



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

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

**June 30, 2014 and 2013**

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## 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, 7<sup>th</sup> Floor  
Los Angeles, CA 90071-2201

T 213.627.1717

F 213.624.6793

[www.GrantThornton.com](http://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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, and the Refugee Targeted Employment Program REP13001 – Schedule of Revenues and Expenditures on page 30 for the year ended June 30, 2014, 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 November 18, 2014, 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  
November 18, 2014

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

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,016,706	\$ -	\$ -	\$ 1,016,706	\$ 653,122	\$ -	\$ -	\$ 653,122
Investments (Notes C and D)	9,380,554	6,956,341	-	16,336,895	8,684,269	8,077,839	-	16,762,108
Accounts and note receivable, net (Note B)	3,927,119	-	-	3,927,119	1,731,020	-	-	1,731,020
Pledges receivable, net (Note E)	-	192,842	-	192,842	-	233,120	-	233,120
Prepaid expenses and other assets	209,558	-	-	209,558	359,709	-	-	359,709
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)	14,878,189	-	-	14,878,189	16,391,064	-	-	16,391,064
Assets held for disposition (Note G)	1,200,000	-	-	1,200,000	-	-	-	-
Beneficial interest in separate organization (Note H)	-	28,333,125	-	28,333,125	-	27,605,791	-	27,605,791
<b>Total assets</b>	<b>\$ 30,612,126</b>	<b>\$ 35,482,308</b>	<b>\$ 751,113</b>	<b>\$ 66,845,547</b>	<b>\$ 27,819,184</b>	<b>\$ 35,916,750</b>	<b>\$ 751,113</b>	<b>\$ 64,487,047</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 1,954,838	\$ -	\$ -	\$ 1,954,838	\$ 1,767,473	\$ -	\$ -	\$ 1,767,473
Accrued payroll and vacation (Note I)	1,826,970	-	-	1,826,970	1,507,408	-	-	1,507,408
Advances and refundable reimbursements	183,338	-	-	183,338	323,840	-	-	323,840
Contribution payable	1,200,000	-	-	1,200,000	-	-	-	-
Forgivable construction loans (Note K)	2,267,091	-	-	2,267,091	2,207,091	-	-	2,207,091
Notes payable (Note J)	2,604,900	-	-	2,604,900	2,532,700	-	-	2,532,700
<b>Total liabilities</b>	<b>10,037,137</b>	<b>-</b>	<b>-</b>	<b>10,037,137</b>	<b>8,338,512</b>	<b>-</b>	<b>-</b>	<b>8,338,512</b>
Commitments and contingencies (Note M)								
<b>Net assets</b>	<b>20,574,989</b>	<b>35,482,308</b>	<b>751,113</b>	<b>56,808,410</b>	<b>19,480,672</b>	<b>35,916,750</b>	<b>751,113</b>	<b>56,148,535</b>
<b>Total liabilities and net assets</b>	<b>\$ 30,612,126</b>	<b>\$ 35,482,308</b>	<b>\$ 751,113</b>	<b>\$ 66,845,547</b>	<b>\$ 27,819,184</b>	<b>\$ 35,916,750</b>	<b>\$ 751,113</b>	<b>\$ 64,487,047</b>

