,710</u>	<u>\$ 4,127,965</u>	<u>\$ 473,538</u>	<u>\$ 25,417,213</u>

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

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

---

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:**

Catholic Charities, Inc. - Archdiocese of Hartford ("Catholic Charities") is a non-profit, professional guidance and counseling service for individuals, families and their children. Services are provided to anyone, regardless of age, race, religion, ethnic origin, sex or financial circumstances. Catholic Charities provides its services throughout the Archdiocese of Hartford, Connecticut.

The financial statements reflect the transactions of Catholic Charities, Inc. – Archdiocese of Hartford, and Catholic Charities Institute for the Hispanic Family Association, Inc. including all of their respective offices and programs. All significant intercompany accounts and transactions have been eliminated.

Catholic Charities Institute for the Hispanic Family Association, Inc. ("Condo Association") is a wholly owned subsidiary of Catholic Charities, which owns the facility that houses the Institute for the Hispanic Family program.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Accounting

The financial statements have been prepared on the accrual basis.

Financial Statement Presentation

The presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities Presentation of Financial Statements*, in which Catholic Charities reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Catholic Charities, and/or the passage of time.

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

As of June 30, 2016 and 2015, Catholic Charities did not have any net assets classified as permanently restricted.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### Donor Restricted Endowment Funds

Catholic Charities follows the FASB Accounting Standards Codification disclosure requirements for reporting donor-restricted endowment funds that relates to net asset classification of funds subject to the Uniform Prudent Management of Institutional Funds Act and included enhanced disclosures for the endowment funds.

Catholic Charities utilizes a spending policy that should preserve the real (inflation-adjusted) value of the endowment fund assets over the long term, focus more clearly on total return (asset growth and income combined) and increase the predictability of distribution levels. The annual distribution from the endowment funds will be calculated as a percentage of its asset base. It is determined that Catholic Charities will spend 5% of a 24 quarter trailing average of its asset values. Transfers made in accordance with the aforementioned spending policy amounted to \$186,724 and \$169,920 for the years ended June 30, 2016 and 2015, respectively.

By action of the Board of Directors, certain income from investments is designated to provide funding for specific projects as determined by the Board in addition to board designation of funds for the spending policy.

### Cash Equivalents

All short-term, highly liquid investments that have maturity dates of three months or less are considered cash equivalents.

### Accounts Receivable

Accounts are stated at the amounts management expects to collect from outstanding balances. An allowance for uncollectible accounts is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of individual activity, recent loss experience, current economic conditions and other pertinent factors. The allowance for uncollectible accounts was \$410,717 and \$410,717 as of June 30, 2016 and 2015, respectively.

### Fair Value Measurements

Catholic Charities adopted requirements of, *Fair Value Measurements and Disclosures* topic of the FASB ASC 820. *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. Fair value is defined as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including Catholic Charities' own credit risk.

In addition to defining fair value, *Fair Value Measurements and Disclosures* expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Level 2 - inputs are based upon quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities, including inputs in markets that are not considered to be active and investments in third party investment funds which may permit redemption at net asset value at the measurement date.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Donated Materials, Services and Use of Facilities

Donated materials, services, and use of facilities, when significant, are reflected at their appraised or estimated value. A substantial number of volunteers have donated significant amounts of time to Catholic Charities' activities and its fundraising events. Catholic Charities recognizes contributed services when the service requires specialized skills that would typically need to be purchased if not provided by the contribution. See note 4 for information regarding valuation of in-kind contributions.

Refundable Advances

Refundable advances represent revenues collected in advance for the period of intended support.

Revenue

Catholic Charities receives a substantial portion of its revenue from grants and contracts from government agencies. Catholic Charities recognizes contract revenue (up to the contract ceiling) from its contracts to the extent of expenses. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors.

