



Catholic Charities

MARIN ♦ SAN FRANCISCO ♦ SAN MATEO

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018



CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO

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Independent Auditors' Report

To the Board of Directors of
Catholic Charities CYO of the Archdiocese of San Francisco

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities CYO of the Archdiocese of San Francisco (a California not-for-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, program services and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditor's 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 financial position of Catholic Charities CYO of the Archdiocese of San Francisco as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Catholic Charities CYO of the Archdiocese of San Francisco's June 30, 2017 consolidated financial statements, and our report dated December 13, 2017, expressed an unqualified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Riva Accountancy Corporation

Certified Public Accountants

San Francisco, California
December 18, 2018

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash and cash equivalents	\$ 2,376,980	\$ 10,112,997
Investments	12,285,174	8,077,094
Program receivables	6,448,406	4,731,714
Contributions receivable	813,791	1,722,397
Prepaid expenses and other assets	413,538	343,222
Property and equipment, net	13,016,899	11,551,900
Contractually restricted cash	4,613,581	2,991,630
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 39,968,369</u>	<u>\$ 39,530,954</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable	\$ 575,728	\$ 799,305
Accrued expenses	3,273,673	2,799,810
Deferred revenue and deferred compensation	768,226	776,867
Notes payable	6,553,704	6,576,209
Contractual reserves	4,613,581	4,173,050
Conditional asset retirement obligations	807,486	805,238
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>16,592,398</u>	<u>15,930,479</u>
 NET ASSETS:		
Unrestricted		
Undesignated	8,050,551	10,719,666
Board designated	1,745,634	-
Investment in property and equipment, net	9,162,399	7,646,016
	<hr/>	<hr/>
	18,958,584	18,365,682
Temporarily restricted	3,161,509	3,984,732
Permanently restricted	1,255,878	1,250,061
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>23,375,971</u>	<u>23,600,475</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,968,369</u>	<u>\$ 39,530,954</u>

See notes to consolidated financial statements.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

CONSOLIDATED STATEMENT OF ACTIVITIES (With summarized financial information for the year ended June 30, 2017)

	Year Ended June 30, 2018			Year Ended June 30, 2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals
SUPPORT AND REVENUE:					
Government contracts	\$ 25,211,247	\$ -	\$ -	\$ 25,211,247	\$ 23,844,884
Program service fees	9,074,616	-	-	9,074,616	9,237,939
Contributions and foundation grants	1,607,851	2,066,949	5,190	3,679,990	3,748,064
Bequests	1,745,634	192,356	627	1,938,617	2,887,079
Special events	500	42,634	-	43,134	100,895
Rental income	1,791,567	-	-	1,791,567	1,711,971
Investment return	172,831	59,936	-	232,767	292,932
Other income	562,994	-	-	562,994	362,672
Net assets released from restrictions	3,185,098	(3,185,098)	-	-	-
TOTAL SUPPORT AND REVENUE	43,352,338	(823,223)	5,817	42,534,932	42,186,436
OPERATING EXPENSES:					
Program services	35,384,956	-	-	35,384,956	34,314,714
Program services	35,384,956	-	-	35,384,956	34,314,714
Administration	5,660,172	-	-	5,660,172	4,663,968
Development	1,714,308	-	-	1,714,308	1,347,705
TOTAL EXPENSES	42,759,436	-	-	42,759,436	40,326,387
CHANGE IN NET ASSETS	592,902	(823,223)	5,817	(224,504)	1,860,049
NET ASSETS, beginning of year	18,365,682	3,984,732	1,250,061	23,600,475	21,740,426
NET ASSETS, end of year	\$ 18,958,584	\$ 3,161,509	\$ 1,255,878	\$ 23,375,971	\$ 23,600,475

See notes to consolidated financial statements.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (With summarized financial information for the year ended June 30, 2017)