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,**

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND OPERATING REVENUES</b>								
<b>SUPPORT</b>								
Contributions	\$ 6,967,928	\$ 57,046	\$ -	\$ 7,024,974	\$ 6,722,097	\$ 93,857	\$ -	\$ 6,815,954
Bequests	887,451	-	-	887,451	870,871	332,705	-	1,203,576
Foundation - distributions from Opus Caritatis (Note H)	1,720,000	-	-	1,720,000	2,002,462	279,538	-	2,282,000
Foundations - others	1,264,002	-	-	1,264,002	1,506,500	327,655	-	1,834,155
Federated giving	572,563	1,712	-	574,275	569,430	60,000	-	629,430
Fundraising events less donor benefits of \$359,884 and \$310,775 for 2014 and 2013, respectively	2,130,118	6,636	-	2,136,754	1,875,660	54,211	-	1,929,871
Total support	<u>13,542,062</u>	<u>65,394</u>	<u>-</u>	<u>13,607,456</u>	<u>13,547,020</u>	<u>1,147,966</u>	<u>-</u>	<u>14,694,986</u>
<b>OPERATING REVENUES</b>								
Government agencies	10,958,898	-	-	10,958,898	12,027,086	-	-	12,027,086
Program service revenues	3,233,105	-	-	3,233,105	2,244,547	-	-	2,244,547
Investment gains, net (Notes C and N)	1,849,276	239,882	-	2,089,158	1,226,031	283,305	-	1,509,336
Sales to public	448,748	-	-	448,748	452,098	-	-	452,098
Total operating revenues	<u>16,490,027</u>	<u>239,882</u>	<u>-</u>	<u>16,729,909</u>	<u>15,949,762</u>	<u>283,305</u>	<u>-</u>	<u>16,233,067</u>
Net assets released from restrictions	<u>1,467,052</u>	<u>(1,467,052)</u>	<u>-</u>	<u>-</u>	<u>1,466,858</u>	<u>(1,466,858)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND OPERATING REVENUES</b>	<u>31,499,141</u>	<u>(1,161,776)</u>	<u>-</u>	<u>30,337,365</u>	<u>30,963,640</u>	<u>(35,587)</u>	<u>-</u>	<u>30,928,053</u>
Less expenses	30,952,835	-	-	30,952,835	31,154,791	-	-	31,154,791
Excess (deficit) of support and operating revenues over expenses	<u>\$ 546,306</u>	<u>\$ (1,161,776)</u>	<u>\$ -</u>	<u>\$ (615,470)</u>	<u>\$ (191,151)</u>	<u>\$ (35,587)</u>	<u>\$ -</u>	<u>\$ (226,738)</u>

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,**

	2014				2013			
		Temporarily	Permanently			Temporarily	Permanently	
	Unrestricted	Restricted	Restricted	Total	Unrestricted	Restricted	Restricted	Total
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)	-	-	-	-
Increase in value of asset held for disposition (Note G)	109,443	-	-	109,443	-	-	-	-
Increase in beneficial interest in separate organization (Note H)	-	727,334	-	727,334	-	1,621,715	-	1,621,715
CHANGE IN NET ASSETS	1,094,317	(434,442)	-	659,875	(191,151)	1,586,128	-	1,394,977
NET ASSETS AT BEGINNING OF YEAR	19,480,672	35,916,750	751,113	56,148,535	19,671,823	34,330,622	751,113	54,753,558
NET ASSETS AT END OF YEAR	<u>\$ 20,574,989</u>	<u>\$ 35,482,308</u>	<u>\$ 751,113</u>	<u>\$ 56,808,410</u>	<u>\$ 19,480,672</u>	<u>\$35,916,750</u>	<u>\$ 751,113</u>	<u>\$ 56,148,535</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, 2014**

	Angel's	Good Shepherd Centers		Regional	Other	Youth	Other	Total	Development &	General and	Eliminations	Total
	Flight	Women's	Other		Regional		Special					
	Youth	Village	Programs	Shelters	Services	Services	Programs	Catholic Charities	& Fundraising	Services		
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
<b>TOTAL EXPENSES</b>	<b>2,276,729</b>	<b>1,802,681</b>	<b>1,175,156</b>	<b>1,484,099</b>	<b>12,171,282</b>	<b>4,020,748</b>	<b>4,055,555</b>	<b>26,986,250</b>	<b>738,369</b>	<b>3,386,901</b>	<b>(158,685)</b>	<b>30,952,835</b>
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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2013**

