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Financial Statements and Report of Independent  
Certified Public Accountants

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

June 30, 2012 and 2011

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## **Report of Independent Certified Public Accountants**

Board of Trustees  
Catholic Charities of Los Angeles, Inc.

We have audited the accompanying statements of financial position of Catholic Charities of Los Angeles, Inc. (“Catholic Charities”) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Catholic Charities’ management. 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 established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Catholic Charities’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2012 and 2011, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Los Angeles, California  
November 15, 2012

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

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 1,552,288	\$ -	\$ -	\$ 1,552,288	\$ 1,201,020	\$ 218,963	\$ -	\$ 1,419,983
Investments (Notes C and D)	6,501,944	8,074,732	-	14,576,676	7,253,975	9,043,785	-	16,297,760
Accounts receivable, net (Note B)	2,607,412	-	-	2,607,412	3,010,700	-	-	3,010,700
Pledges receivable, net (Note E)	-	271,814	-	271,814	-	308,924	-	308,924
Prepaid expenses and other assets	262,562	-	-	262,562	334,673	-	-	334,673
Investments restricted for long-term purposes (Notes C, D and M)	-	-	751,113	751,113	-	7,625	751,113	758,738
Property and equipment, net (Note F)	17,013,036	-	-	17,013,036	14,977,937	-	-	14,977,937
Beneficial interest in separate organization (Note G)	-	25,984,076	-	25,984,076	-	25,039,497	-	25,039,497
Total assets	<u>\$ 27,937,243</u>	<u>\$ 34,330,622</u>	<u>\$ 751,113</u>	<u>\$ 63,018,978</u>	<u>\$ 26,778,305</u>	<u>\$ 34,618,794</u>	<u>\$ 751,113</u>	<u>\$ 62,148,212</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued liabilities	\$ 1,794,182	\$ -	\$ -	\$ 1,794,182	\$ 2,473,068	\$ -	\$ -	\$ 2,473,068
Accrued payroll and vacation (Note H)	1,644,157	-	-	1,644,157	1,674,328	-	-	1,674,328
Advances and refundable reimbursements	210,508	-	-	210,508	355,171	-	-	355,171
Forgivable construction loans (Note J)	2,156,073	-	-	2,156,073	1,547,937	-	-	1,547,937
Notes payable (Note I)	2,460,500	-	-	2,460,500	2,388,300	-	-	2,388,300
Total liabilities	<u>8,265,420</u>	<u>-</u>	<u>-</u>	<u>8,265,420</u>	<u>8,438,804</u>	<u>-</u>	<u>-</u>	<u>8,438,804</u>
Commitments and Contingencies (Note L)								
Net Assets	<u>19,671,823</u>	<u>34,330,622</u>	<u>751,113</u>	<u>54,753,558</u>	<u>18,339,501</u>	<u>34,618,794</u>	<u>751,113</u>	<u>53,709,408</u>
Total liabilities and net assets	<u>\$ 27,937,243</u>	<u>\$ 34,330,622</u>	<u>\$ 751,113</u>	<u>\$ 63,018,978</u>	<u>\$ 26,778,305</u>	<u>\$ 34,618,794</u>	<u>\$ 751,113</u>	<u>\$ 62,148,212</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

Years ended June 30,

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OPERATING REVENUES								
SUPPORT								
Contributions	\$ 6,096,083	\$ 253,609	\$ -	\$ 6,349,692	\$ 2,376,731	\$ 296,578	\$ -	\$ 2,673,309
Bequests	743,854	325,464	-	1,069,318	1,005,412	351,341	-	1,356,753
Foundation - distributions from Opus Caritatis (Note G)	1,703,388	26,612	-	1,730,000	1,782,323	317,677	-	2,100,000
Foundations - others	1,320,998	454,804	-	1,775,802	1,049,899	212,491	-	1,262,390
Federated giving	613,494	-	-	613,494	642,964	-	-	642,964
Fundraising events less donor benefits of \$354,457 and \$446,408 for 2012 and 2011, respectively	2,098,240	182,937	-	2,281,177	1,986,118	50,000	-	2,036,118
Total support	12,576,057	1,243,426	-	13,819,483	8,843,447	1,228,087	-	10,071,534
OPERATING REVENUES								
Government agencies	12,893,389	-	-	12,893,389	15,292,047	-	-	15,292,047
Program service revenues	2,063,367	-	-	2,063,367	2,166,957	-	-	2,166,957
Investment gains, net (Notes C and M)	377,013	41,417	-	418,430	1,472,495	546,340	-	2,018,835
Sales to public	417,789	-	-	417,789	437,405	-	-	437,405
Miscellaneous	32,817	-	-	32,817	76,291	125	-	76,416
Total operating revenues	15,784,375	41,417	-	15,825,792	19,445,195	546,465	-	19,991,660
Net assets released from restrictions	2,517,594	(2,517,594)	-	-	816,104	(816,104)	-	-
TOTAL SUPPORT AND OPERATING REVENUES	30,878,026	(1,232,751)	-	29,645,275	29,104,746	958,448	-	30,063,194
Less expenses	29,545,704	-	-	29,545,704	28,719,416	-	-	28,719,416
Excess (deficit) of support and operating revenues over expenses	\$ 1,332,322	\$ (1,232,751)	\$ -	\$ 99,571	\$ 385,330	\$ 958,448	\$ -	\$ 1,343,778

