



Financial Statements and Report of Independent
Certified Public Accountants

**CATHOLIC CHARITIES OF
LOS ANGELES, INC.**

June 30, 2015 and 2014

Contents

	Page
Report of Independent Certified Public Accountants	1
Financial Statements:	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statement of functional expenses – June 30, 2015	6
Statement of functional expenses – June 30, 2014	7
Statements of cash flows	8
Notes to financial statements	9
Supplementary Information:	
Schedules of program expenses	27
Statements of activities – Santa Barbara County	28
Statements of activities – Ventura County	29
Refugee targeted employment program REP13001 – Schedule of Revenues and Expenditures	30



Report of Independent Certified Public Accountants

Board of Trustees
Catholic Charities of Los Angeles, Inc.

Audit • Tax • Advisory

Grant Thornton LLP
515 South Flower Street, 7th Floor
Los Angeles, CA 90071-2201
T 213.627.1717
F 213.624.6793
www.GrantThornton.com

Report on the financial statements

We have audited the accompanying financial statements of Catholic Charities of Los Angeles, Inc. (“Catholic Charities”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities’ preparation and fair presentation of the 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 Catholic Charities’ 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Los Angeles, Inc. as of June 30, 2015 and 2014, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Program Expenses, Statements of Activities – Santa Barbara County, Statements of Activities – Ventura County on pages 27 to 29 for the years ended June 30, 2015 and 2014, and the Refugee Targeted Employment Program REP13001 – Schedule of Revenues and Expenditures on page 30 for the year ended June 30, 2015, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 15, 2015, on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.



Los Angeles, California
December 15, 2015

Catholic Charities of Los Angeles, Inc.
STATEMENTS OF FINANCIAL POSITION
As of June 30,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 1,416,821	\$ -	\$ -	\$ 1,416,821	\$ 1,016,706	\$ -	\$ -	\$ 1,016,706
Investments (Notes C and D)	9,358,620	8,316,653	-	17,675,273	9,380,554	6,956,341	-	16,336,895
Accounts and note receivable, net (Note B)	4,283,250	-	-	4,283,250	3,927,119	-	-	3,927,119
Pledges receivable, net (Note E)	-	-	-	-	-	192,842	-	192,842
Prepaid expenses and other assets	233,132	-	-	233,132	209,558	-	-	209,558
Investments restricted for long-term purposes (Notes C, D and N)	-	-	751,113	751,113	-	-	751,113	751,113
Property and equipment, net (Note F)	15,654,656	-	-	15,654,656	14,878,189	-	-	14,878,189
Assets held for disposition (Note G)	-	-	-	-	1,200,000	-	-	1,200,000
Beneficial interest in separate organization (Note H)	-	27,157,305	-	27,157,305	-	28,333,125	-	28,333,125
Total assets	\$ 30,946,479	\$ 35,473,958	\$ 751,113	\$ 67,171,550	\$ 30,612,126	\$ 35,482,308	\$ 751,113	\$ 66,845,547
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued liabilities	\$ 2,028,896	\$ -	\$ -	\$ 2,028,896	\$ 1,954,838	\$ -	\$ -	\$ 1,954,838
Accrued payroll and vacation (Note I)	1,981,191	-	-	1,981,191	1,826,970	-	-	1,826,970
Advances and refundable reimbursements	518,279	-	-	518,279	183,338	-	-	183,338
Obligation under capital lease	59,487	-	-	59,487	-	-	-	-
Contribution payable (Note G)	-	-	-	-	1,200,000	-	-	1,200,000
Forgivable construction loans (Note K)	2,327,091	-	-	2,327,091	2,267,091	-	-	2,267,091
Notes payable (Note J)	2,677,100	-	-	2,677,100	2,604,900	-	-	2,604,900
Total liabilities	9,592,044	-	-	9,592,044	10,037,137	-	-	10,037,137
Commitments and contingencies (Note M)								
Net assets	21,354,435	35,473,958	751,113	57,579,506	20,574,989	35,482,308	751,113	56,808,410
Total liabilities and net assets	\$ 30,946,479	\$ 35,473,958	\$ 751,113	\$ 67,171,550	\$ 30,612,126	\$ 35,482,308	\$ 751,113	\$ 66,845,547

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

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OPERATING REVENUES								
SUPPORT								
Contributions	\$ 9,354,694	\$ -	\$ -	\$ 9,354,694	\$ 6,967,928	\$ 57,046	\$ -	\$ 7,024,974
Bequests	1,004,129	-	-	1,004,129	887,451	-	-	887,451
Foundation - distributions from Opus Caritatis (Note H)	2,220,771	1,579,229	-	3,800,000	1,720,000	-	-	1,720,000
Foundations - others	1,805,766	-	-	1,805,766	1,264,002	-	-	1,264,002
Federated giving	-	-	-	-	572,563	1,712	-	574,275
Fundraising events less donor benefits of \$351,347 and \$359,884 for 2015 and 2014, respectively	2,148,600	36,087	-	2,184,687	2,130,118	6,636	-	2,136,754
Total support	16,533,960	1,615,316	-	18,149,276	13,542,062	65,394	-	13,607,456
OPERATING REVENUES								
Government agencies	11,552,942	-	-	11,552,942	10,958,898	-	-	10,958,898
Program service revenues	3,320,462	-	-	3,320,462	3,233,105	-	-	3,233,105
Investment gains, net (Notes C and N)	478,586	104,115	-	582,701	1,849,276	239,882	-	2,089,158
Sales to public	606,755	-	-	606,755	448,748	-	-	448,748
Total operating revenues	15,958,745	104,115	-	16,062,860	16,490,027	239,882	-	16,729,909
Net assets released from restrictions	551,961	(551,961)	-	-	1,467,052	(1,467,052)	-	-
TOTAL SUPPORT AND OPERATING REVENUES	33,044,666	1,167,470	-	34,212,136	31,499,141	(1,161,776)	-	30,337,365
Less expenses	33,268,394	-	-	33,268,394	30,952,835	-	-	30,952,835
Excess (deficit) of support and operating revenues over expenses	(223,728)	1,167,470	-	943,742	546,306	(1,161,776)	-	(615,470)