	Angels	Good Shepherd Centers		Regional	Other	Youth	Other	Total	Resource	General and	Eliminations	Total
	Flight	Women's	Other									
	Youth	Village	Programs	Shelters	Services	Services	Programs	Catholic Charities	& Fundraising	Services		
Compensation and related expenses												
Salaries and wages	\$ 1,277,206	\$ 662,598	\$ 575,139	\$ 532,099	\$ 2,344,289	\$ 1,439,658	\$ 1,754,919	\$ 8,585,908	\$ 193,875	\$ 1,738,725	\$ -	\$ 10,518,508
Pension plan contributions	46,632	18,171	17,101	17,713	102,782	62,380	59,004	323,783	10,174	80,099	-	414,056
Employee benefits	130,117	77,579	91,459	81,545	346,557	201,219	258,994	1,187,470	19,879	258,546	-	1,465,895
Payroll taxes	184,449	86,473	64,594	76,440	246,022	133,605	167,339	958,922	15,826	159,570	-	1,134,318
Total compensation & related expenses	1,638,404	844,821	748,293	707,797	3,039,650	1,836,862	2,240,256	11,056,083	239,754	2,236,940	-	13,532,777
Emergency food, shelter and other	76,932	66,144	590,773	218,270	6,923,200	-	403,365	8,278,684	-	-	-	8,278,684
Participant payroll and related	-	-	-	-	-	1,232,848	-	1,232,848	-	-	-	1,232,848
Financial assistance	-	-	-	-	286,000	-	723,996	1,009,996	-	-	-	1,009,996
Professional fees	5,390	32,573	26,490	940	121,786	77,658	31,225	296,062	57	65,485	-	361,604
Program subcontractors	-	-	-	-	-	461,263	35,000	496,263	-	-	-	496,263
Audit and accounting fees	15,549	11,631	5,420	18,705	36,698	63,259	45,583	196,845	2,566	15,821	-	215,232
Professional fundraising services	-	-	-	-	-	-	-	-	58,922	-	-	58,922
Services	18,647	19,535	7,152	2,284	81,686	54,072	34,908	218,284	14,124	204,359	-	436,767
Office expenses	54,023	33,712	29,299	13,989	208,926	74,509	113,041	527,499	127,282	80,226	-	735,007
Other supplies	11,023	80,038	1,684	4,155	33,587	36,634	1,297	168,418	240	9,244	-	177,902
Donated thrift store goods	-	-	-	-	440,917	-	-	440,917	-	-	-	440,917
Information technology	27,184	20,368	10,461	7,764	86,561	17,637	61,945	231,920	10,500	302,745	-	545,165
Occupancy	138,528	225,245	88,006	259,623	672,871	271,088	7,167	1,662,528	18,773	337,653	(160,052)	1,858,902
Travel	-	-	-	-	1,359	2,287	1,821	5,467	900	1,411	-	6,878
Staff training, conferences & meetings	2,218	2,572	5,482	387	14,590	9,182	7,548	41,979	900	58,335	-	101,214
Interest expense	-	102,200	-	30,000	-	-	-	132,200	-	-	-	132,200
Payments to affiliates	-	-	-	-	-	-	-	-	-	38,450	-	38,450
Depreciation	3,131	365,753	15,522	100,494	139,003	6,326	-	630,229	-	48,843	-	679,072
Professional & other liability insurance	31,302	19,631	15,831	16,765	82,988	65,041	79,227	310,785	696	78	-	311,559
Vehicles and mileage	38,309	3,853	7,769	20,895	83,099	46,836	55,034	255,795	-	30,970	-	286,765
Other expenses	-	-	-	-	-	-	-	-	-	(20,602)	-	(20,602)
Fundraising expenses	-	-	-	-	-	-	-	-	238,269	-	-	238,269
TOTAL EXPENSES	2,060,640	1,828,076	1,552,182	1,402,068	12,252,921	4,255,502	3,841,413	27,192,802	712,083	3,409,958	(160,052)	31,154,791
Administrative support allocation	284,846	171,823	138,034	147,890	712,061	366,258	448,481	2,269,393	-	-	(2,269,393)	-
Total program services, including allocation of general and administrative support	\$ 2,345,486	\$ 1,999,899	\$ 1,690,216	\$ 1,549,958	\$ 12,964,982	\$ 4,621,760	\$ 4,289,894	\$ 29,462,195	\$ 712,083	\$ 3,409,958	\$ (2,429,445)	\$ 31,154,791

