



**Financial Statements and Report of Independent
Certified Public Accountants**

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

June 30, 2016 and 2015

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Report of Independent Certified Public Accountants

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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, 2016 and 2015, 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, 2016 and 2015, 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 for the years ended June 30, 2016 and 2015, and the Refugee Targeted Employment Program REP13001 – Schedule of Revenues and Expenditures for the year ended June 30, 2016, 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 February 24, 2017, 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
February 24, 2017

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

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 1,885,881	\$ -	\$ -	\$ 1,885,881	\$ 1,416,821	\$ -	\$ -	\$ 1,416,821
Investments (Notes C and D)	11,211,775	7,881,601	-	19,093,376	9,358,620	8,316,653	-	17,675,273
Accounts and note receivable, net (Note B)	2,799,179	-	-	2,799,179	4,283,250	-	-	4,283,250
Prepaid expenses and other assets	297,749	-	-	297,749	233,132	-	-	233,132
Investments restricted for long-term purposes (Notes C, D and L)	-	-	751,113	751,113	-	-	751,113	751,113
Property and equipment, net (Note E)	15,694,902	-	-	15,694,902	15,654,656	-	-	15,654,656
Beneficial interest in separate organization (Note F)	-	27,084,399	-	27,084,399	-	27,157,305	-	27,157,305
Total assets	\$ 31,889,486	\$ 34,966,000	\$ 751,113	\$ 67,606,599	\$ 30,946,479	\$ 35,473,958	\$ 751,113	\$ 67,171,550
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued liabilities	\$ 2,509,809	\$ -	\$ -	\$ 2,509,809	\$ 2,028,896	\$ -	\$ -	\$ 2,028,896
Accrued payroll and vacation (Note G)	1,978,956	-	-	1,978,956	1,981,191	-	-	1,981,191
Advances and refundable reimbursements	397,835	-	-	397,835	518,279	-	-	518,279
Obligation under capital lease	41,572	-	-	41,572	59,487	-	-	59,487
Forgivable construction loans (Note I)	2,387,091	-	-	2,387,091	2,327,091	-	-	2,327,091
Notes payable (Note H)	2,749,300	-	-	2,749,300	2,677,100	-	-	2,677,100
Total liabilities	10,064,563	-	-	10,064,563	9,592,044	-	-	9,592,044
Commitments and contingencies (Note K)								
Net assets (Note L)	21,824,923	34,966,000	751,113	57,542,036	21,354,435	35,473,958	751,113	57,579,506
Total liabilities and net assets	\$ 31,889,486	\$ 34,966,000	\$ 751,113	\$ 67,606,599	\$ 30,946,479	\$ 35,473,958	\$ 751,113	\$ 67,171,550

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,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OPERATING REVENUES								
SUPPORT								
Contributions	\$ 12,166,477	\$ 3,210	\$ -	\$ 12,169,687	\$ 9,354,694	\$ -	\$ -	\$ 9,354,694
Bequests	808,006	-	-	808,006	1,004,129	-	-	1,004,129
Foundation - distributions from Opus Caritatis (Note F)	2,400,000	-	-	2,400,000	2,220,771	1,579,229	-	3,800,000
Foundations - others	1,861,017	203,927	-	2,064,944	1,805,766	-	-	1,805,766
Fundraising events less donor benefits of \$338,458 and \$351,347 for 2016 and 2015, respectively	2,065,536	-	-	2,065,536	2,148,600	36,087	-	2,184,687
Total support	19,301,036	207,137	-	19,508,173	16,533,960	1,615,316	-	18,149,276
OPERATING REVENUES								
Government agencies	12,757,863	-	-	12,757,863	11,552,942	-	-	11,552,942
Program service revenues	3,287,112	-	-	3,287,112	3,320,462	-	-	3,320,462
Investment gains, net (Notes C and L)	284,096	55,942	-	340,038	478,586	104,115	-	582,701
Sales to public	617,851	-	-	617,851	606,755	-	-	606,755
Total operating revenues	16,946,922	55,942	-	17,002,864	15,958,745	104,115	-	16,062,860
Net assets released from restrictions	698,131	(698,131)	-	-	551,961	(551,961)	-	-
TOTAL SUPPORT AND OPERATING REVENUES	36,946,089	(435,052)	-	36,511,037	33,044,666	1,167,470	-	34,212,136
Less expenses	36,475,601	-	-	36,475,601	33,268,394	-	-	33,268,394
Excess (deficit) of support and operating revenues over expenses	470,488	(435,052)	-	35,436	(223,728)	1,167,470	-	943,742