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,

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NONOPERATING SUPPORT								
Increase in beneficial interest in separate organization (Note G)	\$ -	\$ 944,579	\$ -	\$ 944,579	\$ -	\$ 2,048,482	\$ -	\$ 2,048,482
CHANGE IN NET ASSETS	1,332,322	(288,172)	-	1,044,150	385,330	3,006,930	-	3,392,260
NET ASSETS AT BEGINNING OF YEAR	18,339,501	34,618,794	751,113	53,709,408	17,954,171	31,611,864	751,113	50,317,148
NET ASSETS AT END OF YEAR	<u>\$ 19,671,823</u>	<u>\$ 34,330,622</u>	<u>\$ 751,113</u>	<u>\$ 54,753,558</u>	<u>\$ 18,339,501</u>	<u>\$ 34,618,794</u>	<u>\$ 751,113</u>	<u>\$ 53,709,408</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,

2012

	Angel's	Good Shepherd Centers		Regional	Other	Youth	Other	Total	Resource	General and	Eliminations	Total
	Flight Youth	Women's Village	Other Programs									
Compensation and related expenses												
Salaries and wages	\$ 1,674,666	\$ 612,124	\$ 544,162	\$ 544,826	\$ 2,359,558	\$ 1,460,421	\$ 1,539,417	\$ 8,735,174	\$ 189,839	\$ 1,669,775	\$ -	\$ 10,594,788
Pension plan contributions	74,561	23,788	18,191	21,371	123,865	68,245	73,946	403,967	11,382	88,804	-	504,153
Employee benefits	176,930	85,959	85,508	92,924	323,148	198,762	259,641	1,222,872	25,938	228,749	-	1,477,559
Payroll taxes	203,088	74,943	55,264	73,075	249,365	144,859	150,014	950,608	15,637	158,395	-	1,124,640
Total compensation & related expense	<u>2,129,245</u>	<u>796,814</u>	<u>703,125</u>	<u>732,196</u>	<u>3,055,936</u>	<u>1,872,287</u>	<u>2,023,018</u>	<u>11,312,621</u>	<u>242,796</u>	<u>2,145,723</u>	<u>-</u>	<u>13,701,140</u>
Emergency food, shelter and other	33,216	5,029	158,492	197,389	5,652,717	-	240,612	6,287,455	-	-	-	6,287,455
Participant payroll and related	-	-	-	-	-	1,764,622	-	1,764,622	-	-	-	1,764,622
Financial assistance	-	-	-	-	77,155	-	821,835	898,990	-	-	-	898,990
Professional fees	31,932	41,443	16,231	13,390	43,536	75,838	13,255	235,625	-	66,354	-	301,979
Program subcontractors	-	-	-	-	-	235,792	-	235,792	-	-	-	235,792
Audit and accounting fees	18,203	10,151	4,837	17,453	46,855	75,500	42,711	215,710	2,584	15,456	-	233,750
Professional fundraising services	-	-	-	-	-	-	-	-	65,460	-	-	65,460
Services	52,084	17,814	5,077	627	103,434	23,587	43,817	246,440	3,485	63,268	-	313,193
Office expenses	66,025	31,183	33,778	17,818	194,619	89,640	92,336	525,399	153,582	81,899	-	760,880
Other supplies	94,940	100,204	14,301	140,694	20,785	13,837	416	385,177	3,955	9,131	-	398,263
Donated thrift store goods	-	-	-	-	390,903	-	-	390,903	-	-	-	390,903
Information technology	44,585	14,752	8,308	12,867	62,503	34,153	24,912	202,080	8,694	303,650	-	514,424
Occupancy	132,801	206,784	86,320	267,186	647,676	239,043	2,092	1,581,902	18,773	457,660	(157,378)	1,900,957
Travel	5,087	-	-	-	1,748	72	7,230	14,137	-	713	-	14,850
Staff training, conferences & meetings	7,211	644	2,811	1,227	13,149	17,873	5,939	48,854	498	53,141	-	102,493
Interest expense	-	102,200	-	22,289	-	-	-	124,489	-	-	-	124,489
Payments to affiliates	-	-	-	-	-	-	-	-	-	33,965	-	33,965
Depreciation	11,078	424,314	10,470	2,884	185,857	9,979	-	644,582	-	39,100	-	683,682
Professional & other liability insurance	41,406	18,268	15,404	16,936	85,350	68,164	59,158	304,686	522	-	-	305,208
Vehicles and mileage	43,573	2,018	10,187	20,454	74,151	49,522	50,516	250,421	-	40,895	-	291,316
Other expenses	-	-	-	-	-	-	-	-	-	(17,505)	-	(17,505)
Fundraising expenses	-	-	-	-	-	-	-	-	239,398	-	-	239,398
TOTAL EXPENSES	<u>\$ 2,711,386</u>	<u>\$ 1,771,618</u>	<u>\$ 1,069,341</u>	<u>\$ 1,463,410</u>	<u>\$ 10,656,374</u>	<u>\$ 4,569,909</u>	<u>\$ 3,427,847</u>	<u>\$ 25,669,885</u>	<u>\$ 739,747</u>	<u>\$ 3,293,450</u>	<u>\$ (157,378)</u>	<u>\$ 29,545,704</u>
Administrative support allocation	367,951	162,896	137,222	152,055	725,295	370,325	401,417	2,317,161	-	-	(2,317,161)	-
Total program services, including allocation of general and administrative support	<u>\$ 3,079,337</u>	<u>\$ 1,934,514</u>	<u>\$ 1,206,563</u>	<u>\$ 1,615,465</u>	<u>\$ 11,381,669</u>	<u>\$ 4,940,234</u>	<u>\$ 3,829,264</u>	<u>\$ 27,987,046</u>	<u>\$ 739,747</u>	<u>\$ 3,293,450</u>	<u>\$ (2,474,539)</u>	<u>\$ 29,545,704</u>