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,

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 659,875	\$ 1,394,977
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Provision for bad debt	9,873	20,602
Non-cash support for donated goods and services	(7,241,172)	(7,399,555)
Discount on pledges receivable	(7,722)	(9,306)
Gain on sale of property and equipment	(1,638,568)	-
Contribution expense	1,200,000	-
Increase in the value of assets held for disposition	(109,443)	-
Amortization of forgivable loans - City of Long Beach	-	(8,982)
Depreciation	617,311	679,072
Realized and unrealized gain on investments, net	(2,119,787)	(1,540,432)
Increase in beneficial interest in separate organization	(727,334)	(1,621,715)
Accrued interest on notes payable	132,200	132,200
Changes in assets and liabilities:		
Accounts receivable	(855,972)	855,790
Pledges receivable	48,000	48,000
Prepaid expenses and other assets	7,391,322	7,302,409
Accounts payable and accrued liabilities	187,366	(26,709)
Accrued payroll and vacation	319,562	(136,749)
Advances and refundable reimbursements	(140,502)	113,332
Net cash used in operating activities	(2,274,991)	(197,066)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(251,261)	(57,100)
Proceeds from sale of property and equipment	344,836	-
Redemption of investments	7,270,000	3,200,000
Additions to investments	(4,725,000)	(3,845,000)
Net cash provided by (used in) investing activities	2,638,575	(702,100)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	363,584	(899,166)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	653,122	1,552,288
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 1,016,706	\$ 653,122
<b>Supplemental information on noncash activity:</b>		
Sale of property and equipment through note receivable	\$ 1,350,000	\$ -
Non-cash contribution payable of building to Jobe, Inc (Note G)	\$ 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, 2014 and 2013

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-five 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, 2014 and 2013

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 \$354,634 and \$363,300 for volunteer hours that meet these criteria for the years ended June 30, 2014 and 2013, 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 \$6,869,401 and \$7,036,255 of donated items (including \$424,840 and \$440,917 for the thrift stores donations), for the years ended June 30, 2014 and 2013, respectively, and \$1,559,861 and \$1,987,338 of food commodities in 2014 and 2013, 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, 2014 and 2013.

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

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, 2014 and 2013.

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 receivable at June 30, 2014 and 2013 was \$3,927,119 and \$1,731,020, which is net of allowance of \$536,217 and \$489,508, 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.

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.

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

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 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.

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, 2011 through June 30, 2014 for federal tax purposes and the years ended June 30, 2010 through June 30, 2014 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2014, nor are any material changes anticipated in the twelve months following June 30, 2014. 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, 2014 and 2013

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, 2014 and 2013, 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 2013 have been reclassified to conform to the 2014 presentation. The reclassification has no effect on total assets or net asset balances previously reported.

Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2012-05, *Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in the update require not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale and were converted nearly immediately into cash. The adoption of ASU 2012-05 was effective for fiscal years beginning after June 15, 2013. The guidance was adopted by Catholic Charities during the year ended June 30, 2013 and did not have a material effect on Catholic Charities’ financial statements.

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

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 66% equities and 34% in fixed income securities as of June 30, 2014 and 2013. 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 \$12,916,847 and \$13,297,367 in the long-term fund and \$4,168,661 and \$4,213,354 in the short-term fund as of June 30, 2014 and 2013, 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, 2014 and 2013 and therefore are not included in Note D – Fair Value of Financial Instruments. As of June 30, 2014 and 2013, \$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:

	2014	2013
Realized and unrealized gains:		
Long-term fund	\$ 2,119,480	\$ 1,538,067
Total net realized and unrealized gains	<u>2,119,480</u>	<u>1,538,067</u>
Interest and dividends income:		
Short-term fund	307	2,365
Other	1,761	918
Total interest and dividends income	<u>2,068</u>	<u>3,283</u>
Investment expenses	<u>(32,390)</u>	<u>(32,014)</u>
 Total investment gain, net	 <u>\$ 2,089,158</u>	 <u>\$ 1,509,336</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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013, 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.

		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>
		2013			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2013 Total					
Mutual funds:	Catholic Charities owned	\$ 17,510,721	\$ -	\$ 17,510,721	\$ -
	Beneficial interest in separate organization	15,895,730	-	15,895,730	-
	Total	<u>\$ 33,406,451</u>	<u>\$ -</u>	<u>\$ 33,406,451</u>	<u>\$ -</u>

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

NOTE E - PLEDGES RECEIVABLE, NET

Unconditional promises to give totaled \$208,000 at June 30, 2014 and \$256,000 at June 30, 2013 and have been discounted to their present value at June 30, 2014 and 2013 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>2014</u>	<u>2013</u>
Pledges receivable, gross	\$ 208,000	\$ 256,000
Less: present value discount	(15,158)	(22,880)
Pledges receivable, net	<u>\$ 192,842</u>	<u>\$ 233,120</u>
	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	\$ 48,000	\$ 48,000
One to five years	160,000	192,000
More than five years	-	16,000
	<u>\$ 208,000</u>	<u>\$ 256,000</u>