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

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Years ended June 30,

	2015				2014			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted			Restricted	Restricted	
NONOPERATING SUPPORT								
Gain on sale of building (Note B)	\$ -	\$ -	\$ -	\$ -	\$ 1,638,568	\$ -	\$ -	\$ 1,638,568
Contribution of building to Jobe, Inc. (Note G)	-	-	-	-	(1,200,000)	-	-	(1,200,000)
Contribution of property to Catholic Charities	1,003,174	-	-	1,003,174	-	-	-	-
Increase in value of asset held for disposition (Note G)	-	-	-	-	109,443	-	-	109,443
(Decrease) increase in beneficial interest in separate organization (Note H)	-	(1,175,820)	-	(1,175,820)	-	727,334	-	727,334
CHANGE IN NET ASSETS	779,446	(8,350)	-	771,096	1,094,317	(434,442)	-	659,875
NET ASSETS AT BEGINNING OF YEAR	20,574,989	35,482,308	751,113	56,808,410	19,480,672	35,916,750	751,113	56,148,535
NET ASSETS AT END OF YEAR	\$ 21,354,435	\$ 35,473,958	\$ 751,113	\$ 57,579,506	\$ 20,574,989	\$ 35,482,308	\$ 751,113	\$ 56,808,410

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

Catholic Charities of Los Angeles, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2015

	Angel's Flight Youth	Good Shepherd Centers		Regional Shelters	Other Regional Services	Youth Services	Other Special Programs	Total Programs Catholic Charities	Development & Communications & Fundraising	General and Administrative Services	Eliminations	Total
		Women's Village	Other Programs									
Compensation and related expenses												
Salaries and wages	\$ 1,366,667	\$ 624,190	\$ 517,753	\$ 675,468	\$ 2,296,231	\$ 1,250,808	\$ 2,856,842	\$ 9,587,959	\$ 203,951	\$ 1,815,649	\$ -	\$ 11,607,559
Pension plan contributions	63,059	21,439	17,459	19,668	111,963	61,956	72,770	368,314	12,237	98,793	-	479,344
Employee benefits	304,961	128,378	87,703	136,218	242,020	112,887	261,242	1,273,409	16,371	164,272	-	1,454,052
Payroll taxes	142,920	78,880	74,394	87,770	319,339	164,434	423,601	1,291,338	23,824	279,356	-	1,594,518
Total compensation & related expenses	1,877,607	852,887	697,309	919,124	2,969,553	1,590,085	3,614,455	12,521,020	256,383	2,358,070	-	15,135,473
Emergency food, shelter and other	94,016	107,751	283,607	234,756	8,083,150	6,000	196,377	9,005,657	-	-	-	9,005,657
Participant payroll and related	-	-	-	-	-	1,648,990	-	1,648,990	-	-	-	1,648,990
Financial assistance	-	-	-	-	5,000	-	372,559	377,559	-	-	-	377,559
Professional fees	49,519	46,876	1,361	2,974	5,397	47,847	176,591	330,565	5,829	50,343	-	386,737
Program subcontractors	-	-	-	-	-	322,866	15,300	338,166	-	-	-	338,166
Audit and accounting fees	13,880	8,897	3,973	18,086	37,371	51,902	44,454	178,563	2,135	12,556	-	193,254
Professional fundraising services	-	-	-	-	-	-	-	-	9,058	-	-	9,058
Services	23,824	12,374	1,523	1,302	93,517	40,575	47,079	220,194	7,191	109,232	-	336,617
Office expenses	60,194	42,878	27,149	14,153	219,252	60,816	152,084	576,526	118,568	98,911	-	794,005
Other supplies	4,081	92,562	1,963	2,094	12,011	40,597	61,127	214,435	3,015	6,320	-	223,770
Donated thrift store goods	-	-	-	-	444,371	-	-	444,371	-	-	-	444,371
Information technology	19,540	38,232	14,149	3,078	59,288	13,170	94,921	242,378	15,873	275,332	-	533,583
Occupancy	166,255	282,549	86,056	285,582	690,096	244,232	11,412	1,766,182	18,773	328,581	(157,318)	1,956,218
Travel	4,597	-	-	-	784	3,779	4,481	13,641	-	3,613	-	17,254
Staff training, conferences & meetings	5,181	3,081	2,105	346	11,943	14,629	11,374	48,659	348	53,510	-	102,517
Interest expense	-	102,200	-	30,000	-	-	-	132,200	-	2,826	-	135,026
Payments to affiliates	-	-	-	-	-	-	-	-	-	33,595	-	33,595
Depreciation	4,885	317,764	14,408	99,052	152,750	-	-	588,859	-	58,091	-	646,950
Professional & other liability insurance	45,408	26,468	17,142	24,442	93,674	77,576	123,529	408,239	696	514	-	409,449
Vehicles and mileage	28,629	3,595	6,385	22,374	82,256	32,952	120,420	296,611	-	29,267	-	325,878
Other expenses	-	-	-	-	-	-	-	-	-	6,818	-	6,818
Fundraising expenses	-	-	-	-	-	-	-	-	207,449	-	-	207,449
TOTAL EXPENSES	2,397,616	1,938,114	1,157,130	1,657,363	12,960,413	4,196,016	5,046,163	29,352,815	645,318	3,427,579	(157,318)	33,268,394
Administrative support allocation	333,735	190,922	123,409	177,616	676,483	366,539	656,689	2,525,393	-	-	(2,525,393)	-
Total program services, including allocation of general and administrative support	\$ 2,731,351	\$ 2,129,036	\$ 1,280,539	\$ 1,834,979	\$ 13,636,896	\$ 4,562,555	\$ 5,702,852	\$ 31,878,208	\$ 645,318	\$ 3,427,579	\$ (2,682,711)	\$ 33,268,394

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

Catholic Charities of Los Angeles, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2014