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,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NONOPERATING SUPPORT								
Contribution of property to Catholic Charities	\$ -	\$ -	\$ -	\$ -	\$ 1,003,174	\$ -	\$ -	\$ 1,003,174
Decrease in beneficial interest in separate organization (Note F)	-	(72,906)	-	(72,906)	-	(1,175,820)	-	(1,175,820)
CHANGE IN NET ASSETS	470,488	(507,958)	-	(37,470)	779,446	(8,350)	-	771,096
NET ASSETS AT BEGINNING OF YEAR	21,354,435	35,473,958	751,113	57,579,506	20,574,989	35,482,308	751,113	56,808,410
NET ASSETS AT END OF YEAR	<u>\$ 21,824,923</u>	<u>\$ 34,966,000</u>	<u>\$ 751,113</u>	<u>\$ 57,542,036</u>	<u>\$ 21,354,435</u>	<u>\$ 35,473,958</u>	<u>\$ 751,113</u>	<u>\$ 57,579,506</u>

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, 2016

	Angel's Flight Youth	Good Shepherd Centers		Regional Shelters	Other Regional Services	Youth Employment Services	Other Special Programs	Total Programs Catholic Charities	Development & Communications and Fundraising	General and Administrative Services	Eliminations	Total
		Women's Village	Other Programs									
Compensation and related expenses												
Salaries and wages	\$ 1,424,290	\$ 654,574	\$ 529,597	\$ 728,483	\$ 2,472,270	\$ 1,402,491	\$ 2,515,149	\$ 9,726,854	\$ 208,574	\$ 1,808,304	\$ -	\$ 11,743,732
Pension plan contributions	68,367	20,216	21,609	18,643	109,878	60,967	73,591	373,271	12,514	97,482	-	483,267
Employee benefits	144,447	67,892	70,549	81,130	337,224	199,612	360,477	1,261,331	24,327	254,158	-	1,539,816
Payroll taxes	292,327	111,877	80,931	126,971	252,331	124,535	222,449	1,211,421	16,670	161,931	-	1,390,022
Total compensation and related expenses	1,929,431	854,559	702,686	955,227	3,171,703	1,787,605	3,171,666	12,572,877	262,085	2,321,875	-	15,156,837
Emergency food, shelter and other	108,718	120,520	380,486	166,581	9,874,845	83,688	132,903	10,867,741	-	-	-	10,867,741
Participant payroll and related	-	-	-	-	-	1,892,801	-	1,892,801	-	-	-	1,892,801
Financial assistance	-	-	-	-	-	-	407,841	407,841	-	-	-	407,841
Professional fees	30,894	11,760	2,152	2,535	266,469	57,112	132,008	502,930	10,160	99,709	-	612,799
Program subcontractors	-	-	-	-	875,126	236,340	-	1,111,466	-	-	-	1,111,466
Audit and accounting fees	14,155	9,491	6,166	18,722	40,531	59,125	44,344	192,534	2,038	12,879	-	207,451
Professional fundraising services	-	-	-	-	-	-	-	-	550	-	-	550
Services	21,026	10,204	1,928	2,065	58,416	51,395	23,190	168,224	6,861	123,336	-	298,421
Office expenses	68,145	39,997	33,941	14,914	217,816	75,007	107,269	557,089	101,867	100,587	-	759,543
Other supplies	10,347	100,611	294	389	23,436	31,818	26,482	193,377	1,826	82,836	-	278,039
Donated thrift store goods	-	-	-	-	453,417	-	-	453,417	-	-	-	453,417
Information technology	37,573	28,725	12,941	5,347	64,527	17,630	68,768	235,511	4,378	242,354	-	482,243
Occupancy	186,200	250,869	81,449	288,688	596,655	215,297	11,233	1,630,391	18,773	316,134	(160,085)	1,805,213
Travel	491	-	-	-	1,869	2,726	8,739	13,825	-	498	-	14,323
Staff training, conferences and meetings	5,302	1,718	1,721	240	31,541	24,901	9,877	75,300	308	104,068	-	179,676
Interest expense	-	102,200	-	30,000	-	-	-	132,200	-	2,597	-	134,797
Payments to affiliates	-	-	-	-	-	-	-	-	-	32,432	-	32,432
Depreciation	8,098	639,509	16,690	45,026	97,750	1,336	6,651	815,060	-	50,779	-	865,839
Professional and other liability insurance	47,232	25,963	17,790	25,707	96,362	88,070	82,081	383,205	696	593	-	384,494
Vehicles and mileage	25,343	3,210	9,040	23,607	76,001	43,484	67,213	247,898	-	26,320	-	274,218
Other expenses	-	-	-	-	-	-	-	-	-	19,907	-	19,907
Fundraising expenses	-	-	-	-	-	-	-	-	235,533	-	-	235,533
TOTAL EXPENSES	2,492,955	2,199,336	1,267,284	1,579,048	15,946,464	4,668,335	4,300,265	32,453,687	645,095	3,536,904	(160,085)	36,475,601
Administrative support allocation	348,383	183,683	125,810	211,636	654,537	458,205	576,634	2,558,888	-	-	(2,558,888)	-
Total program services, including allocation of general and administrative support	<u>\$2,841,338</u>	<u>\$2,383,019</u>	<u>\$1,393,094</u>	<u>\$1,790,684</u>	<u>\$16,601,001</u>	<u>\$5,126,540</u>	<u>\$4,876,899</u>	<u>\$ 35,012,575</u>	<u>\$ 645,095</u>	<u>\$ 3,536,904</u>	<u>\$ (2,718,973)</u>	<u>\$36,475,601</u>

