CATHOLIC CHARITIES OF THE ARCHDIOCESE OF ST. PAUL AND MINNEAPOLIS

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities of the Archdiocese
of St. Paul and Minneapolis
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of the Archdiocese of St. Paul and Minneapolis), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Catholic Charities of the Archdiocese
of St. Paul and Minneapolis

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated balance sheets of Catholic Charities as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 8, 2013

CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 3,619,617	$ 4,769,940
Accounts and Contracts Receivable	2,582,072	3,618,488
Pledges Receivable	1,722,496	1,985,402
Prepaid Expenses and Other Assets	1,061,424	1,033,915
Assets Held by Catholic Community Foundation	7,317,303	6,770,966
Investments	35,920,738	29,381,506
Interest in Split Interest Agreements	3,952,844	3,096,241
Land, Building and Equipment - Net	18,211,538	19,915,449
Land and Buildings Held for Sale	500,000	500,000
Total Assets	$ 74,888,032	$ 71,071,907
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 1,117,022	$ 1,061,951
Accrued Payroll, Benefits, Taxes, and Withholdings	2,728,472	2,515,176
Other Accrued Liabilities	222,524	156,051
Deferred Revenue	79,629	19,199
Accrued Pension Liability	3,228,208	5,019,950
Charitable Annuities Payable	844,864	718,777
Obligations of Split-Interest Agreements	2,817,014	2,828,095
Asset Retirement Obligation	122,116	116,400
Capital Lease Obligation	304,186	550,064
Notes, Mortgages and Bonds Payable	6,704,790	7,399,436
Total Liabilities	18,168,825	20,385,099
NET ASSETS		
Unrestricted	42,652,648	36,472,151
Temporarily Restricted	8,424,439	8,587,507
Permanently Restricted - Endowments	5,063,895	5,033,854
Permanently Restricted - Other	578,225	593,296
Total Net Assets	56,719,207	50,686,808
Total Liabilities and Net Assets	$ 74,888,032	$ 71,071,907

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Revenue:								
Government Fees and Grants	$ 19,770,597	$ -	$ -	$ 19,770,597	$ 18,366,048	$ -	$ -	$ 18,366,048
Program Service Fees	6,891,997	-	-	6,891,997	5,829,494	-	-	5,829,494
Other Revenues	238,084	-	-	238,084	(700,842)	-	-	(700,842)
Investment Spending Allocation	865,264	-	-	865,264	756,418	-	-	756,418
Total Revenue	27,765,942	-	-	27,765,942	24,251,118	-	-	24,251,118
Support:								
Contributions and Private Grants, Net	15,054,066	1,172,718	(138,632)	16,088,152	19,517,740	3,233,329	2,500	22,753,569
United Way	976,414	968,964	-	1,945,378	1,160,208	959,841	-	2,120,049
Actuarial Changes in Split Interest Agreements, Prepaid Rent and Annuities	(516,344)	54,608	99,482	(362,254)	(295,394)	384,255	(140,220)	(51,359)
Total Support	15,514,136	2,196,290	(39,150)	17,671,276	20,382,554	4,577,425	(137,720)	24,822,259
Net Assets Released from Restrictions (Note 13)	2,941,466	(2,941,466)	-	-	3,756,890	(3,756,890)	-	-
Total Revenue and Support	46,221,545	(745,176)	(39,150)	45,437,218	48,390,562	820,535	(137,720)	49,073,377
EXPENSES								
Program Service	35,440,607	-	-	35,440,607	33,565,379	-	-	33,565,379
Management and General	6,599,392	-	-	6,599,392	6,375,734	-	-	6,375,734
Fundraising	1,994,011	-	-	1,994,011	1,828,823	-	-	1,828,823
Total Expenses	44,034,010	-	-	44,034,010	41,769,936	-	-	41,769,936
CHANGES IN OPERATING NET ASSETS	2,187,535	(745,176)	(39,150)	1,403,209	6,620,626	820,535	(137,720)	7,303,441
NON-OPERATING ACTIVITY								
Net Pension Gains and Losses:								
Net Periodic Pension Benefit (Cost)	(115,207)	-	-	(115,207)	132,568	-	-	132,568
Other Changes in Plan Assets and Benefit Obligations	1,906,949	-	-	1,906,949	(3,259,459)	-	-	(3,259,459)
Total Net Pension Gains and Losses	1,791,742	-	-	1,791,742	(3,126,891)	-	-	(3,126,891)
Investment Gain (Loss) Less Spending Allocation	2,201,220	582,108	54,120	2,837,448	(1,072,105)	118,405	(54,839)	(1,008,539)
Total Non-Operating Activity	3,992,962	582,108	54,120	4,629,190	(4,198,996)	118,405	(54,839)	(4,135,430)
CHANGE IN NET ASSETS	6,180,497	(163,068)	14,970	6,032,399	2,421,630	938,940	(192,559)	3,168,011
Net Assets - Beginning of Year	36,472,151	8,587,507	5,627,150	50,686,808	34,050,521	7,648,567	5,819,709	47,518,797
NET ASSETS - END OF YEAR	$ 42,652,648	$ 8,424,439	$ 5,642,120	$ 56,719,207	$ 36,472,151	$ 8,587,507	$ 5,627,150	$ 50,686,808