Property and Equipment

Property and equipment purchased for \$5,000 and greater are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements has been provided on the straight-line method over the shorter period of the lease term or the estimated life of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the year. The following are useful lives of the assets:

	<u>Number of Years</u>
Building	30 - 40
Leasehold and building improvements	5 - 30
Automobiles	2 - 5
Office equipment	3 - 8
Furniture	5 - 10

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Federal and State Income Taxes

Catholic Charities is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Catholic Charities is also exempt from state income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Measurement Date

Catholic Charities monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the years ended June 30, 2016 through October 25, 2016, the date on which financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements to conform to the June 30, 2016 financial statement presentation.

**NOTE 3 - NET PATIENT SERVICE REVENUE:**

Net patient service revenue is comprised of net realizable amounts from patients, third party payers and others for services rendered. Net patient service revenue is included in program service fees in the statement of activities. The following summarizes net patient service revenue for the years ended June 30,:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue	\$ 6,316,323	\$ 4,958,422
Less: contractual allowance	<u>(2,984,865)</u>	<u>(2,057,745)</u>
Net patient service revenue	<u>\$ 3,331,458</u>	<u>\$ 2,900,677</u>

For the years ended June 30, 2016 and 2015, approximately 80 and 85 percent of net patient service revenue was reimbursable under the Medicaid program, respectively. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Catholic Charities believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program. Changes in the Medicaid program and the reduction of funding levels could have an adverse impact on Catholic Charities.

**NOTE 4 - IN-KIND CONTRIBUTIONS:**

An estimated value for contributed services is recorded as expenses under the following categories for the year ended June 30,:

	2016	2015
Salaries	\$ 3,441	\$ 3,744
Occupancy	347,013	355,764
Specific assistance	4,304	16,775
Total	<u>\$ 354,758</u>	<u>\$ 376,283</u>

Only in-kind salaries requiring specialized skills are recognized as contributions in the financial statements as required by the *Revenue Recognition for Contributed Services* topic of the FASB Accounting Standards Codification.

**NOTE 5 - CONCENTRATION OF CREDIT RISK:**

Catholic Charities maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Catholic Charities has not experienced any losses in its cash accounts.

**NOTE 6 - MARKETABLE SECURITIES:**

The following investments measured at fair value on a recurring basis at June 30, 2016:

	Total	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest in Archdiocese of Hartford				
Investment trust:				
Fixed income	\$ 1,300,419	\$ -	\$ 1,300,419	\$ -
Large cap	1,108,852	-	1,108,852	-
SCC index	506,703	-	506,703	-
International	442,613	-	442,613	-
Alternative	848,681	-	848,681	-
Total common collective trusts	<u>4,207,268</u>	-	<u>4,207,268</u>	-
Cash and cash equivalents	248,897	248,897	-	-
Market-linked certificate of deposit	500,006	500,006	-	-
Totals	<u>\$ 4,956,171</u>	<u>\$ 748,903</u>	<u>\$ 4,207,268</u>	<u>\$ -</u>

**NOTE 6 - MARKETABLE SECURITIES (CONTINUED):**

The following investments measured at fair value on a recurring basis at June 30, 2015:

	Total	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest in Archdiocese of Hartford				
Investment trust:				
Fixed income	\$ 1,524,158	\$ -	\$ 1,524,158	\$ -
Large cap	1,112,154	-	1,112,154	-
SCC index	555,306	-	555,306	-
International	431,856	-	431,856	-
Alternative	729,755	-	729,755	-
Total common collective trusts	4,353,229	-	4,353,229	-
Cash and cash equivalents	259,879	259,879	-	-
Totals	\$ 4,613,108	\$ 259,879	\$ 4,353,229	\$ -

**NOTE 7 - PROPERTY AND EQUIPMENT:**

The costs and accumulated depreciation of property and equipment are as follows at June 30,:

	2016	2015
Land and buildings	\$ 8,325,974	\$ 8,325,974
Leasehold and building improvements	3,986,175	3,769,313
Automobiles	102,006	112,116
Office equipment	1,164,839	1,285,425
Furniture	57,790	59,154
Construction in progress	826,557	59,813
Total cost	14,463,341	13,611,795
Less: accumulated depreciation	(5,698,672)	(5,469,143)
Property and equipment, net	\$ 8,764,669	\$ 8,142,652