	Year Ended, June 30, 2018			Total Services	Year Ended June 30, 2017 Comparative Totals
	Program Services	Supporting Services			
		Administration	Development		
Salaries and wages	\$ 16,872,498	\$ 2,969,396	\$ 779,736	\$ 20,621,630	\$ 19,744,879
Employee benefits and payroll taxes	5,384,741	636,733	233,826	6,255,300	6,235,179
Total salaries and related expenses	22,257,239	3,606,129	1,013,562	26,876,930	25,980,058
Occupancy costs	3,059,596	138,309	95,644	3,293,549	2,998,263
Professional fees	1,448,024	1,398,018	377,870	3,223,912	2,307,067
Financial assistance	2,205,491	-	-	2,205,491	2,150,852
Transportation costs and travel	1,582,474	26,935	5,123	1,614,532	1,541,647
Depreciation	986,540	121,897	-	1,108,437	1,174,940
Program food	1,057,989	689	327	1,059,005	977,949
Telephone and postage	528,681	100,631	23,827	653,139	640,304
Supplies	641,012	31,717	12,014	684,743	590,541
Contractually required reserves	467,058	-	-	467,058	584,492
Miscellaneous	478,206	111,762	41,822	631,790	435,600
Insurance	358,854	12,778	5,805	377,437	337,645
Child related	182,756	-	-	182,756	263,032
Printing and publication	27,572	43,702	94,157	165,431	172,580
Conferences and meetings	100,589	67,605	44,157	212,351	171,364
Interest	2,875	-	-	2,875	53
Total direct expenses	35,384,956	5,660,172	1,714,308	42,759,436	40,326,387
Indirect allocation	7,036,832	(5,660,172)	(1,376,660)	-	-
Total expenses	<u>\$ 42,421,788</u>	<u>\$ -</u>	<u>\$ 337,648</u>	<u>\$ 42,759,436</u>	<u>\$ 40,326,387</u>

See notes to consolidated financial statements.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

CONSOLIDATED STATEMENT OF PROGRAM SERVICES

	Year Ended, June 30, 2018					
	Aging Support Services	Children and Youth	Homelessness and Housing Services	Refugees and Immigrants Services	Auxiliary Services	Total Program Services
Salaries and wages	\$ 974,073	\$ 8,343,827	\$ 5,026,668	\$ 688,451	\$ 1,839,479	\$ 16,872,498
Employee benefits and payroll taxes	311,972	2,590,193	1,666,637	197,060	618,879	5,384,741
Total salaries and related expenses	1,286,045	10,934,020	6,693,305	885,511	2,458,358	22,257,239
Occupancy costs	182,780	1,063,899	1,518,857	85,419	208,641	3,059,596
Professional fees	30,643	684,823	632,606	37,142	62,810	1,448,024
Financial assistance	-	75,385	2,036,511	93,595	-	2,205,491
Transportation costs and travel	113,667	595,951	66,923	3,438	802,495	1,582,474
Depreciation	7,344	475,074	261,172	9,169	233,781	986,540
Program food	47,675	593,341	416,973	-	-	1,057,989
Telephone	31,852	240,807	197,200	16,819	42,003	528,681
Supplies	48,504	346,281	224,626	17,308	4,293	641,012
Contractually required reserves	-	-	467,058	-	-	467,058
Miscellaneous	1,735	196,755	158,627	10,311	110,778	478,206
Insurance	6,980	131,728	178,989	15,895	25,262	358,854
Printing and publication	2,729	12,399	4,901	3,029	4,514	27,572
Child related	-	182,756	-	-	-	182,756
Conferences and meetings	7,313	64,499	15,708	10,349	2,720	100,589
Interest	-	2,278	597	-	-	2,875
Total direct expenses	1,767,267	15,599,996	12,874,053	1,187,985	3,955,655	35,384,956
Indirect allocation	358,370	3,129,465	2,415,981	241,130	891,886	7,036,832
Totals	\$ 2,125,637	\$ 18,729,461	\$ 15,290,034	\$ 1,429,115	\$ 4,847,541	\$ 42,421,788

See notes to consolidated financial statements.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (224,504)	\$ 1,860,049
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,108,437	1,174,940
Permanently restricted contributions	(5,817)	(119,432)
Gain on asset disposal	(22,377)	-
Net realized and unrealized gain on investments	(184,859)	(285,599)
Contribution of investments	(45,718)	(267,435)
Change in asset retirement obligation	2,248	53
Change in operating assets and liabilities:		
Receivables	(808,086)	3,161,677
Prepaid expenses and other assets	(70,316)	103,757
Change in contractually restricted cash	(1,181,420)	(134,843)
Accounts payable	(223,577)	(237,563)
Accrued expenses	473,863	(200,719)
Deferred revenue and deferred compensation	(15,540)	(99,441)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,197,665)	4,955,444
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	689,879	458,323
Proceeds from sales of property and equipment	83,127	-
Purchases of investments	(4,660,483)	(5,957,458)
Purchases of property and equipment	(2,634,187)	(1,672,893)
NET CASH USED BY INVESTING ACTIVITIES	(6,521,664)	(7,172,028)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(22,505)	(26,916)
Permanently restricted contributions received	5,817	119,432
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(16,688)	92,516
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,736,017)	(2,124,068)
CASH AND CASH EQUIVALENTS, beginning of year	10,112,997	12,237,065
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,376,980</u>	<u>\$ 10,112,997</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 2,260</u>	<u>\$ 1,147</u>