	Angel's Flight Youth	Good Shepherd Centers		Regional Shelters	Other Regional Services	Youth Services	Other Special Programs	Total Programs Catholic Charities	Development & Communications & Fundraising	General and Administrative Services	Eliminations	Total
Compensation and related expenses												
Salaries and wages	\$ 1,315,157	\$ 608,903	\$ 538,445	\$ 561,464	\$ 2,336,142	\$ 1,275,115	\$ 2,049,009	\$ 8,684,235	\$ 209,217	\$ 1,713,312	\$ -	\$ 10,606,764
Pension plan contributions	53,757	21,623	14,060	16,088	116,028	65,808	72,835	360,199	11,997	93,083	-	465,279
Employee benefits	133,077	77,969	81,420	85,947	315,321	149,844	364,393	1,207,971	25,553	266,651	-	1,500,175
Payroll taxes	289,026	120,119	85,518	105,083	253,650	120,040	192,294	1,165,730	17,361	159,682	-	1,342,773
Total compensation & related expenses	1,791,017	828,614	719,443	768,582	3,021,141	1,610,807	2,678,531	11,418,135	264,128	2,232,728	-	13,914,991
Emergency food, shelter and other	44,347	70,150	274,685	251,179	7,003,732	4,600	227,763	7,876,456	-	-	-	7,876,456
Participant payroll and related	-	-	-	-	-	1,399,362	-	1,399,362	-	-	-	1,399,362
Financial assistance	-	-	-	-	195,038	-	572,804	767,842	-	-	-	767,842
Professional fees	111,208	44,192	2,278	528	72,746	33,060	75,938	339,950	132	50,006	-	390,088
Program subcontractors	-	-	-	-	-	369,392	-	369,392	-	-	-	369,392
Audit and accounting fees	14,717	9,884	4,575	18,361	28,910	53,517	41,445	171,409	2,572	14,665	-	188,646
Professional fundraising services	-	-	-	-	-	-	-	-	47,420	-	-	47,420
Services	23,873	12,959	3,008	1,921	83,218	58,685	29,990	213,654	48,408	150,004	-	412,066
Office expenses	51,577	38,451	29,637	14,732	215,248	72,337	122,675	544,657	113,280	87,233	-	745,170
Other supplies	11,941	75,667	1,127	300	11,677	36,400	978	138,090	-	20,181	-	158,271
Donated thrift store goods	-	-	-	-	424,840	-	-	424,840	-	-	-	424,840
Information technology	22,763	43,065	13,739	7,648	68,394	12,356	99,490	267,455	17,786	363,626	-	648,867
Occupancy	127,372	238,400	86,615	250,653	720,306	257,115	7,192	1,687,653	18,773	293,221	(158,685)	1,840,962
Travel	1,383	-	-	-	5,172	1,203	2,920	10,678	-	1,850	-	12,528
Staff training, conferences & meetings	4,256	864	591	334	20,789	11,525	8,017	46,376	1,028	51,865	-	99,269
Interest expense	-	102,200	-	30,000	-	-	-	132,200	-	-	-	132,200
Payments to affiliates	-	-	-	-	-	-	-	-	-	33,898	-	33,898
Depreciation	4,275	312,426	15,522	99,052	134,826	2,672	-	568,773	-	48,538	-	617,311
Professional & other liability insurance	38,325	21,256	15,453	18,554	84,244	62,116	83,234	323,182	696	-	-	323,878
Vehicles and mileage	29,675	4,553	8,483	22,255	81,001	35,601	104,578	286,146	-	29,213	-	315,359
Other expenses	-	-	-	-	-	-	-	-	-	9,873	-	9,873
Fundraising expenses	-	-	-	-	-	-	-	-	224,146	-	-	224,146
TOTAL EXPENSES	2,276,729	1,802,681	1,175,156	1,484,099	12,171,282	4,020,748	4,055,555	26,986,250	738,369	3,386,901	(158,685)	30,952,835
Administrative support allocation	307,256	174,903	126,806	153,956	765,537	274,287	514,274	2,317,019	-	-	(2,317,019)	-
Total program services, including allocation of general and administrative support	\$ 2,583,985	\$ 1,977,584	\$ 1,301,962	\$ 1,638,055	\$ 12,936,819	\$ 4,295,035	\$ 4,569,829	\$ 29,303,269	\$ 738,369	\$ 3,386,901	\$ (2,475,704)	\$ 30,952,835

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

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 771,096	\$ 659,875
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Provision for bad debt	6,818	9,873
Non-cash support for donated goods and services	(8,532,233)	(7,241,172)
Contribution of real property to Catholic Charities	(1,003,174)	-
Discount on pledges receivable	(15,158)	(7,722)
Gain on sale of property and equipment	-	(1,638,568)
Contribution of building to Jobe, Inc	-	1,200,000
Increase in the value of assets held for disposition	-	(109,443)
Interest on capital lease	2,826	-
Depreciation	646,950	617,311
Realized and unrealized gain on investments, net	(538,379)	(2,119,787)
Decrease (Increase) in beneficial interest in separate organization	1,175,820	(727,334)
Accrued interest on notes payable	132,200	132,200
Changes in assets and liabilities:		
Accounts receivable	(362,949)	(855,972)
Pledges receivable	208,000	48,000
Prepaid expenses and other assets	8,508,660	7,391,322
Accounts payable and accrued liabilities	71,232	187,366
Accrued payroll and vacation	154,221	319,562
Advances and refundable reimbursements	334,941	(140,502)
Net cash provided by (used in) operating activities	<u>1,560,871</u>	<u>(2,274,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(346,066)	(251,261)
Proceeds from sale of property and equipment	-	344,836
Redemption of investments	3,960,000	7,270,000
Additions to investments	(4,760,000)	(4,725,000)
Net cash (used in) provided by investing activities	<u>(1,146,066)</u>	<u>2,638,575</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital lease principal	(14,690)	-
Net cash used in financing activities	<u>(14,690)</u>	<u>-</u>
NET CHANGE IN CASH AND EQUIVALENTS	400,115	363,584
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,016,706</u>	<u>653,122</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 1,416,821</u>	<u>\$ 1,016,706</u>
Supplemental information on noncash activities:		
Assets acquired under capital lease	<u>\$ 74,177</u>	<u>-</u>
Contribution of real property to Catholic Charities	<u>\$ 1,003,174</u>	<u>\$ -</u>
Sale of property and equipment through note receivable	<u>\$ -</u>	<u>\$ 1,350,000</u>
Non-cash contribution payable of building to Jobe, Inc (Note G)	<u>\$ -</u>	<u>\$ 1,200,000</u>
Distribution of building to Jobe, Inc to satisfy contribution payable	<u>\$ (1,200,000)</u>	<u>\$ -</u>

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

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A - ORGANIZATION

Catholic Charities of Los Angeles, Inc. (“Catholic Charities”) is a California nonprofit public benefit corporation that was founded in 1919 and incorporated in 1937. Catholic Charities is a separate legal entity from The Roman Catholic Archdiocese of Los Angeles (the “Archdiocese”). For ninety-six years, Catholic Charities, the human service agency of the Archdiocese, has provided family and individual counseling, community and employment services, child care and youth athletics, services for the elderly, poverty programs, shelters and residential care, immigration and naturalization services and resettlement of refugees. Funding for services is provided through government-funded programs, contributions from the public, foundations, users of the services, and through fundraising.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of Catholic Charities have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Catholic Charities and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Includes gifts and pledges receivable for which donor-imposed restrictions or passage of time restrictions have not yet been met and for which the ultimate purpose of the proceeds is not permanently restricted.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation (continued)

Permanently restricted net assets

Includes gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions (See Note N).