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

Catholic Charities of Los Angeles, Inc.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30,

2011

	Angel's Flight Youth	Good Shepherd Centers		Regional Shelters	Other Regional Services	Youth Employment Services	Other Special Programs	Total Programs Catholic Charities	Resource Development & Fundraising	General and Administrative Services	Eliminations	Total
		Women's Village	Other Programs									
Compensation and related expenses												
Salaries and wages	\$ 1,654,706	\$ 660,532	\$ 552,622	\$ 911,950	\$ 2,624,766	\$ 1,583,902	\$ 1,527,107	\$ 9,515,585	\$ 186,911	\$ 1,619,591	\$ -	\$ 11,322,087
Pension plan contributions	69,334	22,893	17,309	31,476	127,669	67,421	65,824	401,926	11,215	82,957	-	496,098
Employee benefits	170,133	68,754	73,417	84,035	318,441	223,523	236,176	1,174,479	15,089	230,225	-	1,419,793
Payroll taxes	200,101	73,635	47,281	129,894	277,865	163,589	151,848	1,044,213	15,821	156,293	-	1,216,327
Total compensation and related expense	2,094,274	825,814	690,629	1,157,355	3,348,741	2,038,435	1,980,955	12,156,203	229,036	2,089,066	-	14,454,305
Emergency food, shelter and other	2,621	1,144	11,180	33,135	2,885,820	-	30,133	2,964,033	-	-	-	2,964,033
Participant payroll and related	-	-	-	-	-	3,439,568	-	3,439,568	-	-	-	3,439,568
Financial assistance	-	-	-	-	25,000	-	610,274	635,274	-	-	-	635,274
Professional fees	28,447	158,125	17,883	1,003	52,280	70,550	11,448	339,736	2,760	116,089	-	458,585
Program subcontractors	-	-	-	-	-	548,335	-	548,335	-	-	-	548,335
Audit and accounting fees	17,447	10,154	5,625	23,459	47,935	93,384	35,458	233,462	2,192	17,041	-	252,695
Professional fundraising services	-	-	-	-	-	-	-	-	51,994	-	-	51,994
Services	40,987	18,082	12,971	5,325	85,957	23,522	33,737	220,581	3,104	110,577	-	334,262
Office expenses	69,507	30,273	21,745	23,293	227,418	98,285	86,566	557,087	138,416	82,026	-	777,529
Other supplies	89,393	64,275	13,197	73,286	41,318	1,355	2,744	285,568	-	9,371	-	294,939
Donated goods	-	-	-	-	414,769	-	-	414,769	-	-	-	414,769
Information technology	29,570	22,765	11,316	8,600	67,344	10,978	8,879	159,452	9,575	258,130	-	427,157
Occupancy	175,972	166,645	110,570	366,853	659,073	189,576	986	1,669,675	18,773	482,916	(157,318)	2,014,046
Travel	1,360	-	92	-	4,292	670	427	6,841	-	2,149	-	8,990
Staff training, conferences and meetings	20,515	2,854	3,137	813	16,845	15,213	8,532	67,909	753	57,490	-	126,152
Interest expense	-	102,200	-	-	-	-	-	102,200	-	-	-	102,200
Payments to affiliates	-	-	-	-	-	-	-	-	-	31,661	-	31,661
Depreciation	19,557	424,211	3,885	6,066	134,594	8,643	-	596,956	-	31,356	-	628,312
Professional and other liability insurance	34,531	16,461	12,679	21,593	78,880	78,878	49,593	292,615	696	98	-	293,409
Vehicles and mileage	35,614	1,284	9,462	24,090	80,124	48,916	43,075	242,565	-	40,688	-	283,253
Other expenses	10	122	(1,200)	-	(42)	-	50	(1,060)	-	(28,072)	-	(29,132)
Fundraising expenses	-	-	-	-	-	-	-	-	207,080	-	-	207,080
TOTAL EXPENSES	\$ 2,659,805	\$ 1,844,409	\$ 923,171	\$ 1,744,871	\$ 8,170,348	\$ 6,666,308	\$ 2,902,857	\$ 24,911,769	\$ 664,379	\$ 3,300,586	\$ (157,318)	\$ 28,719,416