See notes to consolidated financial statements.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Catholic Charities CYO of the Archdiocese of San Francisco (“Catholic Charities CYO”) is a non-profit human services and community development organization. The Organization is dedicated to the growth and development of children and families in a safe environment. Its mission is to alleviate human suffering by providing direct services for the poor and disenfranchised; to address the root causes of poverty and injustice by assisting people to mobilize their own resources and become self-sufficient; to enhance society’s awareness of suffering through advocacy for changing unjust social conditions.

Guided by core values of charity, social justice and respect for human dignity, the Organization reaches out to children, families, and individuals in San Francisco, San Mateo, and Marin counties, and offers over 30 programs located throughout the Archdiocese. An important dimension of the programs is concerted outreach to “at risk” youth, families and communities. The Organization views their employees and those they serve as strategic partners in these efforts.

Basis of accounting:

The financial statements include the accounts of Catholic Charities CYO and the entities Catholic Charities CYO controls and has an economic interest in: 899 Guerrero Street Inc. and 1340 Golden Gate Associates, L.P. All significant intercompany accounts and transactions are eliminated. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) specific to not-for-profit organizations.

Description of net assets:

Catholic Charities CYO’s activities and related assets and liabilities are classified as unrestricted, temporarily restricted and permanently restricted.

A summary of these classifications and the related restrictions, where applicable, are as follows:

Unrestricted Net Assets:

These amounts consist of funds unrestricted and currently available for program activities, support services and fundraising activities. The Organization has created a board designated fund to govern the use of unrestricted bequest contributions.

Temporarily Restricted Net Assets:

These amounts consist of funds available for support of Catholic Charities CYO’s programs and capital improvements which are expendable only for purposes specified by the donor or grantor or within a specified period.

Permanently Restricted Net Assets:

These amounts consist of funds that are subject to donor-imposed restrictions requiring that their principal be invested in perpetuity.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Revenue recognition:

Contributions and grants:

Contributions and grants are recorded as revenue at the date when an unconditional promise is made. Donor-restricted contributions and grants are recorded as temporarily restricted revenues and are reclassified to unrestricted net assets when a stipulated time restriction ends or purpose restriction is accomplished.

Bequests:

Bequests are recorded as revenue when there is sufficient evidence available to determine that the revenue is probable and estimable.

Government contracts:

Government contract revenue is recognized in accordance with the terms of the contract which is generally when the related expenditures are incurred.

Deferred revenue:

Revenue related to grants and contracts is recognized as the related expenses are incurred. Deposits received in advance of program services being provided are reflected as current deferred revenue. Long-term deferred revenue relates to estimated liabilities under pooled income funds.

Receivables:

Program receivables represent amounts billed and accrued but not yet collected for services. Catholic Charities CYO provides an allowance for doubtful accounts based on management's evaluation and adjustment of a current aging of the accounts. Based on these factors, there is a provision for doubtful accounts of \$30,000 as of June 30, 2018. It is the Catholic Charities CYO's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Contributions receivable represent the balance of pledges and commitments from donors that have not yet been received.

Cash and cash equivalents:

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

Contractually restricted cash:

Contractually restricted cash represents amounts that are required to be maintained in separate cash accounts. These requirements are stipulated in certain loan agreements.

Investments:

Investments are carried at fair value, based upon quoted market prices. Realized and unrealized gains and losses arising from investments are determined on a first-in, first-out basis and are reflected in the consolidated statement of activities.