Contributions

Contributions are reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions for which the donor imposed restrictions have been met in the same reporting period are recorded as unrestricted support. Unconditional promises to give (pledges) are recorded as receivables and revenues. Conditional promises to give or intentions to give are not recorded in the financial statements.

Donated Goods and Services

A number of volunteers have donated significant amounts of their time to support the activities of Catholic Charities. Donated services are recognized as revenue if they (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The financial statements include \$360,000 and \$354,634 for volunteer hours that meet these criteria for the years ended June 30, 2015 and 2014, respectively. Many hours of additional donated time have not been reflected in the accompanying statements of activities and changes in net assets as these donated services do not meet either of the two recognition criteria described above.

Catholic Charities receives donated goods including food, clothing, household goods and a variety of other items. These are valued at fair value when received. The accompanying financial statements include \$6,697,120 and \$6,869,401 of donated items (including \$557,769 and \$424,840 for the thrift stores donations, respectively) for the years ended June 30, 2015 and 2014, respectively, and \$1,475,114 and \$1,559,861 of food commodities in 2015 and 2014, respectively, received through government programs and valued using U.S. Department of Agriculture and Feeding America prices. These donations are classified as contributions and government revenues in the statements of activities for the years ended June 30, 2015 and 2014.

In December 2014, Catholic Charities received a donation of property, valued at \$1,003,174. This property was previously being leased by Catholic Charities to operate one of its community centers, St. Margaret's Center. The donation of the property also settled a pledge receivable balance of \$184,000 (see Note E).

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing the various programs, fundraising and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited based on estimates developed by management.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts, and all other highly liquid investments with original maturity dates of three months or less. Catholic Charities maintains its cash balances at several institutions located in Southern California which are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). Catholic Charities has no cash balances in excess of FDIC insured limit at June 30, 2015 and 2014.

Accounts Receivable and Note Receivable

Accounts receivable consist mainly of requests for reimbursement from government contracts. Catholic Charities determines the allowance for uncollectable accounts by considering a number of factors including the length of time receivables are past due. Accounts and notes receivable at June 30, 2015 and 2014 was \$4,283,250 and \$3,927,119, which is net of allowance of \$582,819 and \$536,217, respectively.

In June 2014, property formerly used as client housing, referred to as the Mother and Child property, was sold to an unrelated third party for a net amount of \$1,694,836. Catholic Charities received a down payment of \$344,836 resulting in a note receivable of \$1,350,000 as of June 30, 2014. This is an interest-only 3-year note at 5.5% interest, payable monthly. The carrying value of the note receivable approximates fair value as of June 30, 2014 as its interest rate approximates the current fair market rate.

Investments

All investments in marketable securities with a readily determinable fair value are reported at fair value with gains and losses included in the statements of activities, net of expenses. Gains and losses on these investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Beneficial Interest in Separate Organization

The beneficial interest in separate organization consists of assets held by Opus Caritatis, Inc. (“Opus Caritatis”), a supporting organization for Catholic Charities (See Note H). The assets consist of an investment fund managed by State Street Global Advisors carried at fair value and an investment in the common stock of the Watson Land Company, a real estate investment trust whose stock is not traded on any stock exchange. The investment in Watson Land Company is carried at the lower of cost or fair value.

Property and Equipment

Purchased land, buildings and improvements, and equipment are recorded at cost. Donated assets are recorded at fair value at date received.

Buildings, improvements, and equipment are depreciated over their estimated useful lives on a straight-line basis ranging from 3 to 40 years. Depreciation expense for separately identified assets is included in program expenses, which are presented in the statements of functional expenses. For all other assets shared by Catholic Charities’ programs and administration, depreciation is included in general and administrative services in the statements of functional expenses. Certain land and buildings utilized by Catholic Charities are owned by and reflected in the financial statements of the Archdiocese of Los Angeles Education and Welfare Corporation.

Government Agencies Revenue

Government agencies revenue is derived from contracts with various governmental agencies. Most of the contracts are on a cost reimbursement basis. Contract revenues are recognized for allowable expenditures as costs are incurred in accordance with the contract terms.

Advances and Refundable Reimbursements

Advances and refundable reimbursements represent advanced funds provided by funding agencies for program expenses. Such advances, if not fully expended, are repaid at the termination of the program unless other arrangements are made with the funding agency.

Income Taxes

Catholic Charities operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and has also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Revenue and Taxation Code Section 23701(d) on its income other than unrelated business income.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes (continued)

As required by U.S. GAAP, Catholic Charities has identified and evaluated its significant tax positions for which the statute of limitations remain open and has determined that there is no material unrecognized benefit or liability to be recorded. The open tax years are the years ended June 30, 2012 through June 30, 2015 for federal tax purposes and the years ended June 30, 2011 through June 30, 2015 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2015, nor are any material changes anticipated in the twelve months following June 30, 2015. There have been no related tax penalties or interest, which would be classified as a tax expense in the statements of activities and changes in net assets.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. While management believes that these estimates are adequate as of June 30, 2015 and 2014, it is possible that actual results could differ from those estimates.

Asset Retirement Obligations

Accounting Standards Codification (“ASC”) 410, *Asset Retirement and Environmental Obligations*, requires entities to recognize any material expenses associated with legally required or contractually obligated clean up costs when an asset is no longer used. Catholic Charities owns several older buildings that might have hidden asset retirement obligations due to their age but has no knowledge of any specific or likely liability. Therefore, no provision has been made in the financial statements.

Operating Activities and Nonoperating Activities

Operating revenues and gains include contributions, grants from government agencies, program service revenues, investment income, and sales to public of donated goods. Operating expenses include program and support services and interest on indebtedness.

Nonoperating revenues and gains (losses) include gifts designated for endowment or plant and increase (decrease) in beneficial interest in separate organization (See Note H) and gain (loss) on property and equipment sale or donation.

Reclassification

For comparability, certain amounts from 2014 have been reclassified to conform to the 2015 presentation. The reclassification has no effect on total assets or net asset balances previously reported.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE C - INVESTMENTS

Catholic Charities holds its investments in an investment fund it manages through State Street Bank and Trust Company. Assets in this investment fund consist of a long-term fund and a short-term fund. The long-term fund was established to provide long-term capital appreciation combined with capital preservation. The investment allocation is targeted at a general level of 65% equities and 35% fixed income securities. However, because the fund is normally rebalanced only twice per year, the mix (as intended) is often not exactly 65/35 and can vary considerably during the six month period. Assets of the long-term fund are invested 65% equities and 35% in fixed income securities as of June 30, 2015 and 66% equities and 34% fixed income securities as of June 30, 2014. The short-term fund was established to provide current income with lower risk of fluctuation in principal value. Assets of the short-term fund are substantially invested in short-term fixed income securities.