Administrative support allocation - direct	363,873	198,107	134,526	230,908	831,935	528,571	366,585	2,654,505	-	-	(2,654,505)	-
Total program services, including allocation of general and administrative support	\$ 3,023,678	\$ 2,042,516	\$ 1,057,697	\$ 1,975,779	\$ 9,002,283	\$ 7,194,879	\$ 3,269,442	\$ 27,566,274	\$ 664,379	\$ 3,300,586	\$ (2,811,823)	\$ 28,719,416

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,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,044,150	\$ 3,392,260
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Provision for bad debts	(17,505)	(28,043)
Non-cash support for donated goods and services	(6,058,575)	(1,801,397)
Discount on pledges receivable	(10,890)	(70,649)
Amortization of forgivable loans - City of Long Beach	(18,983)	(18,982)
Depreciation	683,682	628,312
Realized and unrealized gain on investments	(296,872)	(1,754,059)
Increase in beneficial interest in separate organization	(944,579)	(2,048,482)
Accrued interest on notes	124,489	102,200
Changes in assets and liabilities:		
Accounts receivable	420,793	338,328
Pledges receivable	48,000	58,000
Prepaid expenses and other assets	5,322,834	1,700,263
Accounts payable and accrued liabilities	(678,886)	(37,529)
Accrued payroll and vacation	(30,171)	(111,052)
Advances and refundable reimbursements	(144,663)	(277,681)
	<u>(557,176)</u>	<u>71,489</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,336,099)	(149,420)
Redemptions of investments	6,934,716	5,509,266
Additions to investments	(4,909,136)	(5,223,092)
	<u>689,481</u>	<u>136,754</u>
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND EQUIVALENTS	132,305	208,243
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,419,983</u>	<u>1,211,740</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 1,552,288</u>	<u>\$ 1,419,983</u>
Supplemental information on noncash investing activity:		
Acquisition of property and equipment through notes payable	<u>\$ 574,830</u>	<u>\$ 425,170</u>

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

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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-three 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 (“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, 2012 and 2011

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 M).

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 \$362,000 and \$214 for volunteer hours that meet these criteria for the years ended June 30, 2012 and 2011, respectively. Many hours of additional donated time have not been reflected in the accompanying statements of activities 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 \$6,058,575 and \$1,801,397 of donated items (including \$390,903 and \$414,769 for the thrift stores donations), for the years ended 2012 and 2011, respectively, and \$1,422,913 and \$885,219 of food commodities in 2012 and 2011, respectively, received through government programs and valued using USDA prices. These donations are classified as contributions and government revenues in the statements of activities for the years ended June 30, 2012 and 2011.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

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, 2012 and 2011.