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EMPLOYEE COMPENSATION								
Salaries	$ 15,836,149	$ 2,905,172	$ 997,487	$ 19,738,808	$ 14,754,191	$ 2,927,971	$ 830,983	$ 18,513,145
Employee Benefits	3,154,741	79,346	188,048	3,422,135	2,811,902	537,185	145,591	3,494,678
Payroll Taxes	1,105,748	162,853	60,123	1,328,724	1,105,748	162,853	60,123	1,328,724
Total Employee Compensation	20,096,638	3,147,371	1,245,658	24,489,667	18,671,841	3,628,009	1,036,697	23,336,547
OTHER EXPENSES								
Employee Related	214,803	164,207	44,664	423,674	213,101	171,907	39,060	424,068
Professional Services	560,790	1,370,186	77,100	2,008,076	570,495	804,448	91,138	1,466,081
Outside Services	151,238	15,443	522	167,203	125,838	18,497	95	144,430
Travel and Entertainment	18,514	20,197	7,091	45,802	17,233	23,154	6,217	46,604
Occupancy	3,201,301	240,901	58,973	3,501,175	2,350,140	363,819	65,823	2,779,782
Office Expense	2,120,325	715,594	507,179	3,343,098	2,057,130	702,797	545,412	3,305,339
Program Expense	7,195,826	169,374	26,913	7,392,113	6,986,462	136,331	18,555	7,141,348
Interest	57,219	123,275	-	180,494	89,152	65,369	-	154,521
Miscellaneous	55,430	24,268	25,911	105,609	116,669	11,119	23,033	150,821
Total Other Expenses	13,575,446	2,843,445	748,353	17,167,244	12,526,220	2,297,441	789,333	15,612,994
Total Expenses before Depreciation and Amortization	33,672,084	5,990,816	1,994,011	41,656,911	31,198,061	5,925,450	1,826,030	38,949,541
Depreciation and Amortization of Property, Plant, and Equipment	1,768,523	608,576	-	2,377,099	2,367,318	450,284	2,793	2,820,395
Total Expenses	$ 35,440,607	$ 6,599,392	$ 1,994,011	$ 44,034,010	$ 33,565,379	$ 6,375,734	$ 1,828,823	$ 41,769,936

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 6,032,399	$ 3,168,011
Adjustments to Reconcile Change in Net Asset to Net Cash Provided by Operating Activities:		
Realized Gain on Sale of Investments	(2,103,571)	(389,395)
Unrealized (Gain) Loss on Investments	(874,780)	1,358,162
Depreciation and Amortization	2,377,099	2,820,395
Loss on Disposal of Land, Building and Equipment	3,290	792,879
Change in Interest in Split Interest Agreements	(419,248)	(10,119)
Change in Cash Surrender Value of Life Insurance	(3,548)	(6,548)
Forgiveness of Long-Term Debt	(136,928)	(136,928)
Amortization of Loan Discount	12,486	11,977
Permanently Restricted Contributions	-	(2,500)
(Increase) Decrease in Assets:		
Accounts and Contracts Receivable	1,036,416	(373,076)
Pledges Receivable	262,906	(358,834)
Prepaid Expenses and Other Assets	(37,420)	7,064
Increase (Decrease) in Liabilities:		
Accounts Payable	55,071	156,621
Accrued Payroll, Benefits, Taxes, and Withholdings	213,296	162,199
Other Accrued Liabilities	66,473	12,564
Deferred Revenue	60,430	(85,255)
Net Pension Liability / Asset	(1,791,742)	3,126,891
Asset Retirement Obligation	5,716	7,346
Net Cash Provided by Operating Activities	4,758,345	10,261,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(4,697,981)	(5,431,878)
Proceeds from Sale and Maturity of Investments	690,589	757,857
Purchase of Land, Building and Equipment	(861,007)	(2,190,957)
Proceeds from Sale of Land, Building, and Equipment	198,845	-
Net Cash Used by Investing Activities	(4,669,554)	(6,864,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	-	2,500
Distributions under Charitable Annuities and Split Interest Agreements	(421,222)	(386,752)
Additional Contributions to Charitable Annuities	2,595	62,437
Payments on Long-Term Debt	(570,204)	(1,533,496)
Payments on Capital Lease Obligation	(250,283)	(151,909)
Net Cash Used by Financing Activities	(1,239,114)	(2,007,220)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,150,323)	1,389,256
Cash and Cash Equivalents - Beginning of Year	4,769,940	3,380,684
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,619,617	$ 4,769,940
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash Paid for Interest	$ 156,044	$ 135,198
Non-Cash Rent Payments	$ 39,000	$ 39,000
Building and Equipment Purchased from Proceeds of Long-Term Debt	$ -	$ 3,946,600
Equipment Purchased through Capital Leases	$ 4,404	$ 194,346