Catholic Charities has \$13,454,469 and \$12,916,847 in the long-term fund and \$4,969,417 and \$4,168,661 in the short-term fund as of June 30, 2015 and 2014, respectively. The investments are carried at fair value. Catholic Charities holds shares of a private company, measured at lower of cost or fair value, of \$2,500 (cost) in current investments as of June 30, 2015 and 2014 and therefore are not included in Note D – Fair Value of Financial Instruments. As of June 30, 2015 and 2014, \$751,113 of total investments are restricted for long-term donor stipulated purposes, such as capital improvements or construction, or funds to be held in perpetuity, or withdrawal restrictions.

The annual return, including interest and dividend income as well as realized and unrealized losses, is presented net of expenses related to investments. Returns for the years ended June 30 are as follows:

	2015	2014
Realized and unrealized gains:		
Long-term fund	\$ 538,379	\$ 2,119,480
Total net realized and unrealized gains	<u>538,379</u>	<u>2,119,480</u>
Interest and dividends income:		
Short-term fund	757	307
Other	2,996	1,761
Total interest and dividends income	<u>3,753</u>	<u>2,068</u>
Investment expenses	(32,923)	(32,390)
Interest on notes	<u>73,492</u>	<u>-</u>
 Total investment gain, net	 <u>\$ 582,701</u>	 <u>\$ 2,089,158</u>

Portfolio investments are subject to inherent market risks; therefore, values will continually fluctuate with current market conditions.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

Catholic Charities accounts for its investments at fair value. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework used to measure fair value, and expands disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over entity-specific information and established a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1* – Quoted prices in active markets for identical investments as of the reporting date, without adjustment.
- Level 2* – Pricing inputs, including broker quotes, are generally those other than exchange-quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3* – Pricing inputs are unobservable for the investment, and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. Catholic Charities evaluates its hierarchy disclosures annually and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, Catholic Charities expects that changes in classifications between different levels will be rare.

The following is a description of Catholic Charities investments at fair value, as well as the general classification pursuant to the valuation hierarchy.

When quoted market prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair value of securities estimated using pricing models or matrix pricing is generally classified within Level 2 of the fair value hierarchy. When there is limited activity or less transparency around inputs to the valuation and securities investments are classified within Level 3 of the fair value hierarchy.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Mutual Funds

As discussed in Note C, Catholic Charities invests in two funds through State Street Bank and Trust Company. The short-term fund is primarily invested in short-term fixed income securities while the long-term fund is a mixture of domestic and foreign equities and short-term fixed income securities. The underlying securities of the funds are actively traded and directly observable and have therefore been classified as Level 2.

Beneficial Interest in Separate Organization

As discussed in Note H, Catholic Charities has a beneficial interest in another organization, Opus Caritatis. As of June 30, 2015 and 2014, Opus Caritatis has cash and investments in State Street mutual funds and Watson Land Company stock. The fair value measurement for Opus Caritatis' mutual funds has been classified as Level 2 whereas the investments in Watson Land Company are held at cost and not included in the table below.

		2015			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		2015 Total			
Mutual funds:					
	Catholic Charities owned	\$ 18,423,887	\$ -	\$ 18,423,887	\$ -
	Beneficial interest in separate organization	17,480,111	-	17,480,111	-
	Total	<u>\$ 35,903,998</u>	<u>\$ -</u>	<u>\$ 35,903,998</u>	<u>\$ -</u>
		2014			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		2014 Total			
Mutual funds:					
	Catholic Charities owned	\$ 17,085,508	\$ -	\$ 17,085,508	\$ -
	Beneficial interest in separate organization	18,660,950	-	18,660,950	-
	Total	<u>\$ 35,746,458</u>	<u>\$ -</u>	<u>\$ 35,746,458</u>	<u>\$ -</u>

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE E - PLEDGES RECEIVABLE, NET

Unconditional promises to give totaled \$ -0- at June 30, 2015 and \$208,000 at June 30, 2014 and have been discounted to their present value at June 30, 2014 using a rate of 3.3% based upon the risk adjusted discount rate. The pledges and discounts are illustrated below.

Included in pledges receivable are the following:

	<u>2015</u>	<u>2014</u>
Pledges receivable, gross	\$ -	\$ 208,000
Less: present value discount	-	(15,158)
Pledges receivable, net	<u>\$ -</u>	<u>\$ 192,842</u>
	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ -	\$ 48,000
One to five years	-	160,000
More than five years	-	-
	<u>\$ -</u>	<u>\$ 208,000</u>

Reconciliation of pledges receivable is as follows for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Pledges receivable, net - beginning of the year	\$ 192,842	\$ 233,120
Amortization of present value discount	15,158	7,722
Total pledges, net	208,000	240,842
Payments received during the year	(24,000)	(48,000)
Settlement of pledge receivable (see Note B)	(184,000)	-
Pledges receivable, net - end of the year	<u>\$ -</u>	<u>\$ 192,842</u>

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net of Catholic Charities include the following as of June 30:

	2015	2014
Building and improvements	\$ 19,074,375	\$ 18,371,705
Equipment and furniture	2,120,100	1,979,611
Total property and equipment	21,194,475	20,351,316
Less accumulated depreciation	(8,223,350)	(7,576,400)
Construction in progress	-	19,742
Land	2,683,531	2,083,531
Property and equipment, net	<u>\$ 15,654,656</u>	<u>\$ 14,878,189</u>

Depreciation expense was \$646,950 and \$617,311 for the years ended June 30, 2015 and 2014, respectively.

NOTE G - ASSETS HELD FOR DISPOSITION/CONTRIBUTION OF BUILDING (JOBÉ, INC.)

In June 2014, the Board of Trustees of Catholic Charities approved a long planned donation of a residential shelter building and related furnishings to Jobé, Inc., a separate nonprofit 501(c)(3) organization and related party in that one of Jobé, Inc.'s three Board members is also a member of the Catholic Charities Board (see Note H). The estimated fair value of the contributed land and building and related furnishings was \$1,200,000 as of the date of the contribution. The net carrying value of the assets contributed to Jobé, Inc. was \$1,090,557 resulting in an increase in value of the contributed assets of \$109,443 included in the statement of activities for the year ended June 30, 2014. The title transfer of the building was not completed until July 2014 and the related obligation was included in contribution payable in the accompanying statement of financial position as of June 30, 2014. As of June 30, 2014, the building and related furnishings were classified as Assets Held for Disposition on the accompanying statement of financial position.