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 Employment Services	Other Special Programs	Total Programs Catholic Charities	Development & Communications and 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 and 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 and 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 and 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	<u>\$2,731,351</u>	<u>\$2,129,036</u>	<u>\$1,280,539</u>	<u>\$1,834,979</u>	<u>\$13,636,896</u>	<u>\$4,562,555</u>	<u>\$5,702,852</u>	<u>\$ 31,878,208</u>	<u>\$ 645,318</u>	<u>\$ 3,427,579</u>	<u>\$(2,682,711)</u>	<u>\$33,268,394</u>

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,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (37,470)	\$ 771,096
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provision for bad debt	18,651	6,818
Non-cash support for donated goods and services	(10,666,679)	(8,532,233)
Contribution of real property to Catholic Charities	-	(1,003,174)
Discount on pledges receivable	-	(15,158)
Gain on sale of property and equipment	(1,350)	-
Contribution of building to Jobe, Inc.	-	-
Increase in the value of assets held for disposition	-	-
Depreciation	865,840	646,950
Realized and unrealized gain on investments, net	(313,102)	(538,379)
Decrease in beneficial interest in separate organization	72,906	1,175,820
Accrued interest on loans and notes payable	132,200	132,200
Changes in assets and liabilities:		
Accounts and notes receivable	1,465,420	(362,949)
Pledges receivable	-	208,000
Prepaid expenses and other assets	10,602,061	8,508,660
Accounts payable and accrued liabilities	478,317	71,232
Accrued payroll and vacation	(2,235)	154,221
Advances and refundable reimbursements	(120,444)	334,941
Net cash provided by operating activities	2,494,115	1,558,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(906,088)	(346,066)
Proceeds from sale of property and equipment	1,350	-
Redemption of investments	3,640,000	3,960,000
Additions to investments	(4,745,000)	(4,760,000)
Net cash used in investing activities	(2,009,738)	(1,146,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital lease principal	(15,317)	(11,864)
Net cash used in financing activities	(15,317)	(11,864)
NET CHANGE IN CASH AND EQUIVALENTS	469,060	400,115
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,416,821	1,016,706
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,885,881	\$ 1,416,821
Supplemental information on noncash activities:		
Assets acquired under capital lease	\$ -	\$ 74,177
Contribution of real property to Catholic Charities	\$ -	\$ 1,003,174
Distribution of building to Jobe, Inc. to satisfy contribution payable	\$ -	\$ (1,200,000)

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

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE A - ORGANIZATION

Catholic Charities of Los Angeles, Inc. (“Catholic Charities”) is a California 501 (c) (3) 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-seven 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 (See Note L).

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 L).

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation (continued)

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 for volunteer hours that meet these criteria for both years ended June 30, 2016 and 2015. 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 \$8,611,868 and \$6,697,120 of donated items (including \$594,322 and \$557,769 for the thrift stores donations, respectively) for the years ended June 30, 2016 and 2015, respectively, and \$1,694,811 and \$1,475,114 of food commodities in 2016 and 2015, 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 agencies in the statements of activities and changes in net assets for the years ended June 30, 2016 and 2015.