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Catholic Charities of the Archdiocese of St. Paul and Minneapolis (Catholic Charities or the Organization) is a Section 501(c)(3) nonprofit social services organization dedicated to serving those most in need. Catholic Charities helps adults, children, and families reach their full human potential as well as calling for justice in the community. Key populations served by Catholic Charities are as follows:

- Children and Families
- Homeless
- Older Adults
- Refugees and Immigrants

Catholic Charities currently offers more than 40 programs and services at more than 17 locations throughout the 12-county Twin Cities metropolitan area. Aligned with the needs of the four populations identified as most in need, Catholic Charities offers seven core services as follows:

- Drop-in day and overnight shelter
- Meal Programs
- Housing Continuum and Stabilization services
- Case Management
- Counseling, Mental Health Services and Medical clinic services
- Crisis Response
- Community Education

Core services are delivered through a diverse range of programs organized into four operating divisions:

Children	St. Joseph's Home for Children, Shelter and Residential Treatment Day Treatment Northside Child Development Center Prenatal Services Parenting Education and Support School based Counseling
Housing and Emergency	Emergency Services (food shelves, employment support, service coordination, shelters) Housing Continuum (Shelter through Permanent Housing) Drop In Day Shelter Rapid Rehousing and Housing First strategies for homeless populations
Older Adult Services	Care Management Care Giver Support

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (Continued)

Immigrant and Refugee Services	Reception and Placement Immigration Services Services to Victims of Trafficking Hispanic Outreach
Advocacy	Office for Social Justice

Principles of Consolidation

The consolidated financial statements of the Organization include the accounts of the Organization and its consolidated subsidiary CCSPM-I, LLC, a Minnesota limited liability company. All significant intercompany accounts and balances have been eliminated in consolidation.

Basis of Presentation

Net assets and revenues, support and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified into the following three categories:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Catholic Charities has elected to present temporarily restricted contributions, which are fulfilled in the same period, within the unrestricted net asset class.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At times such deposits may be in excess of FDIC insurance limits. At times a portion of the investment portfolio may be invested in cash equivalents and has been reflected as investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account and Contracts Receivables

Catholic Charities policy is to recognize accounts receivable based on services provided during the fiscal year. Catholic Charities provides an allowance for uncollectible accounts based on the reserve method using management's judgment and Catholic Charities' approved policy. Payment for services is required within 30 days of receipt of invoice. Accounts past due more than 30 days are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the Organization's policy as well as historical experience of the Organization. Catholic Charities' policy is based on determined percentages of outstanding receivables by age of the balance and specific identification. When all collection efforts have been exhausted, the receivable is written off against the related reserve. At June 30, 2013 and 2012, the allowance for uncollectible accounts was $89,981 and $148,522, respectively.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges, including pending bequests, are not included as support until such time as the conditions are substantially met. Management estimates that all pledges receivable are fully collectible and no allowance for doubtful pledges has been recognized.

Assets Held By Catholic Community Foundation

Assets are valued at fair value, in accordance with current accounting standards on transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others. Realized and unrealized gains and losses are recognized in the consolidated statements of activities.

Investments

The net changes in fair value on held investments and the realized gains and losses on investments sold are reflected in the consolidated statement of activities as a component of investment income.

Catholic Charities invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of the investments will occur in the near term and such changes could materially affect the amounts reported.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Building, and Equipment

Expenditures for property, plant, and equipment (and donated property at fair market value) in excess of $5,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, from 3 to 40 years. Property under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

The Organization reviews its property and equipment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the expected value to be used in operations over the remaining useful life of the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Asset Retirement Obligation

Accounting guidance defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or settlement are conditional on a future event that may or may not be within the control of the entity. The Organization estimated the cost of any potential obligation to remove asbestos. The Organization used a future value rate assumption of 3% and a present value risk-free rate of 5% to determine the potential liability. The Organization has recorded a liability of $122,116 and $116,400 at June 30, 2013 and 2012, respectively.