NOTE H - BENEFICIAL INTEREST IN SEPARATE ORGANIZATION - OPUS CARITATIS

Catholic Charities holds a beneficial interest in Opus Caritatis, Inc., a separate corporation established for charitable purposes as a supporting organization to Catholic Charities. The mission of Opus Caritatis is to engage in the solicitation, receipt and administration of property and, from time to time, to disburse such property and the income therefrom for the charitable works of Catholic Charities. Additionally, Opus Caritatis may solicit funds from other corporations,

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE H - BENEFICIAL INTEREST IN SEPARATE ORGANIZATION - OPUS CARITATIS -
Continued

foundations, businesses and individuals, including Catholic Charities. On June 30, 2004, Catholic Charities transferred assets with a carrying value of \$17,712,825 to Opus Caritatis. In accordance with U.S. GAAP, the assets transferred to Opus Caritatis continue to be presented in the financial statements of Catholic Charities. As of June 30, 2015 and 2014 Catholic Charities held a beneficial interest in Opus Caritatis of \$27,157,305 and \$28,333,125, respectively.

On October 22, 2013, Opus Caritatis, Inc. made a program grant to Jobe, Inc., a separate nonprofit 501(c)(3) organization and a related party. The grant was 81,800 shares of Watson Land Company (“Watson”) stock owned by Opus Caritatis, Inc. plus cash of \$198,422. This reduced the carrying value of the beneficial interest by \$2,243,422 (based on the carrying value of the Watson stock) as well as reduced future dividends available to Opus Caritatis. Jobe, Inc.’s purpose is to support Angel’s Nest TLP (a nonprofit 501(c)(3) organization) which operates a transitional living program for emancipated foster youth. This grant was made with the stipulation that both Angel’s Nest and Jobe, Inc. must remain 501(c)(3) nonprofit corporations.

Catholic Charities is required by FASB ASC Topic 845, *Nonmonetary Transactions*, to use fair value in estimating the monetary value of the Watson stock donated to Jobe, Inc. There is no public market for the stock; it is not sold on any exchange. However, Watson retained an independent advisory firm, Green Street Advisors (“Green Street”), to prepare a valuation of their common stock. The estimated fair value of the Watson stock based on the most recent independent valuation report prepared by Green Street preceding the transfer to Jobe, Inc. was \$193.75 per share. Based on this estimated stock price, the fair value of the shares transferred to Jobe, Inc. on October 22, 2013 was \$15,848,750.

The following shows the change in beneficial interest in separate organization for the year ended June 30:

	2015	2014
Beginning balance, July 1,	\$ 28,333,125	\$ 27,605,791
Dividends and interest income	2,002,570	2,166,091
Realized gains, net	555,084	207,552
Unrealized gains, net	106,614	2,358,767
Other expenses	(40,088)	(41,654)
Distribution to Catholic Charities	(3,800,000)	(1,720,000)
Distribution of cash to Jobe, Inc.	-	(198,422)
Share value increase due to transfer	-	13,803,750
Transfer of Watson stock to Jobe, Inc., at fair value	-	(15,848,750)
Ending balance, June 30,	<u>\$ 27,157,305</u>	<u>\$ 28,333,125</u>

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE I - RETIREMENT PLAN

Accrued payroll and vacation include approximately \$487,335 and \$471,453 of accrued retirement plan contributions as of June 30, 2015 and 2014, respectively. Catholic Charities sponsors a defined contribution pension plan covering substantially all qualified employees. Employees are generally eligible for participation after one year of service. Catholic Charities' contributions to the retirement plan are based upon 6% of eligible employees' salaries. The related expenses amounted to \$479,344 and \$465,279 for the years ended June 30, 2015 and 2014, respectively.

Catholic Charities also maintains a defined contribution 403(b) plan, covering substantially all employees immediately upon employment. Employees may contribute up to the legal limits established by the Internal Revenue Service. Catholic Charities makes no contributions to this plan.

NOTE J - NOTES PAYABLE

The following is a summary of notes payable as of June 30:

	2015	2014
City of Los Angeles note payable	\$ 1,444,000	\$ 1,444,000
City of Los Angeles deferred interest	1,233,100	1,160,900
Total notes payable	\$ 2,677,100	\$ 2,604,900

City of Los Angeles

Catholic Charities entered into an agreement on July 10, 1995 whereby the City of Los Angeles loaned Catholic Charities \$1,600,000 to be used for the acquisition of property and predevelopment costs related to the construction of the Good Shepherd Women's Village ("Women's Village Project"). In September 1998, the loan amount was decreased by \$156,000 to \$1,444,000 related to the sale of the portion of the land underlying Phase II of the Women's Village project which is no longer owned by Catholic Charities. The remaining balance represents the land and other costs for Phase I carried at \$1,050,000 and for Phase III carried at \$394,000. The Phase I balance was converted into a residual receipts note in December 1999 bearing simple interest at 5%. Payments of principal and interest on a residual receipts note are only made from residual receipts. There have been no residual receipts to date and none are expected. At June 30, 2015 and 2014, Catholic Charities has accrued \$1,233,100 and \$1,160,900, respectively, of interest expense related to the residual receipts notes.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - FORGIVABLE CONSTRUCTION LOANS

Emergency Housing and Assistance Program (“EHAP”) LOANS I and II

EHAP I: In April 2008, the State of California loaned Catholic Charities’ Good Shepherd Women’s Village \$1,000,000 through the Department of Housing and Community Development EHAP for construction of Phase III. The loan accrues simple interest at 3% per year. As long as Catholic Charities continues to operate this shelter as either a transitional or emergency housing shelter, no payment of interest or principal is due. At the end of ten years, if Phase III is still operating as a shelter, the entire principal and accrued interest will be forgiven. At June 30, 2015 and 2014, accrued interest on this EHAP loan was \$214,802 and \$184,802, respectively.

EHAP II: On December 30, 2010, the State of California recorded its loan to Catholic Charities of \$1,000,000 through the Department of Housing and Community Development EHAP/Capital Development for the construction of Family Shelter II at Century Villages at Cabrillo (“CVC) Project in the City of Long Beach (Elizabeth Ann Seton Family Shelter-Building 2). Simple interest at 3% per year accrued from the date of each advance. As long as Catholic Charities continues to operate this shelter as either a transitional or emergency housing shelter, no payment of interest or principal is due. Ten years from recordation, if Elizabeth Ann Seton Family Shelter-Building 2 is still operating as a shelter, the entire principal and accrued interest will be forgiven. At June 30, 2015 and 2014, interest of \$112,289 and \$82,289 of interest had accrued on this EHAP loan, respectively.