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

	<u>2014</u>	<u>2013</u>
Pledges receivable, net - beginning of the year	\$ 233,120	\$ 271,814
Amortization of present value discount	<u>7,722</u>	<u>9,306</u>
Total pledges, net	240,842	281,120
Payments received during the year	<u>(48,000)</u>	<u>(48,000)</u>
Pledges receivable, net - end of the year	<u>\$ 192,842</u>	<u>\$ 233,120</u>

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

NOTE F - PROPERTY AND EQUIPMENT, NET

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

	2014	2013
Building and improvements	\$ 18,371,705	\$ 19,464,526
Equipment and furniture	1,979,611	2,004,745
Total property and equipment	20,351,316	21,469,271
Less accumulated depreciation	(7,576,400)	(7,900,873)
Construction in progress	19,742	-
Land	2,083,531	2,822,666
Property and equipment, net	<u>\$ 14,878,189</u>	<u>\$ 16,391,064</u>

Depreciation expense was \$617,311 and \$679,072 for the years ended June 30, 2014 and 2013, respectively.

NOTE G - ASSETS HELD FOR DISPOSITION/CONTRIBUTION OF BUILDING (JOB, 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 Job, Inc., a separate nonprofit 501(c)(3) organization and related party in that one of Job, 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 Job, Inc. was \$1,090,557 resulting in an increase in value of the contributed assets of \$109,443 included in the statements 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 is 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 reclassified from Property and Equipment, net to 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, 2014 and 2013

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 US GAAP, the assets transferred to Opus Caritatis continue to be presented in the financial statements of Catholic Charities. As of June 30, 2014 and 2013 Catholic Charities held a beneficial interest in Opus Caritatis of \$28,333,125 and \$27,605,791, 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:

	2014	2013
Beginning balance, July 1,	\$ 27,605,791	\$ 25,984,076
Dividends and interest income	2,166,091	2,232,553
Realized gains, net	207,552	217,468
Unrealized gains, net	2,358,767	1,494,196
Other expenses	(41,654)	(40,502)
Distribution to Catholic Charities	(1,720,000)	(2,282,000)
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,	\$ 28,333,125	\$ 27,605,791

Catholic Charities of Los Angeles, Inc.  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2014 and 2013

NOTE I - RETIREMENT PLAN

Accrued payroll and vacation include approximately \$471,453 and \$459,187 of accrued retirement plan contributions as of June 30, 2014 and 2013, 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 \$465,280 and \$414,056 for the years ended June 30, 2014 and 2013, 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:

	2014	2013
City of Los Angeles note payable	\$ 1,444,000	\$ 1,444,000
City of Los Angeles deferred interest	1,160,900	1,088,700
Total notes payable	\$ 2,604,900	\$ 2,532,700

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, 2014 and 2013, Catholic Charities has accrued \$1,160,900 and \$1,088,700, respectively, of interest expense related to the residual receipts notes.

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

NOTE K - FORGIVABLE CONSTRUCTION LOANS

City of Long Beach

In 2006, Catholic Charities received a loan from the City of Long Beach of \$62,878 for renovation of its Long Beach community services building. Because Catholic Charities remained a qualified non-profit organization and provided eligible public service to the residents of Long Beach, one seventh - \$8,982 was forgiven every year for seven years. Accordingly, the amount due on the loan has been reduced to \$0 at June 30, 2013.

The City of Long Beach loan was funded by the U.S. Department of Housing and Urban Development, thus the amortization of the loan principal balance of \$8,982 is included in government agency revenues in the statements of activities and changes in net assets for the year ended June 30, 2013.

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, 2014 and 2013, accrued interest on this EHAP loan was \$184,802 and \$154,802, 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, 2014 and 2013, interest of \$82,289 and \$52,289 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.

Catholic Charities of Los Angeles, Inc.  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2014 and 2013

NOTE K - FORGIVABLE CONSTRUCTION LOANS - Continued

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

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

	2014	2013
EHAP forgivable construction loan payable I	\$ 1,000,000	\$ 1,000,000
EHAP forgivable construction loan deferred interest I	184,802	154,802
EHAP forgivable construction loan payable II	1,000,000	1,000,000
EHAP forgivable construction loan deferred interest II	82,289	52,289
City of Long Beach forgivable construction loans	-	-
Total forgivable construction loans	\$ 2,267,091	\$ 2,207,091

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, 2014 and 2013, 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, 2014 and 2013 and the accrued unpaid interest balance was \$397,302 and \$360,465 at June 30, 2014 and 2013, 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, 2014 and 2013

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 \$413,104 and \$419,128 for the years ended June 30, 2014 and 2013, respectively.