Charitable Annuities Payable and Obligations of Split-Interest Agreements

Catholic Charities has entered into irrevocable charitable annuity and trust obligations with certain donors. Under annuity contracts, the annuitants transfer assets to Catholic Charities, and Catholic Charities makes periodic, fixed payments to the annuitants for life. The value of the assets transferred to Catholic Charities along with the age of the annuitant determines the amount of the periodic payments to the annuitant.

Annuity and trust obligations are recorded using the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables.

Interest in Split-Interest Agreements

Catholic Charities is a named beneficiary of several perpetual trusts, a charitable remainder, and a charitable lead trust where Catholic Charities is not the Trustee. Catholic Charities recognizes its interest in the charitable remainder and lead trusts at the net present value of future expected cash flows, with a discount rate of 6.5%. Catholic Charities has valued its interest in the perpetual trusts based on their proportionate share of returns on the fair value of the assets held by the trustee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Government contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Service group revenues include private and government fees received for services provided to individuals, as well as grants, gifts, and service contracts with government agencies. Fee revenue and revenue under service contracts are recognized as services are performed.

Basis of Allocating Costs

Costs are allocated among program and supporting services in as direct a manner as considered practicable. Allocations are generally made as follows:

- Salaries, employee benefits, and payroll taxes by the principal activities of each employee
- Rent, depreciation, and associated costs on the basis of floor space occupied

Functional expense percentages are calculated by dividing, individually, program services, management and general, and fundraising expenses by total expenses.

Advertising Expenses

Advertising expenditures are expensed as incurred. Advertising expense for the years ended June 30, 2013 and 2012 was $186,592 and $143,092, respectively.

Donated Property, Materials and Services

Donated property is recorded as a contribution at estimated fair market value at date of receipt. Donated food and clothing and donated services are valued at their fair market value and are presented as revenue and expense, when incurred. Donated services are recorded as contributions when the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. For the years ended June 30, 2013 and 2012, approximately 187,203 and 213,585 hours, respectively, of volunteer time were donated to the Organization and its programs. The volunteers' time has not been included in the Organization's consolidated financial statements since the services do not meet accounting standards criteria for recording.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is a public charity under the Internal Revenue Code and charitable contributions by the donors are tax deductible. CCSPM-I, LLC is a disregarded entity for income tax purposes.

The Organization has no current obligation for unrelated business income tax. The Organization's federal and state tax returns are potentially open for examinations for the years 2009-2012.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain Risks and Uncertainties

Catholic Charities invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported.

Fair Value Measurements

Accounting standards define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and require expanded disclosures about fair value measurements. Catholic Charities accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Catholic Charities accounts for certain financial assets and liabilities at fair value under various accounting literature and industry guidance.

Catholic Charities follows accounting standards that allow entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Catholic Charities has not elected to measure any existing financial instruments at fair value at July 1, 2008, as permitted under Fair Value Option standard. However, Catholic Charities may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy

In accordance with accounting standards, Catholic Charities has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Catholic Charities has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include interests in the net assets of the Catholic Community Foundation, and assets held in trusts where Catholic Charities is not the trustee).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through October 8, 2013, the date the consolidated financial statements were available to be issued.

NOTE 2 PLEDGES RECEIVABLE

The present value of the estimated realizable value of gifts and grants receivable are recorded as assets and revenues in the consolidated financial statements. Unconditional promises to give as of June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Unconditional Pledges Receivable	$ 1,738,971	$ 1,997,327
Unamortized Discount	(16,475)	(11,925)
Total	$ 1,722,496	$ 1,985,402
Amounts Due in:		
Less Than One Year	$ 1,590,466	$ 1,397,747
One to Five Years	148,505	599,580
Total	$ 1,738,971	$ 1,997,327

Unconditional promises to give which are expected to be received over more than one year are recorded by the Organization at their present value using a discount rate equivalent to treasury yields of similar maturity at the date of contribution. There were five new long-term unconditional promises made during 2013.

Three donors accounted for 91% and 90% of gross pledges receivable at June 30, 2013 and 2012, respectively.