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.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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"). Cash balances held, at times, exceed the federally insured limit. Catholic Charities has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

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, 2016 and 2015 was \$2,799,179 and \$4,283,250, which is net of allowance of \$643,741 and \$582,819, 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 full amount of the note, including interest was repaid in May 2016.

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.

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 F). The assets consist of an investment fund managed by State Street Global Advisors carried at fair value, an investment fund managed by Catholic Charities Foundation of Los Angeles, 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.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 5 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.

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, 2013 through June 30, 2016 for federal tax purposes and the years ended June 30, 2012 through June 30, 2016 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2016, nor are any material changes anticipated in the twelve months following June 30, 2016. 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.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016 and 2015, 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 equipment and increase (decrease) in beneficial interest in separate organization (See Note F) and gain (loss) on property and equipment sale or donation.

NOTE C - INVESTMENTS

Catholic Charities holds the majority of its investments in an investment fund it manages through State Street Bank and Trust Company (SSBTC). 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, 2016 and 65% equities and 35% fixed income securities as of June 30, 2015. 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 of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE C - INVESTMENTS - Continued

Catholic Charities has \$14,109,875 and \$13,454,469 in the long-term fund and \$4,733,763 and \$4,969,417 in the short-term fund as of June 30, 2016 and 2015, 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, 2016 and 2015 and therefore are not included in Note D – Fair Value of Financial Instruments. As of June 30, 2016 and 2015, \$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.

In June 2016, Catholic Charities transferred \$1,000,000 of long-term investments funds from SSBTC to Catholic Charities Foundation of Los Angeles (CCFLA). The value of the investment with CCFLA as of June 30, 2016 was \$998,351.

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:

	2016	2015
Realized and unrealized gains:		
Long-term fund	\$ 303,757	\$ 538,379
Total net realized and unrealized gains	303,757	538,379
Interest and dividends income:		
Short-term fund	9,345	757
Other	3,209	2,996
Total interest and dividends income	12,554	3,753
Investment expenses	(33,096)	(32,923)
Interest on notes	56,823	73,492
 Total investment gain, net	 \$ 340,038	 \$ 582,701

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

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.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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 investments, and include situations where there is little, if any, market activity for the investments. Investments that are included in this category generally include privately held investments, securities held in partnership format and pooled fund investments. The pooled fund investment does not have daily pricing on an active exchange but a substantial portion of the fund's fair value could be determined based on quoted market prices of underlying mutual fund investments held by the fund.

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.

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

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Mutual Funds

As discussed in Note C, Catholic Charities invests in two funds through State Street Bank and Trust Company, a short-term fund primarily invested in short-term fixed income securities and a long-term fund which is a mixture of equities (domestic and foreign) and short-term fixed income securities. Catholic Charities also invests with the Catholic Community Foundation Los Angeles ("CCFLA"), classified as a Level 3, whose assets are invested in a money market (6%), domestic equities (48%), international equities (18%) and domestic fixed income funds (28%). All the CCFLA investments are actively traded mutual funds or money market funds except for approximately \$225,000 invested in limited partnerships and pooled funds which are valued at their net asset value. The CCFLA investments were transferred from State Street to CCFLA in June 2016. (See Note C)

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Beneficial Interest in Separate Organization

As discussed in Note F, Catholic Charities has a beneficial interest in another organization, Opus Caritatis. As of June 30, 2016 and 2015, Opus Caritatis has cash and investments in State Street mutual funds, the Catholic Community Foundation of Los Angeles and Watson Land Company stock. The fair value measurement for Opus Caritatis' funds are classified as described above. The CCFLA investment in the amount of \$4,000,000 was transferred from State Street to CCFLA in June 2016. The investments in Watson Land Company (totaling \$9,663,144) are held at cost and not included in the table below. (See Note C)