Minimum lease commitments for the following fiscal years in effect at June 30, 2014 are as follows:

2015	\$	427,989
2016		347,975
2017		255,281
2018		110,401
2019		85,248
Thereafter		504,000
	\$	<u>1,730,894</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, 2014 and 2013

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:

	<u>2014</u>	<u>2013</u>
Angel's Flight beneficial interest in separate organization	\$ 28,333,125	\$ 27,605,791
Angel's Flight	3,423,878	3,669,095
Good Shepherd	647,768	1,187,337
Other	619,292	1,116,771
Disaster relief	427,721	427,721
San Fernando programs	528,072	423,040
Fors Family Trust & Related	415,097	412,467
Ventura Regional Programs	297,044	347,277
St. Margaret's programs	274,643	233,120
Santa Maria programs	98,387	208,655
San Gabriel programs	295,311	177,139
Santa Barbara programs	121,970	108,595
Total Temporary Restricted Net Assets	<u>\$ 35,482,308</u>	<u>\$ 35,916,750</u>

Permanently Restricted Net Assets

Catholic Charities held \$751,113 of permanently restricted funds as of June 30, 2014 and 2013. 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.

Catholic Charities of Los Angeles, Inc.  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2014 and 2013

NOTE N - RESTRICTED NET ASSETS – Continued

Permanently Restricted Net Assets (continued)

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 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, 2014 and 2013.

The temporarily restricted net assets' and permanently restricted net assets' activity for the years ended June 30, 2014 and 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at June, 30 2012	\$ 632,633	\$ 751,113	\$ 1,383,746
Investment gains	177,588	-	177,588
Expenditures	(42,534)	-	(42,534)
Balance at June, 30 2013	<u>767,687</u>	<u>751,113</u>	<u>1,518,800</u>
Investment gains	253,398	-	253,398
Expenditures	(224,090)	-	(224,090)
Balance at June, 30 2014	<u>\$ 796,995</u>	<u>\$ 751,113</u>	<u>\$ 1,548,108</u>

NOTE O - SUBSEQUENT EVENTS

Catholic Charities has evaluated the financial statements for subsequent events through November 18, 2014, 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>2014</u>	<u>2013</u>
<b>PROGRAM SERVICES</b>		
Community Services - San Fernando	\$ 1,435,483	\$ 1,396,981
Community Services - San Gabriel	1,119,475	1,175,835
Community Services - San Pedro	927,910	843,117
Community Services - OLA Metro	480,504	509,796
Community Services - OLA Western	1,720,317	1,726,537
Community Services - Ventura County	1,884,142	2,311,716
Community Services - Santa Barbara County	4,447,535	4,057,379
Community Services - Other	216,096	340,842
Archdiocesan Youth Employment Services (AYE)	3,927,439	4,197,501
Athletics (CYO)	419,665	424,259
Angel's Flight Shelter and Outreach	2,184,218	1,959,179
Angel's Flight Adeste	421,262	386,307
Good Shepherd Centers	3,279,546	3,690,115
McGill House	126,050	113,127
Elizabeth Ann Seton Family Shelter	715,585	658,815
Project Achieve Shelter	796,420	778,016
Psychological services	327,787	343,465
Aging programs	304,006	259,314
Immigration and citizenship services	728,100	727,182
Esperanza	1,653,858	984,212
Central intake unit programs	736,583	746,987
Reception and placement services	<u>1,451,288</u>	<u>1,831,513</u>
<b>Total Program Services</b>	<u>29,303,269</u>	<u>29,462,195</u>
<b>SUPPORT SERVICES</b>		
Administration	1,085,819	1,106,577
Finance	1,105,248	1,112,583
Facilities management	458,895	510,143
Human resources	455,834	409,142
Management information systems	<u>281,104</u>	<u>271,513</u>
<b>Total Corporate General &amp; Administrative</b>	<u>3,386,900</u>	<u>3,409,958</u>
Resource Development and Fundraising	738,370	712,083
<b>GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED TO INDIVIDUAL PROGRAMS</b>	( 2,317,019 )	(2,269,393)
<b>ELIMINATION OF OCCUPANCY COSTS ALLOCATED TO INDIVIDUAL PROGRAMS</b>	<u>( 158,685 )</u>	<u>(160,052)</u>
<b>TOTAL EXPENSES</b>	<u>\$ 30,952,835</u>	<u>\$ 31,154,791</u>