Catholic Charities CYO invests in various types of investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Fair value measurements:

Professional accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Catholic Charities CYO has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Split-Interest Agreements:

Catholic Charities CYO has entered into a variety of split-interest charitable agreements as follows:

Pooled Income Fund:

Catholic Charities CYO's pooled income fund is divided into units and contributions of its donors are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry into the fund. Until the donor's death, the donor, or the donor's designated beneficiary, is paid the actual income earned on the donor's assigned units. The estimated liability based on donor life expectancy under pooled income agreements is reflected as long-term deferred revenue. This liability is estimated at fair market value based upon the estimated life of each participant using a discount rate of 2.91% or 2.95%. Upon the donor's death, the value of the assigned units reverts to Catholic Charities CYO for its unrestricted use.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Charitable Gift Annuities:

Charitable gift annuities represent the remainder beneficiary interest of various charitable gift annuities which are held by an independent trustee. These agreements provide for annual annuity payments to donors of approximately 6.3% to 8.7%. Catholic Charities CYO recognizes its beneficial interest in these assets at the time the donations are made and re-measures the present value of future distributions to be received upon maturity of the charitable gift annuity each reporting period.

Property and equipment:

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 27.5 years.

Income taxes:

Catholic Charities CYO and their controlled entities are tax-exempt organizations under the provisions of the Internal Revenue Code and related California provisions. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's tax returns are generally subject to examination by Federal and State taxing authorities for three and four years, respectively.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, management and general costs have been allocated among the programs and supporting services benefited based upon a percentage of total expenses.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. Catholic Charities CYO is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2019 with early application permitted. Catholic Charities CYO is currently evaluating the impact this guidance will have on its financial statements.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Subsequent events:

No subsequent events were disclosed. Management evaluated subsequent events through December 18, 2018, the date which the financial statements were available for issue.

Note 2. INVESTMENTS AND SPLIT-INTEREST AGREEMENTS:

Investments in marketable securities, at fair value, and the value of split-interest agreements at June 30, 2018 are as follows:

Investments		\$	6,170,092
Investment pool – Archdiocese of San Francisco			5,511,658
Subtotal			<u>11,681,750</u>
Pooled income fund - mutual funds			586,136
Interest in charitable remainder trust			<u>17,288</u>
Total		\$	<u><u>12,285,174</u></u>

Investment return consists of the following at June 30, 2018:

Interest and dividend income		\$	47,908
Realized and unrealized gains on investments			<u>184,859</u>
Total		\$	<u><u>232,767</u></u>

Investments totaling \$5,511,658 are held within the investment pool of the Archdiocese of San Francisco, a related party.

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Note 2. INVESTMENTS AND SPLIT-INTEREST AGREEMENTS (Continued):

The following table sets forth, by level, the fair value hierarchy of Catholic Charities CYO's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - held by Catholic Charities				
Money market funds	\$ 14,062	-	-	\$ 14,062
U.S. Government notes	6,056,754	-	-	6,056,754
Corporate stocks	99,276	-	-	99,276
	<u>6,170,092</u>	-	-	<u>6,170,092</u>
Pooled income fund - mutual funds	586,136	-	-	586,136
Investment pool - Archdiocese of San Francisco				
Money market funds	58,181	-	-	58,181
Corporate stocks	2,452,821	-	-	2,452,821
Corporate bonds	-	494,524	-	494,524
U.S. Government bonds and notes	362,466	-	-	362,466
U.S. Government securities	-	184,831	-	184,831
Mutual funds	1,653,291	-	-	1,653,291
	<u>4,526,759</u>	<u>679,354</u>	-	<u>5,206,113</u>
Interest in charitable remainder trust	-	-	17,288	<u>17,288</u>
Total assets at fair value	<u>\$ 11,282,987</u>	<u>\$679,354</u>	<u>\$ 17,288</u>	<u>11,979,629</u>
Investments measured at net asset value ⁽¹⁾				
Alternative investments:				
Hedge funds				376
Private real estate funds				305,169
				<u>305,545</u>
Total investments				<u>\$ 12,285,174</u>

⁽¹⁾ Certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statement of position.

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of Catholic Charities CYO's Level 3 assets for the year ended June 30, 2018:

Balance, beginning of year	\$ 17,094
Unrealized gains relating to instruments still held at the reporting date	<u>194</u>
Balance, end of year	<u>\$ 17,288</u>

**CATHOLIC CHARITIES CYO
OF THE ARCHDIOCESE OF SAN FRANCISCO**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Note 3. CONTRIBUTIONS RECEIVABLE:

Promises to give of \$813,791 are due to be collected on or before June 30, 2019.