	2016			
	Fair Value Measurements Using			
	2016 Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Catholic Charities				
Mutual Funds at State Street	\$ 18,843,638	\$ -	\$ 18,843,638	\$ -
Mutual Funds at CCFLA	773,323	-	-	773,323
Limited partnerships at CCFLA	135,775	-	-	135,775
International pooled equity at CCFLA	89,253	-	-	89,253
Beneficial interest in separate organization				
Mutual Funds at State Street	13,433,672	-	13,433,672	-
Mutual Funds at CCFLA	3,088,782	-	-	3,088,782
Limited partnerships at CCFLA	542,311	-	-	542,311
International pooled equity at CCFLA	356,490	-	-	356,490
Total	<u>\$ 37,263,244</u>	<u>\$ -</u>	<u>\$ 32,277,310</u>	<u>\$ 4,985,934</u>
	2015			
	Fair Value Measurements Using			
	2015 Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE E - PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Building and improvements	\$ 17,918,481	\$ 19,074,375
Equipment and furniture	3,800,678	2,120,100
Total property and equipment	21,719,159	21,194,475
Less accumulated depreciation	(8,707,788)	(8,223,350)
Land	2,683,531	2,683,531
Property and equipment, net	\$ 15,694,902	\$ 15,654,656

Depreciation expense was \$865,840 and \$646,950 for the years ended June 30, 2016 and 2015, respectively.

NOTE F - 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, foundations, businesses and individuals, including Catholic Charities. These funds are restricted to certain programs and activities within 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, 2016 and 2015 Catholic Charities held a beneficial interest in Opus Caritatis of \$27,084,399 and \$27,157,305, respectively.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

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

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

	<u>2016</u>	<u>2015</u>
Beginning balance, July 1,	\$ 27,157,305	\$ 28,333,125
Dividends and interest income	2,020,374	2,002,570
Realized gains, net	1,474,999	555,084
Unrealized gains (losses), net	(1,123,638)	106,614
Other expenses	(44,641)	(40,088)
Distribution to Catholic Charities	<u>(2,400,000)</u>	<u>(3,800,000)</u>
Ending balance, June 30,	<u>\$ 27,084,399</u>	<u>\$ 27,157,305</u>

NOTE G - RETIREMENT PLAN

Accrued payroll and vacation include approximately \$495,785 and \$487,335 of accrued retirement plan contributions as of June 30, 2016 and 2015, 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 \$483,268 and \$479,344 for the years ended June 30, 2016 and 2015, 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 H - NOTES PAYABLE

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

	<u>2016</u>	<u>2015</u>
City of Los Angeles note payable	\$ 1,444,000	\$ 1,444,000
City of Los Angeles deferred interest	<u>1,305,300</u>	<u>1,233,100</u>
Total notes payable	<u>\$ 2,749,300</u>	<u>\$ 2,677,100</u>

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE H - NOTES PAYABLE - Continued

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 40 year 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, 2016 and 2015, Catholic Charities has accrued \$1,305,300 and \$1,233,100, respectively, of interest expense related to the residual receipts notes.

NOTE I - 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, 2016 and 2015, accrued interest on this EHAP loan was \$244,802 and \$214,802, 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, 2016 and 2015, interest of \$142,289 and \$112,289 of interest had accrued on this EHAP loan, respectively.

Catholic Charities of Los Angeles, Inc.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2016 and 2015

NOTE I - FORGIVABLE CONSTRUCTION LOANS - Continued

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

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:

	2016	2015
EHAP forgivable construction loan payable I	\$ 1,000,000	\$ 1,000,000
EHAP forgivable construction loan deferred interest I	244,802	214,802
EHAP forgivable construction loan payable II	1,000,000	1,000,000
EHAP forgivable construction loan deferred interest II	142,289	112,289
Total forgivable construction loans	\$ 2,387,091	\$ 2,327,091

NOTE J - 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, 2016 and 2015, 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, 2016 and 2015 and the accrued unpaid interest balance was \$580,053 and \$537,086 at June 30, 2016 and 2015, respectively. Since no payments have been made since 1997, Catholic Charities has fully reserved the principal and interest.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE J - RELATED PARTY TRANSACTIONS – Continued

Catholic Community Foundation of Los Angeles (“CCFLA”)

The Catholic Community Foundation is a charitable not-for-profit which, in addition to other charitable purposes, acts as a custodian and investment manager for various funds that have been donated or accumulated by foundations, trusts, churches and other tax exempt organizations. It manages investments for both Catholic Charities and Opus Caritatis in an agency capacity. At year-end fiscal 2016 it held \$998,351 for Catholic Charities and \$3,987,583 for Opus Caritatis. (Notes C & D)

NOTE K - COMMITMENTS AND CONTINGENCIES

Lease Commitments

Catholic Charities has entered into various non-cancelable operating leases for office space, program, facilities, and equipment through 2030. Rental expense under all leases was \$332,648 and \$399,867 for the years ended June 30, 2016 and 2015, respectively.