If Catholic Charities is unable to fulfill its obligation of operating Elizabeth Ann Seton Family Shelter-Building 2 as a shelter due to loss of government funding, CVC will either provide the funding to operate the shelter or assume responsibility for the EHAP loan. CVC’s obligation is guaranteed by Century Housing, Inc.

The following is a summary of forgivable construction loans as of June 30:

	2015	2014
EHAP forgivable construction loan payable I	\$ 1,000,000	\$ 1,000,000
EHAP forgivable construction loan deferred interest I	214,802	184,802
EHAP forgivable construction loan payable II	1,000,000	1,000,000
EHAP forgivable construction loan deferred interest II	112,289	82,289
Total forgivable construction loans	\$ 2,327,091	\$ 2,267,091

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE L - RELATED PARTY TRANSACTIONS

The Archdiocese

Catholic Charities purchases various insurance coverages through the Archdiocese for itself and its employees and also receives related administrative services. At June 30, 2015 and 2014, Catholic Charities owed \$0 for various insurance coverages. The Archdiocese also rents some of its facilities to Catholic Charities at less than fair value.

Catholic Charities Community Development Corporation ("CCCDC")

CCCDC is a separate non-profit corporation that was formed to undertake community development activities, including promoting and providing affordable housing and community centers. In recent years, it has terminated its other commitments and focused on its remaining project, a community center in Glendale that it leases to Catholic Charities.

In November 1992, Catholic Charities extended to CCCDC an 18-month revolving credit term loan of up to \$150,000 to fund predevelopment costs of various low-income housing projects. The loan, which is unsecured, was interest free through its maturity date, May 1994, after which interest at 8% per year on the unpaid balance is applied. The principal balance on the loan was \$100,000 at June 30, 2015 and 2014 and the accrued unpaid interest balance was \$537,086 and \$397,302 at June 30, 2015 and 2014, respectively. Since no payments have been made since 1997, Catholic Charities has fully reserved the principal and interest.

NOTE M - COMMITMENTS AND CONTINGENCIES

Lease Commitments

Catholic Charities has entered into various non-cancelable operating leases for office space, program, facilities, and equipment through 2019. Rental expense under all leases was \$399,867 and \$413,104 for the years ended June 30, 2015 and 2014, respectively.

Minimum lease commitments for the following fiscal years in effect at June 30, 2015 are as follows:

2016	\$	393,654
2017		284,139
2018		175,887
2019		106,133
2020		50,058
Thereafter		456,000
	\$	<u>1,465,871</u>

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE M - COMMITMENTS AND CONTINGENCIES - Continued

Government Grants and Contracts

In accordance with the terms of certain government grants, the records of Catholic Charities are subject to audit after the date of final payment of the contracts. Catholic Charities is liable for any disallowed costs; however, management of Catholic Charities believes that the amount of costs disallowed, if any, would not be significant.

Other

In the normal course of operations, Catholic Charities is named as defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities if any, arising from such litigation and examinations would not have a material effect on Catholic Charities' financial position.

NOTE N - RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, which consist primarily of investments, are available for the following programs or projects:

	2015	2014
Angel's Flight beneficial interest in separate organization	\$ 27,157,305	\$ 28,333,125
Angel's Flight	5,059,968	3,423,878
Good Shepherd	753,468	647,768
Other	540,441	619,292
Disaster relief	427,722	427,721
San Fernando programs	482,280	528,072
Fors Family Trust & Related	387,876	415,097
Ventura Regional Programs	248,159	297,044
St. Margaret's programs	147,186	274,643
Santa Maria programs	33,025	98,387
San Gabriel programs	191,728	295,311
Santa Barbara programs	44,800	121,970
Total Temporary Restricted Net Assets	<u>\$ 35,473,958</u>	<u>\$ 35,482,308</u>

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE N - RESTRICTED NET ASSETS - Continued

Permanently Restricted Net Assets

Catholic Charities held \$751,113 of permanently restricted funds as of June 30, 2015 and 2014. Investment income earned on these funds is temporarily restricted for designated programs.

The Board of Trustees, through its appropriate committee - the Investment Committee, has reviewed the California Uniform Prudent Management of Institutional Funds Act, UPMIFA (SB 1262) (the Act) as it impacts Catholic Charities and its restricted funds. The committee considered the following factors in its decision:

- (1) The duration and preservation of the endowment fund.
- (2) The purposes of the institution and endowment fund.
- (3) General economic conditions.
- (4) The possible effects of inflation and deflation.
- (5) The expected total return from the income and the appreciation of investments.
- (6) Other resources of the institution.
- (7) The investment policy of the Organization.

Expenditures from these funds are assessed annually based on the needs of Catholic Charities and the intent of the donors. The funds and their earnings are held in the long-term investment fund whose objectives are discussed in Note C.

All income earned since the donation date has been held as temporarily restricted unless specifically expended. Additionally, when appropriate, a reserve may be held in temporarily restricted assets as a buffer for those years with investment losses.

The Investment Committee believes that this flexible approach, as it encompasses the total fund returns (both its original donation and earnings as required by the Act), is the best method under which to continue holding these assets. As such, the permanently restricted portion of the Fund continues to be shown as donated, at \$751,113 for the years ended June 30, 2015 and 2014.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE N - RESTRICTED NET ASSETS - Continued

The temporarily restricted net assets' and permanently restricted net assets' activity for the years ended June 30, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at June, 30 2013	767,687	751,113	1,518,800
Investment gains	253,398	-	253,398
Expenditures	(224,090)	-	(224,090)
Balance at June, 30 2014	796,995	751,113	1,548,108
Investment gains	60,805	-	60,805
Expenditures	(13,551)	-	(13,551)
Balance at June, 30 2015	<u>\$ 844,249</u>	<u>\$ 751,113</u>	<u>\$ 1,595,362</u>

NOTE O - SUBSEQUENT EVENTS

Catholic Charities has evaluated the financial statements for subsequent events through December 15, 2015, for any required disclosures. Catholic Charities is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Catholic Charities of Los Angeles, Inc.
SCHEDULES OF PROGRAM EXPENSES