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES – SANTA BARBARA COUNTY

Years ended June 30,

	2014	2013
<b>SUPPORT AND OPERATING REVENUES</b>		
Support		
Contributions & bequests	\$ 574,715	\$ 476,653
Foundations	141,473	122,383
In-kind donations	2,004,476	1,672,562
Fundraising less donor benefits of \$46,369 and \$50,677, respectively	580,452	630,491
<b>Total support</b>	<b>3,301,116</b>	<b>2,902,089</b>
Operating Revenues		
Government agencies	816,683	821,148
Program service revenues	32,424	23,194
Sales to the public	406,616	407,703
<b>Total operating revenues</b>	<b>1,255,723</b>	<b>1,252,045</b>
<b>TOTAL SUPPORT AND OPERATING REVENUES</b>	<b>4,556,839</b>	<b>4,154,134</b>
<b>EXPENSES</b>		
Payroll expenses		
Salaries and wages	820,012	795,800
Pension plan contributions	44,314	35,626
Employee benefits	151,204	135,195
Payroll taxes	92,110	88,353
<b>Total payroll expenses</b>	<b>1,107,640</b>	<b>1,054,974</b>
Emergency food, shelter and other	2,424,889	2,090,779
Professional fees	3,841	409
Audit and accounting fees	9,042	9,495
Services	60,731	52,105
Office expenses	52,693	51,564
Operating supplies	5,190	8,678
Donated thrift store goods	401,307	411,010
Information technology	15,605	16,259
Occupancy	123,192	125,497
Staff training, conference and meetings	555	4,646
Travel	5,350	1,360
Insurance	28,106	25,031
Vehicles and mileage	37,155	39,282
Fundraising expenses	38,827	44,682
Capital Expenses	11,981	
Miscellaneous	230,735	218,363
<b>TOTAL EXPENSES</b>	<b>4,556,839</b>	<b>4,154,134</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>

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

	2014	2013
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & bequests	\$ 218,190	\$ 288,292
Foundations	56,835	70,558
In-kind donations	1,067,486	1,218,466
Fundraising less donor benefits of \$31,023 and \$25,440 respectively	431,028	329,844
Total support	1,773,539	1,907,160
Operating Revenues		
Government agencies	448,209	706,149
Program service revenues	46,778	40,400
Total operating revenues	494,987	746,549
TOTAL SUPPORT AND OPERATING REVENUES	2,268,526	2,653,709
EXPENSES		
Salaries and wages	322,093	271,626
Pension plan contributions	13,410	12,921
Employee benefits	31,721	34,740
Payroll taxes	31,665	24,462
Total payroll expenses	398,889	343,749
Emergency food, shelter and other	1,494,024	1,946,987
Professional fees	19,794	24,423
Audit and accounting fees	3,688	3,868
Services	874	1,334
Office expenses	27,908	32,467
Operating supplies	6,692	19,904
Information technology	18,732	21,664
Occupancy	111,627	80,710
Staff training, conference and meetings	6,798	3,101
Insurance	11,874	10,758
Vehicles and mileage	11,389	9,842
Fundraising expenses	58,778	61,080
Miscellaneous	97,459	93,822
TOTAL EXPENSES	2,268,526	2,653,709
SURPLUS (DEFICIT)	\$ -	\$ -

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

**SCHEDULE OF REVENUES AND EXPENDITURES**  
**Year Ended June 30, 2014**

Revenue	REP	ORDG
County of Los Angeles		
REP13001	\$ 507,996	\$ 12,384
Expenditures		
Salaries and Wages	\$ 301,985	\$ 6,516
Payroll Taxes and Employee Benefits	97,078	2,512
Professional Fees and Services	17,344	346
Equipment and Supplies	6,337	106
Telephone	4,603	107
Occupancy	18,000	675
Local Transportation	2,914	-
Conferences and Meetings	300	-
Client Supportive Expenses	-	673
Indirect Costs	59,435	1,449
	\$ 507,996	\$ 12,384