Minimum lease commitments for the following fiscal years in effect at June 30, 2016 are as follows:

2017	\$	281,103
2018		189,407
2019		117,345
2020		58,697
2021		53,921
Thereafter		456,000
		<u>\$ 1,156,473</u>

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.

Catholic Charities of Los Angeles, Inc.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2016 and 2015

NOTE L - 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:

	Balance in 000's	
	2016	2015
Angel's Flight beneficial interest in separate organization	\$ 27,084	\$ 27,157
Angel's Flight	4,660	5,059
Good Shepherd	803	753
Other	510	556
Archdiocesan Youth Employment Services	271	64
Disaster relief	428	428
San Fernando programs	490	482
Fors Family Trust & Related	382	388
Ventura County Programs	105	248
St. Margaret's programs	85	147
San Gabriel programs	148	192
Total Temporary Restricted Net Assets	\$ 34,966	\$ 35,474

Permanently Restricted Net Assets

As of June 30, 2016 and 2015, Catholic Charities has two endowment funds included in net assets totaling \$1,593,157 and \$1,595,362, respectively. The corpus of the endowment funds totaling \$751,113 are invested in perpetuity and are therefore classified as permanently restricted net assets as of June 30, 2016 and 2015. Investment income earned on these funds is temporarily restricted for designated programs. All income earned since the donation date has been held as temporarily restricted unless specifically expended.

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.

Catholic Charities of Los Angeles, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE L - RESTRICTED NET ASSETS – Continued

Permanently Restricted Net Assets (continued)

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.

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, \$751,113 at June 30, 2016 and 2015.

The activity in the endowment funds (consisting of both temporarily restricted and permanently restricted net assets) for the years ended June 30, 2016 and 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
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	\$ 844,249	\$ 751,113	\$ 1,595,362
Investment gains	32,278	-	32,278
Expenditures	(34,483)	-	(34,483)
Balance at June, 30 2016	\$ 842,044	\$ 751,113	\$ 1,593,157

NOTE M - SUBSEQUENT EVENTS

Catholic Charities has evaluated the financial statements for subsequent events through February 24, 2017, 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,

	<u>2016</u>	<u>2015</u>
PROGRAM SERVICES		
Community Services - San Fernando	\$ 1,303,640	\$ 1,442,792
Community Services - San Gabriel	1,565,662	1,333,651
Community Services - San Pedro	2,039,500	1,472,671
Community Services - OLA Metro	419,412	447,410
Community Services - OLA Western	2,181,276	1,771,805
Community Services - Ventura County	1,929,835	2,002,521
Community Services - Santa Barbara County	5,306,778	4,477,461
Community Services - Other	1,114,788	12,488
Archdiocesan Youth Employment Services (AYE)	4,728,986	4,167,725
Athletics (CYO)	397,555	397,502
Angel's Flight Shelter and Outreach	2,443,658	2,374,720
Angel's Flight Adeste	397,680	356,631
Good Shepherd Centers	3,776,112	3,409,575
McGill House	124,139	121,940
Elizabeth Ann Seton Family Shelter	883,485	823,141
Project Achieve Shelter	783,060	889,898
Psychological services	395,328	373,453
Aging programs	344,780	296,121
Immigration and citizenship services	779,097	656,236
Esperanza	2,305,468	3,159,501
Central intake unit programs	908,125	853,883
Reception and placement services	884,211	1,037,083
	<u>35,012,575</u>	<u>31,878,208</u>
Total Program Services		
SUPPORT SERVICES		
Administration	1,252,995	1,067,172
Finance	1,099,359	1,081,551
Facilities management	453,860	473,175
Human resources	487,711	506,405
Management information systems	242,979	299,276
	<u>3,536,904</u>	<u>3,427,579</u>
Total Corporate General & Administrative		
Resource Development and Fundraising	645,095	645,318
GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED TO INDIVIDUAL PROGRAMS	(2,558,888)	(2,525,393)
ELIMINATION OF OCCUPANCY COSTS ALLOCATED TO INDIVIDUAL PROGRAMS	<u>(160,085)</u>	<u>(157,318)</u>
TOTAL EXPENSES	<u>\$ 36,475,601</u>	<u>\$ 33,268,394</u>

Catholic Charities of Los Angeles, Inc.
 STATEMENTS OF ACTIVITIES – SANTA BARBARA COUNTY
 Years ended June 30,