Accounts 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, 2012 and 2011 was \$2,607,412 and \$3,010,700, which is net of allowance of \$483,787 and \$468,715, respectively.

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 G). The assets consist of an investment fund managed by State Street Global Advisors carried at fair value and an investment in the common stock of the Watson Land Company, a real estate investment trust whose stock is not traded on any stock exchange. The investment in Watson Land Company is carried at the lower of cost or fair value.

Property and Equipment

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

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment (continued)

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 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, 2009 through June 30, 2012 for federal tax purposes and the years ended June 30, 2008 through June 30, 2012 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2012, nor are any material changes anticipated in the twelve months following June 30, 2012. There have been no related tax penalties or interest, which would be classified as a tax expense in the statements of activities.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of the financial statements in conformity with 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, 2012 and 2011, 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 bequests, gifts designated for endowment or plant and increase (decrease) in beneficial interest in separate organization (See Note G).

Reclassification

For comparability, certain amounts from 2011 have been reclassified to conform to the 2012 presentation. The reclassification has no effect on total assets or net asset balances previously reported.

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 64% equities and 36% in fixed income securities as of June 30, 2012 and 65% equities and 35% in fixed income securities in as of June 30, 2011. 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, 2012 and 2011

NOTE C – INVESTMENTS - Continued

Catholic Charities has \$11,759,300 and \$12,380,808 in the long-term fund and \$3,565,989 and \$4,673,190 in the short-term fund as of June 30, 2012 and 2011, 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, 2012 and 2011 and therefore are not included in Note D – Fair Value of Financial Instruments. As of June 30, 2012 and 2011, \$751,113 and \$758,738, respectively, 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:

	2012	2011
Realized and unrealized gains:		
Long-term fund	\$ 296,872	\$ 1,754,059
Total net realized and unrealized gains	<u>296,872</u>	<u>1,754,059</u>
Interest and dividends income:		
Long-term fund	146,478	286,125
Short-term fund	3,533	3,268
Other	1,046	2,482
Total interest and dividends income	<u>151,057</u>	<u>291,875</u>
Investment expenses	<u>(29,499)</u>	<u>(27,099)</u>
Total investment gain, net	<u>\$ 418,430</u>	<u>\$ 2,018,835</u>

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, 2012 and 2011

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 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.

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.



Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Beneficial Interest in Separate Organization

As discussed in Note G, Catholic Charities has a beneficial interest in another organization, Opus Caritatis. As of June 30, 2012 and 2011, 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.

		2012			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		2012 Total			
Mutual funds:					
	Catholic Charities owned	\$ 15,325,289	\$ -	\$ 15,325,289	\$ -
	Beneficial interest in separate organization	\$ 14,262,149	-	14,262,149	-
	Total	<u>\$ 29,587,438</u>	<u>\$ -</u>	<u>\$ 29,587,438</u>	<u>\$ -</u>
		2011			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		2011 Total			
Mutual funds:					
	Catholic Charities owned	\$ 17,053,998	\$ -	\$ 17,053,998	\$ -
	Beneficial interest in separate organization	13,325,709	-	13,325,709	-
	Total	<u>\$ 30,379,707</u>	<u>\$ -</u>	<u>\$ 30,379,707</u>	<u>\$ -</u>

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - PLEDGES RECEIVABLE

Unconditional promises to give totaled \$304,000 at June 30, 2012 and \$352,000 at June 30, 2011 and have been discounted to their present value at June 30, 2012 and 2011 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>2012</u>	<u>2011</u>
Pledges receivable, gross	\$ 304,000	\$ 352,000
Less: present value discount	<u>(32,186)</u>	<u>(43,076)</u>
Pledges receivable, net	<u>\$ 271,814</u>	<u>\$ 308,924</u>
	<u>2012</u>	<u>2011</u>
Amounts due in:		
Less than one year	\$ 48,000	\$ 48,000
One to five years	192,000	192,000
More than five years	<u>64,000</u>	<u>112,000</u>
	<u>\$ 304,000</u>	<u>\$ 352,000</u>

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

	<u>2012</u>	<u>2011</u>
Pledges receivable, net - beginning of the year	\$ 308,924	\$ 296,275
Amortization of present value discount	<u>10,890</u>	<u>70,649</u>
Total pledges, net	319,814	366,924
Payments received during the year	<u>(48,000)</u>	<u>(58,000)</u>
Pledges receivable, net - end of the year	<u>\$ 271,814</u>	<u>\$ 308,924</u>

Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2012 and 2011

NOTE F - PROPERTY AND EQUIPMENT

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

	2012	2011
Building and improvements	\$ 19,464,526	\$ 17,476,772
Equipment and furniture	1,916,245	2,092,905
Total property and equipment	21,380,771	19,569,677
Less accumulated depreciation	(7,221,801)	(7,150,441)
Construction in progress	31,400	425,170
Land	2,822,666	2,133,531
Net property and equipment	\$ 17,013,036	\$ 14,977,937

NOTE G - BENEFICIAL INTEREST IN SEPARATE ORGANIZATION - OPUS CARITATIS

On January 7, 2004, Opus Caritatis, a separate corporation, was 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. On June 30, 2004, Catholic Charities transferred \$17,712,825 to Opus Caritatis. In accordance with accounting principles generally accepted in the United States of America, the assets transferred to Opus Caritatis continue to be presented in the financial statements of Catholic Charities. The \$944,579 and \$2,048,482 increase in the beneficial interest in the years ended June 30, 2012 and 2011, respectively, represent investment gains on the assets held by Opus Caritatis less distributions made to Catholic Charities of \$1,730,000 and \$2,100,000, respectively.

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

	2012	2011
Beginning balance, July 1,	\$ 25,039,497	\$ 22,991,015
Dividends and interest income	2,387,341	2,585,001
Realized gains, net	45,858	594,757
Unrealized gains, net	263,565	1,006,499
Other expenses	(22,185)	(37,775)
Distribution to Catholic Charities	(1,730,000)	(2,100,000)
Ending Balance, June 30,	\$ 25,984,076	\$ 25,039,497

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE H - PENSION PLAN

Accrued payroll and vacation include approximately \$554,437 and \$555,170 of accrued pension plan contributions as of June 30, 2012 and 2011, 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 pension plan are based upon 6% of eligible employees' salaries. The related expenses amounted to \$504,153 and \$496,098 for the years ended June 30, 2012 and 2011, 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 I - NOTES PAYABLE

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

	2012	2011
City of Los Angeles note payable	\$ 1,444,000	\$ 1,444,000
City of Los Angeles deferred interest	1,016,500	944,300
Total notes payable	\$ 2,460,500	\$ 2,388,300

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, 2012 and 2011, Catholic Charities has accrued \$1,016,500 and \$944,300, respectively, of interest expense related to the residual receipts notes.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE J – FORGIVABLE CONSTRUCTION LOANS

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

	2012	2011
EHAP forgivable construction loan payable I	\$ 1,000,000	\$ 1,000,000
EHAP forgivable construction loan deferred interest I	124,802	94,802
EHAP forgivable construction loan payable II	1,000,000	425,170
EHAP forgivable construction loan deferred interest II	22,289	-
City of Long Beach forgivable construction loans	8,982	27,965
Total forgivable construction loans	\$ 2,156,073	\$ 1,547,937

City of Long Beach

In 2005, Catholic Charities received a loan from the City of Long Beach of \$70,000 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 - \$10,000 was forgiven every year for seven years. Accordingly, the amount due on the loan has been reduced to \$0 and \$10,000 at June 30, 2012 and 2011, respectively.

In 2006, Catholic Charities received an additional loan from the City of Long Beach of \$62,878 for renovation of its Long Beach community services building. As with the previous loan, as long as Catholic Charities remains a qualified non-profit organization and provides eligible public service to the residents of Long Beach, one seventh - \$8,982 will be forgiven every year for the next seven years. Accordingly, the amount due on the loan has been reduced to \$8,982 and \$17,965 at June 30, 2012 and 2011, respectively.

Both City of Long Beach loans are funded by the U.S. Department of Housing and Urban Development, thus the amortizations of the loan principal balance of \$18,983 and \$18,982 are included in government agency revenues in the statements of activities for the years ended June 30, 2012 and 2011, respectively.

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 Emergency Housing and Assistance Program ("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, 2012 and 2011, accrued interest on this EHAP loan was \$124,802 and \$94,802, respectively.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE J – FORGIVABLE CONSTRUCTION LOANS - Continued

*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 Emergency Housing and Assistance Program/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, 2012 and 2011, interest of \$22,289 and \$0 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.

NOTE K - 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, 2012 and 2011, 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, 2012 and 2011 and the accrued unpaid interest balance was \$325,174 and \$292,591 at June 30, 2012 and 2011, 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, 2012 and 2011

NOTE L - 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 \$341,766 and \$274,128 for the years ended June 30, 2012 and 2011, respectively.

Minimum lease commitments for the following fiscal years in effect at June 30, 2012 are as follows:

2013	\$	376,321
2014		324,973
2015		236,116
2016		174,143
2017		134,040
Thereafter		722,420
	\$	<u>1,968,013</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.