Note 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2018:

Land	\$	1,077,736
Land Improvement		1,681,245
Buildings		13,133,718
Building improvements		3,907,180
Equipment and furniture		266,196
Software and website		1,258,852
Transportation equipment		5,497,321
Construction in progress		1,809,102
Intangible		<u>7,841</u>
		28,639,191
Less: accumulated depreciation		<u>(15,622,292)</u>
Total property and equipment, net		<u><u>\$ 13,016,899</u></u>

Unrestricted net assets invested in property and equipment consist of the following at June 30, 2018:

Property and equipment, net		\$ 13,016,899
Notes payable:	\$	6,553,704
Less portion of Archdiocese loan not attached to property and equipment		(1,650,069)
Less notes payable exceeding property and equipment value		<u>(1,049,135)</u>
		<u>3,854,500</u>
Property and equipment, less related debt		<u><u>\$ 9,162,399</u></u>

At June 30, 2018 Catholic Charities CYO has commitments totaling \$1,100,000 for the completion of various capital improvement projects within the next fiscal year.

**CATHOLIC CHARITIES CYO
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Note 5. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES:

Long-term debt consists of the following at June 30, 2018:

Loans with the City and County of San Francisco:

Catholic Charities CYO's loan (for phase I to rehabilitate 30 rental units for use as affordable housing, whose tenants then participate in our Treasure Island Supportive Housing Program) with the City and County of San Francisco, via the Mayor's Office of Housing, collateralized by a deed of trust, no monthly payments, bearing interest at 0% and maturing on September 23, 2049, which will be forgiven except in the case of an event of default. Secured by the rental revenue stream created from the sublease held by Catholic Charities CYO and the Treasure Island Development Authority. \$ 900,381

Catholic Charities CYO's loan (for phase II to rehabilitate 36 rental units for use as affordable housing, whose tenants then participate in our Treasure Island Supportive Housing program) with the City and County of San Francisco, via the mayor's Office of Housing, collateralized by a deed of Trust, no monthly payments, bearing interest at 0% and maturing on March 8, 2050, which will be forgiven except in the case of an event of default. Secured by the rental revenue stream created from the sublease held by Catholics Charities CYO and the Treasure Island Development Authority. 1,121,753

899 Guerrero Street Inc.'s loan (for our St. Joseph's Family Center programs) with the City of San Francisco, collateralized by a deed of trust, no monthly payments, bearing interest at 10% and maturing on February 9, 2040. Secured by real property with a book value of \$560,784. 400,000

1340 Golden Gate Associates, L.P. loan (for our Peter Claver Community programs) with the City and County of San Francisco, collateralized by a deed of trust, no monthly payments bearing interest at 9.17% and maturing on May 10, 2019. Secured by real property with a book value of \$249,115. 109,214

1340 Golden Gate Associates, L.P. loan (for our Peter Claver Community programs) with the City and County of San Francisco, collateralized by a deed of trust, no monthly payments bearing interest at 7.63% and maturing on September 30, 2028, if not forgiven. Secured by real property with a book of \$249,115. \$ 1,181,464

Total loans with the City and County of San Francisco 3,712,812

Loans with the Archdiocese of San Francisco:

St. Vincent's Land with equity participation rights granted to lender, due December 31, 2020. 2,833,240

Total loans with the Archdiocese of San Francisco 2,833,240

1340 Golden Gate Associates, L.P. loan (for our Peter Claver Community programs) with Citibank collateralized by a deed of trust, monthly installments of \$2,034 bearing interest at 3.923%, due November 2018. Secured by real property with a book value of \$249,115. 7,652

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Total loans **\$ 6,553,704**

Note 5. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES (Continued):

Certain loans payable, to the City and County of San Francisco, totaling \$2,022,134 as of June 30, 2018 included in long-term debt will be forgiven in future periods provided certain conditions are met. The forgiveness of these loans will be accounted for as contribution income as and when the required conditions have been met. These conditions consist principally of Catholic Charities CYO's compliance with the terms and conditions of the loan agreements and include providing notification of changes in certain executive officers, breach of any representations, any material adverse change affecting the continued operation of the project, and any merger, dissolution or liquidation. In addition, the loan agreements provide for acceleration and accrual of interest in the event of any default.

The terms of certain of the loans also require the establishment of separate cash accounts of \$3,940,885 and reserve balances of \$4,613,581 to provide for future contractual expenses. Payments from such reserves are limited to amounts related to the project and subject to specific approval by the City and County.

Catholic Charities CYO has loans payable to the Archdiocese of San Francisco, a related party, which amounted to \$2,833,240 at June 30, 2018.