**NOTE 8 - ENDOWMENT ASSETS:**

The following represents endowment assets and activity for the years ended:

	Board- designated Unrestricted	Temporarily Restricted	Total
Endowment assets, at July 1, 2014	<u>\$ 4,254,785</u>	<u>\$ 60,817</u>	<u>\$ 4,315,602</u>
Investment return:			
Interest and dividends	75,109	-	75,109
Realized and unrealized losses	(30,134)	-	(30,134)
Fees	<u>(17,268)</u>	-	<u>(17,268)</u>
Total investment return	27,707	-	27,707
Contributions to endowment	291,595	148,124	439,719
Amounts appropriated for expenditure	<u>(169,920)</u>	-	<u>(169,920)</u>
Endowment assets, at June 30, 2015	<u>4,404,167</u>	<u>208,941</u>	<u>4,613,108</u>
Investment return:			
Interest and dividends	74,068	-	74,068
Realized and unrealized losses	(69,166)	-	(69,166)
Fees	<u>(15,703)</u>	-	<u>(15,703)</u>
Total investment return	(10,801)	-	(10,801)
Contributions to endowment	7,128	33,454	40,582
Amounts appropriated for expenditure	<u>(186,724)</u>	-	<u>(186,724)</u>
Endowment assets, at June 30, 2016	<u><u>\$ 4,213,770</u></u>	<u><u>\$ 242,395</u></u>	<u><u>\$ 4,456,165</u></u>

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:**

Balances in temporarily restricted net assets are held for the following purposes at June 30,:

	2016	2015
Family centers	\$ 282,209	\$ 301,323
Capital improvements	203,297	345,565
Basic human needs	433,392	451,844
Adoption	60,817	60,817
Counseling	13,124	13,124
	<u>\$ 992,839</u>	<u>\$ 1,172,673</u>

**NOTE 10 - REFUNDABLE ADVANCES:**

Refundable advances consist of the following at June 30,:

	2016	2015
Refundable advances - grants	\$ 147,667	\$ 128,996
United States Conference of Catholic Bishops	27,250	27,250
Department of Developmental Services	<u>120,256</u>	<u>76,152</u>
Total refundable advances	<u><u>\$ 295,173</u></u>	<u><u>\$ 232,398</u></u>



**NOTE 12 - RETIREMENT PLAN (CONTINUED):**

	2016	2015
<i>Amounts Recognized in the Statements of</i>		
<i>Financial Position and Statements of Activities:</i>		
Liability for pension benefits at beginning of fiscal year before reflecting ASC Topic 715 adjustments	\$ (466,267)	\$ (629,179)
Net periodic pension cost (recognized in total operating expenses)	(18,978)	61,912
Contribution paid during the year	250,000	101,000
Liability for pension benefits at end of fiscal year before reflecting ASC Topic 715 adjustments	(235,245)	(466,267)
Settlement loss	(273,637)	-
Net effect of adoption of recognition provisions of ASC Topic 715	(3,146,828)	(2,296,368)
Liability for pension benefits at end of fiscal year after reflecting adjustments for ASC Topic 715	<u>\$ (3,655,710)</u>	<u>\$ (2,762,635)</u>

*Components of Net Periodic Pension Benefits Cost:*

Service cost	\$ 18,095	\$ 18,962
Interest cost	379,300	389,307
Actual return on plan assets	(145,900)	(334,152)
Amortization of unrecognized net loss	173,641	133,289
Asset (loss) deferred	(406,158)	(269,318)
Net periodic pension benefit cost	<u>\$ 18,978</u>	<u>\$ (61,912)</u>

*Reconciliation of Items Not Yet Reflected in Net Periodic Pension Benefit Cost:*

	July 1, 2015	Reclassified as a Net Periodic Benefit Cost	Amounts Arising During Period	Effects of Settlement	June 30, 2016
Transition obligation (or asset)	\$ -	\$ -	\$ -	\$ -	\$ -
Net prior service cost (or credit)	-	-	-	-	-
Net (gain) or loss	2,296,368	(173,641)	1,297,738	(273,637)	3,146,828