	2016	2015
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & bequests	\$ 642,814	\$ 298,582
Foundations	74,037	139,875
In-kind donations	3,009,502	2,171,314
Fundraising less donor benefits of \$34,247 and \$48,095, respectively	534,110	794,377
Total support	4,260,463	3,404,148
Operating Revenues		
Government agencies	689,824	723,728
Program service revenues	39,908	38,739
Sales to the public	419,009	429,250
Total operating revenues	1,148,741	1,191,717
TOTAL SUPPORT AND OPERATING REVENUES	5,409,204	4,595,865
EXPENSES		
Payroll expenses		
Salaries and wages	823,797	823,455
Pension plan contributions	42,078	41,878
Employee benefits	153,512	141,981
Payroll taxes	88,105	89,839
Total payroll expenses	1,107,492	1,097,153
Emergency food, shelter and other	3,289,425	2,471,644
Professional fees	637	215
Audit and accounting fees	12,474	12,614
Services	43,777	49,705
Office expenses	48,035	47,786
Operating supplies	861	1,453
Donated thrift store goods	420,150	419,408
Information technology	5,141	9,401
Occupancy	146,155	131,178
Travel	161	-
Staff training, conference and meetings	14,418	4,822
Insurance	30,643	30,859
Vehicles and mileage	30,404	36,400
Fundraising expenses	37,075	53,107
Capital Expenses	5,400	7,237
Miscellaneous	216,956	222,883
TOTAL EXPENSES	5,409,204	4,595,865
SURPLUS (DEFICIT)	\$ -	\$ -

Catholic Charities of Los Angeles, Inc.
 STATEMENTS OF ACTIVITIES – VENTURA COUNTY
 Years ended June 30,

	2016	2015
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & bequests	\$ 411,279	\$ 384,897
Foundations	74,663	24,487
In-kind donations	1,138,794	1,283,498
Fundraising less donor benefits of \$34,565 and \$35,205 respectively	257,889	299,206
Total support	1,882,625	1,992,088
Operating Revenues		
Government agencies	414,786	304,368
Program service revenues	52,395	53,979
Total operating revenues	467,181	358,347
TOTAL SUPPORT AND OPERATING REVENUES	2,349,806	2,350,435
EXPENSES		
Salaries and wages	367,550	357,062
Pension plan contributions	15,930	13,015
Employee benefits	45,830	43,612
Payroll taxes	36,838	36,447
Total payroll expenses	466,148	450,136
Emergency food, shelter and other	1,144,971	1,565,540
Professional fees	4,255	4,008
Audit and accounting fees	6,443	5,279
Services	359,459	2,629
Office expenses	29,187	29,868
Operating supplies	15,304	7,114
Information technology	18,252	13,555
Occupancy	116,054	111,152
Staff training, conference and meetings	3,140	2,353
Insurance	14,720	13,809
Vehicles and mileage	13,833	15,104
Fundraising expenses	40,344	30,192
Capital expenses	13,418	
Miscellaneous	104,278	99,696
TOTAL EXPENSES	2,349,806	2,350,435
SURPLUS (DEFICIT)	\$ -	\$ -

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

SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2016

	<u>REP</u>	<u>ORDG</u>	<u>TADG</u>	<u>FS</u>	<u>SB1041</u>
Revenue					
County of Los Angeles					
REP13001	<u>\$ 507,296</u>	<u>\$ 847</u>	<u>\$ 17,390</u>	<u>\$ 31,332</u>	<u>\$ 30,660</u>
Expenditures					
Salaries and Wages	\$ 304,388	\$ 517	\$ 11,210	\$ 19,369	\$ 19,126
Payroll Taxes and Employee Benefits	90,129	199	2,663	5,537	5,166
Professional Fees and Services	20,208	24	602	1,178	1,289
Equipment and Supplies	9,537	0	133	412	432
Telephone	4,672	0	111	290	234
Occupancy	16,695	8	619	800	750
Local Transportation	2,214	0	17	80	76
Conferences and Meetings	101	0	0	0	0
Indirect Costs	<u>59,352</u>	<u>99</u>	<u>2,035</u>	<u>3,666</u>	<u>3,587</u>
	<u>\$ 507,296</u>	<u>\$ 847</u>	<u>\$ 17,390</u>	<u>\$ 31,332</u>	<u>\$ 30,660</u>