Catholic Charities of Los Angeles, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE M - 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>2012</u>	<u>2011</u>
Angel's Flight beneficial interest in separate organization	\$ 25,984,076	\$ 25,039,497
Angel's Flight	3,241,306	4,719,272
Good Shepherd special donations	1,076,591	1,076,591
Other	854,212	642,469
San Gabriel programs	428,509	326,607
Disaster relief	427,721	427,721
Fors Family Trust	420,467	469,624
San Fernando programs	406,806	406,899
St. Margaret's programs	271,814	308,924
Santa Barbara programs	249,816	234,742
Santa Maria programs	248,027	269,781
Ventura Regional Programs	212,476	108,757
Our Lady of the Angeles West	210,801	125,801
Good Shepherd Center programs	181,229	337,713
Mara Dion programs	116,771	116,771
Other capital campaigns	-	7,625
Total Temporary Restricted Net Assets	<u>\$ 34,330,622</u>	<u>\$ 34,618,794</u>

Permanently Restricted Net Assets

Catholic Charities held \$751,113 of permanently restricted funds as of June 30, 2012 and 2011. 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.



Catholic Charities of Los Angeles, Inc.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2012 and 2011

NOTE M - 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.

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, 2012 and 2011.

The permanently restricted assets' activity for the years ended June 30, 2012 and 2011 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance at July 1, 2010	\$ 466,136	\$ 751,113	\$ 1,217,249
Investment gains	195,992	-	195,992
Expenditures	(64,992)	-	(64,992)
Balance at June, 30 2011	\$ 597,136	\$ 751,113	\$ 1,348,249
Investment gains	53,901	-	53,901
Expenditures	(18,404)	-	(18,404)
Balance at June, 30 2012	<u>\$ 632,633</u>	<u>\$ 751,113</u>	<u>\$ 1,383,746</u>

NOTE N - SUBSEQUENT EVENTS

Catholic Charities has evaluated the financial statements for subsequent events through November 15, 2012, 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



**Report of Independent Certified Public Accountants  
On Supplementary Information**

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Board of Trustees  
Catholic Charities of Los Angeles, Inc.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Program Expenses, The Statements of Activities Santa Barbara County, Statements of Activities for Ventura, and the Statement of Revenues and Expenditures for the Refugee-Targeted Employment Program, on pages 26 to 29 for the year ended June 30, 2012 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 were 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 audit 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 established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Grant Thornton LLP*

Los Angeles, California  
November 15, 2012

Catholic Charities of Los Angeles, Inc.  
SCHEDULES OF PROGRAM EXPENSES  
Years ended June 30,

	2012	2011
<b>PROGRAM SERVICES</b>		
Community Services - San Fernando	\$ 1,310,275	\$ 1,058,243
Community Services - San Gabriel	1,018,437	949,940
Community Services - San Pedro	1,073,406	1,216,660
Community Services - OLA Metro	522,904	490,641
Community Services - OLA Western	1,523,640	1,228,783
Community Services - Ventura County	2,059,491	771,858
Community Services - Santa Barbara County	3,138,337	2,606,605
Community Services - Other	162,894	57,165
Archdiocesan Youth Employment Services (AYE)	4,940,149	7,194,879
Angel's Flight Shelter and Outreach	2,162,597	2,049,719
Angel's Flight Adeste	512,359	567,825
Angel's Flight Youth Services - Athletics (CYO)	404,380	406,136
Good Shepherd Centers	3,140,628	3,100,213
Lancaster Shelter	-	617,324
McGill House	107,933	101,456
Elizabeth Ann Seton Family Shelter	773,386	588,794
Project Achieve Shelter	780,419	668,206
Psychological services	329,408	390,246
Aging programs	196,867	232,142
Immigration and citizenship services	1,248,305	1,310,085
Central intake unit programs	800,377	844,000
Reception and placement services	1,780,583	1,115,355
	<u>27,986,775</u>	<u>27,566,275</u>
<b>SUPPORT SERVICES</b>		
Administration	1,016,904	989,802
Finance	1,006,984	980,306
Facilities management	632,199	657,644
Human resources	394,017	430,220
Management information systems	243,617	242,613
	<u>3,293,721</u>	<u>3,300,585</u>
Resource Development and Fundraising	739,747	664,379
<b>GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED TO INDIVIDUAL PROGRAMS</b>		
	(2,317,161)	(2,654,505)
<b>ELIMINATION OF OCCUPANCY COSTS ALLOCATED TO INDIVIDUAL PROGRAMS</b>		
	<u>(157,378)</u>	<u>(157,318)</u>
<b>TOTAL EXPENSES</b>	<u>\$ 29,545,704</u>	<u>\$ 28,719,416</u>