*Estimated Effect in Next Fiscal Year - Items Not Yet Reflected in Net Periodic Pension Benefit Cost:*

	July 1, 2016	Estimated Amounts to be Reclassified as Net Periodic Benefit Cost
Transition obligation (or asset)	\$ -	\$ -
Net prior service cost (or credit)	-	-
Net (gain) or loss	3,146,828	(344,379)

**NOTE 12 - RETIREMENT PLAN (CONTINUED):**

*Assumptions Used for Determining  
Net Periodic Pension Benefit Cost:*

	<u>2016</u>	<u>2015</u>
Discount rate	3.00%	3.65%
Post retirement interest rate	5.50%	6.00%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Catholic Charities' expected rate of return on plan assets is determined by the plan asset's historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

Plan Assets:

Catholic Charities' pension plan weighted-average asset allocations at June 30, 2016 and 2015, by asset category are as follows:

	<u>2016</u>	<u>2015</u>
Equity	51.80%	53.60%
Fixed income	34.40%	34.40%
General account	13.80%	12.00%
Total	<u>100.00%</u>	<u>100.00%</u>

Catholic Charities' investment policy is to manage the Plan with long-term objectives; with little concern for high current income or the need to maintain ready-cash reserves beyond those necessary to pay current benefits for the Plan; and with the intent to achieve the highest long-term rate of return practical without jeopardizing Catholic Charities' funding policy or creating undue funding volatility.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

*Registered Investment Companies (Mutual Funds):* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The insurance company general account (interest accumulation account) is recorded at contract value, which is deemed to be fair value. The interest accumulation account is credited with a contractual rate of return rather than a market value. Participants may direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

**NOTE 12 - RETIREMENT PLAN (CONTINUED):**

The fair values of Catholic Charities' Pension Plan assets, by asset class are as follows at June 30, 2016:

	Total	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest accumulation account	\$ 1,226,112	\$ 1,226,112	\$ -	\$ -
Mutual Funds:				
Equity	4,597,581	4,597,581	-	-
Fixed income	3,048,011	3,048,011	-	-
Total mutual funds	7,645,592	7,645,592	-	-
Total investments, fair value	\$ 8,871,704	\$ 8,871,704	\$ -	\$ -

The fair values of Catholic Charities' Pension Plan assets, by asset class are as follows at June 30, 2015:

	Total	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Interest accumulation account	\$ 1,152,986	\$ 1,152,986	\$ -	\$ -
Mutual Funds:				
Equity	5,132,339	5,132,339	-	-
Fixed income	3,297,134	3,297,134	-	-
Total mutual funds	8,429,473	8,429,473	-	-
Total investments, fair value	\$ 9,582,459	\$ 9,582,459	\$ -	\$ -

The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

<u>Fiscal Year End</u>	
2017	\$ 3,676,000
2018	927,000
2019	596,000
2020	984,000
2021	1,080,000
2022-2026	3,481,000

**NOTE 12 - RETIREMENT PLAN (CONTINUED):**

Section 403(b) Defined Contribution Plan:

Catholic Charities offers a 403(b) benefit plan. There is no minimum age requirement to make salary reduction contributions to this plan. The participant can enroll on the first day of the month coinciding with or immediately following the date of hire. Employees who are twenty one years of age, work twenty or more hours and completed at least one year of service are eligible to receive employer base contributions. The employer also makes an additional matching contribution to the Plan for eligible participants based on years of service, ranging from 3% to 6% for years of service less than five to greater than 15 years of service, respectively. Total employer contributions for the years ended June 30, 2016 and 2015 were \$384,531 and \$402,369, respectively.