Years ended June 30,

	2015	2014
PROGRAM SERVICES		
Community Services - San Fernando	\$ 1,442,792	\$ 1,435,483
Community Services - San Gabriel	1,333,651	1,119,475
Community Services - San Pedro	1,472,671	927,910
Community Services - OLA Metro	447,410	480,504
Community Services - OLA Western	1,771,805	1,720,317
Community Services - Ventura County	2,002,521	1,884,142
Community Services - Santa Barbara County	4,477,461	4,447,535
Community Services - Other	12,488	216,096
Archdiocesan Youth Employment Services (AYE)	4,167,725	3,927,439
Athletics (CYO)	397,502	419,665
Angel's Flight Shelter and Outreach	2,374,720	2,184,218
Angel's Flight Adeste	356,631	421,262
Good Shepherd Centers	3,409,575	3,279,546
McGill House	121,940	126,050
Elizabeth Ann Seton Family Shelter	823,141	715,585
Project Achieve Shelter	889,898	796,420
Psychological services	373,453	327,787
Aging programs	296,121	304,006
Immigration and citizenship services	656,236	728,100
Esperanza	3,159,501	1,653,858
Central intake unit programs	853,883	736,583
Reception and placement services	1,037,083	1,451,288
	31,878,208	29,303,269
SUPPORT SERVICES		
Administration	1,067,172	1,085,819
Finance	1,081,551	1,105,248
Facilities management	473,175	458,895
Human resources	506,405	455,834
Management information systems	299,276	281,104
	3,427,579	3,386,900
Resource Development and Fundraising	645,318	738,370
GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED TO INDIVIDUAL PROGRAMS		
	(2,525,393)	(2,317,019)
ELIMINATION OF OCCUPANCY COSTS ALLOCATED TO INDIVIDUAL PROGRAMS		
	(157,318)	(158,685)
TOTAL EXPENSES	\$ 33,268,394	\$ 30,952,835

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES – SANTA BARBARA COUNTY

Years ended June 30,

	<u>2015</u>	<u>2014</u>
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & bequests	\$ 298,582	\$ 574,715
Foundations	139,875	141,473
In-kind donations	2,171,314	2,004,476
Fundraising less donor benefits of \$48,095 and \$46,369, respectively	<u>794,377</u>	<u>580,452</u>
Total support	<u>3,404,148</u>	<u>3,301,116</u>
Operating Revenues		
Government agencies	723,728	816,683
Program service revenues	38,739	32,424
Sales to the public	<u>429,250</u>	<u>406,616</u>
Total operating revenues	<u>1,191,716</u>	<u>1,255,723</u>
TOTAL SUPPORT AND OPERATING REVENUES	<u>4,595,864</u>	<u>4,556,839</u>
EXPENSES		
Payroll expenses		
Salaries and wages	823,455	820,012
Pension plan contributions	41,878	44,314
Employee benefits	141,981	151,204
Payroll taxes	<u>89,839</u>	<u>92,110</u>
Total payroll expenses	<u>1,097,153</u>	<u>1,107,640</u>
Emergency food, shelter and other	2,471,644	2,424,889
Professional fees	215	3,841
Audit and accounting fees	12,614	9,042
Services	49,705	60,731
Office expenses	47,786	52,693
Operating supplies	1,453	5,190
Donated thrift store goods	419,408	401,307
Information technology	9,401	15,605
Occupancy	131,178	123,192
Travel	-	555
Staff training, conference and meetings	4,822	5,350
Insurance	30,859	28,106
Vehicles and mileage	36,400	37,155
Fundraising expenses	53,107	38,827
Capital Expenses	7,237	11,981
Miscellaneous	<u>222,883</u>	<u>230,735</u>
TOTAL EXPENSES	<u>4,595,864</u>	<u>4,556,839</u>
SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES – VENTURA COUNTY

Years ended June 30,

	<u>2015</u>	<u>2014</u>
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & bequests	\$ 384,897	\$ 218,190
Foundations	24,487	56,835
In-kind donations	1,283,498	1,067,486
Fundraising less donor benefits of \$35,205 and \$31,023 respectively	<u>299,206</u>	<u>431,028</u>
Total support	<u>1,992,088</u>	<u>1,773,539</u>
Operating Revenues		
Government agencies	304,368	448,209
Program service revenues	<u>53,979</u>	<u>46,778</u>
Total operating revenues	<u>358,346</u>	<u>494,987</u>
TOTAL SUPPORT AND OPERATING REVENUES	<u>2,350,434</u>	<u>2,268,526</u>
EXPENSES		
Salaries and wages	357,062	322,093
Pension plan contributions	13,015	13,410
Employee benefits	43,612	31,721
Payroll taxes	<u>36,447</u>	<u>31,665</u>
Total payroll expenses	<u>450,135</u>	<u>398,889</u>
Emergency food, shelter and other	1,565,540	1,494,024
Professional fees	4,008	19,794
Audit and accounting fees	5,279	3,688
Services	2,629	874
Office expenses	29,868	27,908
Operating supplies	7,114	6,692
Information technology	13,555	18,732
Occupancy	111,152	111,627
Staff training, conference and meetings	2,353	6,798
Insurance	13,809	11,874
Vehicles and mileage	15,104	11,389
Fundraising expenses	30,192	58,778
Miscellaneous	<u>99,696</u>	<u>97,459</u>
TOTAL EXPENSES	<u>2,350,434</u>	<u>2,268,526</u>
NET SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>

Catholic Charities of Los Angeles, Inc.
 REFUGEE TARGETED EMPLOYMENT PROGRAM
 REP13001

SCHEDULE OF REVENUES AND EXPENDITURES
 Year Ended June 30, 2015

	<u>REP</u>	<u>ORDG</u>	<u>TADG</u>	<u>FS</u>	<u>SB1041</u>
Revenue					
County of Los Angeles					
REP13001	<u>\$ 505,191</u>	<u>\$ 9,615</u>	<u>\$ 2,775</u>	<u>\$ 15,666</u>	<u>\$ 15,330</u>
Expenditures					
Salaries and Wages	\$ 307,956	\$ 5,474	\$ 1,641	\$ 9,644	\$ 9,357
Payroll Taxes and Employee Benefits	96,193	2,045	568	2,798	2,826
Professional Fees and Services	17,656	487	101	541	577
Equipment and Supplies	5,638	102	49	288	311
Telephone	3,401	66	27	98	160
Occupancy	12,410	259	64	330	305
Local Transportation	2,720	0	0	110	0
Conferences and Meetings	111	58	0	24	0
Indirect Costs	<u>59,106</u>	<u>1,124</u>	<u>325</u>	<u>1,833</u>	<u>1,794</u>
	<u>\$ 505,191</u>	<u>\$ 9,615</u>	<u>\$ 2,775</u>	<u>\$ 15,666</u>	<u>\$ 15,330</u>