Future maturities of long-term debt outstanding at June 30, 2018 are as follows:

Years Ending <u>June 30,</u>	
2019	\$ 116,867
2020	-
2021	2,833,240
2022	-
2023	-
Thereafter	<u>3,603,597</u>
	<u>\$ 6,553,704</u>

Catholic Charities CYO's asset retirement obligations relate to eventual costs of asbestos and lead paint remediation for some of its buildings. Catholic Charities CYO initially recorded asset retirement obligations of \$1,093,259. The balance is adjusted annually and was \$807,486 at June 30, 2018.

Note 6. RESTRICTED NET ASSETS:

Temporarily restricted net assets were held for the following purposes at June 30, 2018:

Aging services	\$ 178,861
Children and youth	1,395,671
Homelessness and housing services	134,186
Refugee and immigrant services	171,955
Time restricted	<u>1,280,836</u>
Total temporarily restricted net assets	<u>\$ 3,161,509</u>

During the year restricted net assets of \$3,185,098 were released from restrictions upon the passage of time or Catholic Charities CYO incurring expenses satisfying the restrictions.

**CATHOLIC CHARITIES CYO
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018

Note 7. ENDOWMENTS:

Catholic Charities CYO holds endowments for the betterment of families and children.

The Organization has adopted an investment objective of long-term growth and income to preserve the value of the fund for future use. Permanently restricted net assets of \$1,255,000 are invested in long term assets. The spending policy is designed to preserve the value of the fund for future use and honor the charitable purpose of the fund.

Net changes in endowment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2017	\$ 316,079	\$ 1,250,061	\$ 1,566,140
Net investment return	81,988	-	81,988
Contributions	-	5,817	5,817
Appropriations	<u>(69,727)</u>	<u>-</u>	<u>(69,727)</u>
Balance at June 30, 2018	<u>\$ 328,340</u>	<u>\$ 1,255,878</u>	<u>\$ 1,584,218</u>

Note 8. COMMITMENTS AND CONTINGENCIES:

Commitments:

Catholic Charities CYO leases office and program space and equipment for its operations under various non-cancelable operating leases. The aggregate remaining minimum rental payments required under the terms of existing leases as of June 30, 2018 are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 1,396,000
2020	1,436,000
2021	879,000
2022	728,000
2023	710,000
Thereafter	<u>862,000</u>
	<u>\$ 6,011,000</u>

Rental expense, on a straight-line basis, amounted to \$1,033,936 for the year ended June 30, 2018.

Contingencies:

Catholic Charities CYO is a recipient of federal and state awards. These awards are subject to audit and final acceptance by federal and state granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Catholic Charities CYO expects such amounts, if any, to be immaterial.

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Catholic Charities CYO is involved from time to time in routine claims related to its operations. Management is of the opinion that such matters would not result in any contingencies that are material to its financial position.

Note 9. EMPLOYEE BENEFIT PLANS:

Catholic Charities CYO has defined contribution plans. Catholic Charities CYO contributes a percentage of the employee's compensation. The matching contributions under both plans aggregated \$469,485 for the year ended June 30, 2018.

Note 10. CONCENTRATIONS OF CREDIT RISK:

Financial instruments which are potentially subject to credit risk consist principally of cash, and cash equivalent investments, receivables and assets of the pooled income fund. Cash and cash equivalents were held in high credit quality financial institutions in the United States of America. At times, the account balances may exceed the institutions' federally insured limits. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation. Management believes that the risk of loss is minimal and has not experienced any losses in its accounts.

Program receivables consist primarily of amounts due from a limited number of federal, state and county agencies. Catholic Charities CYO has historically had minimal collection issues related to such receivables.

Contributions and bequests receivable are due from several estates, foundations and individuals. 44% of contributions receivable were due from three donors at June 30, 2018.

Note 11. ALAMEDA COUNTY PROGRAMS:

The County of Alameda requires contractors who receive funding through the County to identify all County programs in accordance with County audit requirements. The following is a list of programs in which funding was received through the County for fiscal year ended June 30, 2018.

<u>Program Name</u>	<u>Contract Number</u>	<u>Exhibit Number</u>	<u>Contract Period</u>	<u>Contract Amount</u>
Catholic Charities CYO dba St. Vincent's School for Boys	Procurement Contract #15083	N/A	7/1/17 - 6/30/18	\$201,025