**NOTE 13 - CONCENTRATION OF REVENUES:**

Of the total support and revenue received by Catholic Charities approximately 7.7% and 9.4% represent grants from federal agencies and 47.1% and 44.1% represent grants from state agencies for the years ended June 30, 2016 and 2015, respectively. Total grants from state agencies amounted to approximately \$12.4 and \$12.1 million for the years ended June 30, 2016 and 2015, respectively. Approximately 80% of the \$12.4 and \$12.1 million in state funding is comprised of grants from the following agencies: Department of Children and Families (19%), Office of Early Childhood (27%), and Department of Developmental Services (32%). If a reduction in the level of this support were to occur, there would be a significant impact on Catholic Charities' operations.

**NOTE 14 - OPERATING LEASES:**

Catholic Charities currently has occupancy leases for several of its programs. The leases run for various periods of time through August 2033. Lease expense was \$230,002 and \$296,196 for the years ended June 30, 2016 and 2015, respectively.

Catholic Charities has several automobile leases. The leases run for various periods of time through June 2016. Lease payments were \$89,852 and \$56,679 for the years ended June 30, 2016 and 2015, respectively.

Catholic Charities also leases furniture and office equipment that run for various periods of time through June 2016. Lease payments were \$90,308 and \$80,762 for the years ended June 30, 2016 and 2015, respectively.

The payments required by the leases for the next five years are as follows:

2017	\$	317,407
2018		211,969
2019		210,879
2020		111,010
2021		63,001
Thereafter		262,800
	\$	<u>1,177,066</u>

**NOTE 15 - SELF-FUNDED UNEMPLOYMENT INSURANCE:**

Employees are provided with unemployment benefits in the event of loss of employment. The future estimated liability was \$321,929 and \$254,061 at June 30, 2016 and 2015, respectively, which is based on an average rate of 1% of salaries and wages and is adjusted for the value of claims processed during the year.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES:**

Catholic Charities is, from time to time, subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of Catholic Charities.

The CHEFA loan agreement requires that Catholic Charities maintain a renewal and replacement fund equal to two percent (2%) of annual revenues of the Institute for the Hispanic Family facility. The balance in the renewal and replacement fund held in custody by CHEFA was \$90,898 and \$90,873 on June 30, 2016 and 2015, respectively.

Catholic Charities is the recipient of bonding grants from various state agencies for the purpose of capital improvements. With these grants, Catholic Charities is required to maintain its operations for 10 years following the completion of all renovations to the specific location. If Catholic Charities is not in compliance with this and other restrictions, the State of Connecticut has the ability to request repayment of the funds on a percentage basis.

	Award Amount	Expired Amount	Expiration Date
Department of Mental Health and Addiction Services	\$ 430,000	\$ 430,000	6/30/2016
Department of Children and Families	51,804	47,000	6/30/2017
Department of Social Services	2,000,000	1,600,000	6/30/2018
Department of Education	120,030	12,000	6/30/2026
Department of Social Services	250,000	-	6/30/2027
Department of Education	442,679	-	6/30/2027

**NOTE 17 - RELATED PARTIES:**

Catholic Charities is affiliated with the Archdiocese of Hartford. The Archdiocese provides economic assistance to Catholic Charities, and Archdiocese personnel serve as members of the Catholic Charities Board of Trustees.

The Archdiocese provided operational support to Catholic Charities in the amount of \$2,734,758 and \$2,605,564 for the years ended June 30, 2016 and 2015, respectively. These amounts include \$347,013 and \$355,764 for in-kind contribution of rent for use of buildings owned by the Archdiocese for the years ended June 30, 2016 and 2015, respectively. In addition, the Archdiocese provided support for capital improvements in the amount of \$100,000 for the years ended June 30, 2016 and 2015.

Catholic Charities provides case management services to benefit residents of Cathedral Green, Inc. pursuant to a contract with the State of Connecticut Department of Mental Health and Addiction Services. Diocesan personnel are on the Board of both Catholic Charities and Cathedral Green. Total expenditures were \$194,700 and \$193,824 towards this program for the years ended June 30, 2016 and 2015, respectively.

**NOTE 18 - SUPPLEMENTARY CASH FLOW INFORMATION:**

	2016	2015
Supplementary information:		
Cash paid for interest expense	\$ 125,815	\$ 121,519