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

	2012	2011
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & Bequests	\$ 291,302	\$ 242,422
Foundations	134,791	155,871
In-Kind Donations	707,567	506,999
Fundraising less donor benefits of \$41,189 and \$52,580, respectively	698,409	693,204
Total support	1,832,069	1,598,496
Operating Revenues		
Government agencies	1,012,174	778,907
Program service revenues	20,823	20,618
Sales to the public	374,607	393,487
Total operating revenues	1,407,604	1,193,012
TOTAL SUPPORT AND OPERATING REVENUES	3,239,673	2,791,508
EXPENSES		
Payroll expenses		
Salaries and wages	785,116	787,449
Pension plan contributions	41,696	39,880
Employee benefits	113,712	99,264
Payroll taxes	87,837	88,941
Total payroll expense	1,028,361	1,015,534
Emergency food, shelter and other	1,279,151	727,087
Professional fees	426	638
Audit and accounting fees	10,485	12,423
Professional fundraising services	-	2,622
Services	49,247	52,526
Office expenses	43,625	43,267
Operating supplies	8,271	11,319
Donated thrift store goods	374,607	393,487
Information technology	10,879	14,710
Occupancy	115,206	122,181
Staff training, conference and meetings	1,183	-
Travel	4,147	3,280
Insurance	23,755	21,210
Vehicles and mileage	34,740	29,526
Fundraising expenses	42,143	32,347
Capital expenditures	-	83,965
Miscellaneous	213,414	225,386
TOTAL EXPENSES	3,239,640	2,791,508
SURPLUS	\$ 33	\$ -

Catholic Charities of Los Angeles, Inc.

STATEMENTS OF ACTIVITIES – VENTURA COUNTY

Years ended June 30,

	<u>2012</u>	<u>2011</u>
SUPPORT AND OPERATING REVENUES		
Support		
Contributions & Bequests	\$ 222,616	\$ 209,445
Foundations	66,871	131,193
In-Kind Donations	1,234,345	52,526
Fundraising less donor benefits of \$30,375 and \$155,053 respectively	<u>332,114</u>	<u>254,619</u>
Total support	<u>1,855,946</u>	<u>647,783</u>
Operating Revenues		
Government agencies	449,853	227,069
Program service revenues	<u>74,939</u>	<u>62,834</u>
Total operating revenues	<u>524,792</u>	<u>289,903</u>
TOTAL SUPPORT AND OPERATING REVENUES	<u>2,380,738</u>	<u>937,686</u>
EXPENSES		
Payroll expenses		
Salaries and wages	271,386	342,964
Pension plan contributions	13,863	13,291
Employee benefits	32,682	41,429
Payroll taxes	<u>26,981</u>	<u>34,259</u>
Total payroll expense	<u>344,912</u>	<u>431,943</u>
Emergency food, shelter and other	1,312,658	266,587
Professional fees	18,438	20,098
Audit and accounting fees	4,247	5,292
Professional fundraising services	44,460	41,887
Services	364,113	1,418
Office expenses	43,820	52,293
Operating supplies	2,936	2,085
Information technology	11,954	14,841
Occupancy	94,480	90,091
Staff training, conference and meetings	2,522	2,374
Insurance	10,618	11,754
Vehicles and mileage	6,572	8,059
Fundraising expenses	24,286	28,427
Miscellaneous	<u>94,722</u>	<u>124,249</u>
TOTAL EXPENSES	<u>2,380,738</u>	<u>1,101,398</u>
SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ (163,712)</u>

Catholic Charities of Los Angeles, Inc.  
 REFUGEE TARGETED EMPLOYMENT PROGRAM  
 REP08006

SCHEDULE OF REVENUES AND EXPENDITURES  
 Year Ended June 30, 2012

	R.E.P
Revenue	
County of Los Angeles	
REP08006	\$ 494,947
CK30347	91,063
Total Revenue	<b>\$ 586,010</b>
Expenditures	
Salaries and Wages	\$ 346,906
Payroll Taxes and Employee Benefits	106,184
Professional Fees and Services	19,798
Equipment and Supplies	7,109
Telephone	5,361
Occupancy	20,131
Local Transportation	2,288
Conferences and Meetings	318
Client Supportive Expenses	2,703
Indirect Costs	75,212
Total Expenditures	<b>\$ 586,010</b>