NOTE 3 DONATED GOODS AND SERVICES

The value of donated materials and services included in the consolidated financial statements and the corresponding expenses for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Donated Food (Approximately 1,961,384 and 1,614,370 Pounds in 2013 and 2012 @ $1.60/Pound)	$ 3,138,217	$ 2,582,992
Donated Meals (Approximately 390 and 503 Sittings in 2013 and 2012 Respectively @ $400 per Sitting)	156,053	213,521
Miscellaneous Donated Items	224,397	539,685
Donated Services:		
24 Hours @ $340, 656 Hours @ $122, 158 Hours @ $150 and $41,669 in Misc in 2013 and 1,354 Hours @ $80, 412 Hours @ $100 and $32,096 in Misc in 2012	153,153	181,616
Donated Goods and Services	$ 3,671,820	$ 3,517,814

All goods and services were considered program activities. The professional services were donated by doctors and lawyers.

NOTE 4 ASSETS HELD BY CATHOLIC COMMUNITY FOUNDATION

Amounts held by Catholic Community Foundation are invested in pooled accounts with a market allocation as of June 30, 2013 and 2012 as follows:

	2013	2012
Cash and Cash Equivalents	4%	2%
Corporate Bonds	29%	21%
Corporate Stocks	62%	69%
Real Estate Investment Trust	5%	8%

NOTE 5 INVESTMENTS

Investments are stated at fair value, which is based substantially on quoted market prices at June 30, 2013 and 2012, except for money market trust and short-term investment funds, partnerships and cash surrender value of life insurance. Money market trust and short-term investment funds are carried at deposit value. The value of the partnership investments are contributed assets and are recorded at fair value at the date of the gift and may be carried at fair value if those measures are readily available. Cash surrender value of life insurance is carried at contract value.

NOTE 5 INVESTMENTS (CONTINUED)

A summary of investments by type is as follows:

	2013	2012
Equities	$ 1,445,376	$ 1,270,664
Equity Mutual Funds	17,430,286	13,055,153
Fixed Income Mutual Funds	12,422,837	12,048,751
Money Market Trust and Short-Term Investment Funds	2,240,209	2,436,093
Partnerships	2,311,878	488,026
Cash Surrender Value of Life Insurance	70,152	82,819
(1) Total	$ 35,920,738	$ 29,381,506

Investment income (losses) as of June 30, 2013 and 2012 consists of the following:

	2013	2012
Partnership Income	$ 26,159	$ 18,143
Interest and Dividends	698,202	698,503
Net Realized Gains	2,103,571	389,395
Unrealized Gains (Losses)	874,780	(1,358,162)
Total Investment Gains (Losses) before Spending Allocation	3,702,712	(252,121)
Investment Spending Allocation	(865,264)	(756,418)
Total Investment Gains (Losses) after Spending Allocation	$ 2,837,448	$ (1,008,539)

(1) Included in these investments are Operating Reserves governed by the board and available for use to cover operating shortfalls, temporary cash flow requirements or other unforeseen funding needs. As of June 30, 2013 and 2012, the balance of Operating Reserves was $7,537,976 and $7,008,320, respectively.

Return Objectives and Risk Parameters

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period or use as well as board-designated funds. The investment policy establishes an achievable return objective through diversification of asset classes. Under this policy, as approved by the board of directors, the long-term objective is to preserve purchasing power by producing a total return that at a minimum equals the Catholic Charities distribution policy plus the rate of inflation, on a net basis. Actual returns in any given year may vary from this amount. The Catholic Charities endowment fund spending policy allows a maximum annual distribution to operations equal to 5% of a 60 month rolling average of the market value of the endowment.

NOTE 6 FAIR VALUE MEASUREMENTS

Catholic Charities uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Catholic Charities measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	2013			
	Level 1	Level 2	Level 3	Total
Assets Held by Catholic Community Foundation	$ -	$ -	$ 7,317,303	$ 7,317,303
Investments:				
Equities	1,445,376	-	-	1,445,376
Equity Mutual Funds	17,430,286	-	-	17,430,286
Fixed Income Mutual Funds	12,422,837	-	-	12,422,837
Partnerships	-	-	2,311,878	2,311,878
Interest in Split Interest Agreements	-	-	3,952,844	3,952,844
Total	$ 31,298,499	$ -	$ 13,582,025	$ 44,880,524

	2012			
	Level 1	Level 2	Level 3	Total
Assets Held by Catholic Community Foundation	$ -	$ -	$ 6,770,966	$ 6,770,966
Investments:				
Equities	1,272,026	-	-	1,270,664
Equity Mutual Funds	13,055,153	-	-	13,055,153
Fixed Income Mutual Funds	12,048,751	-	-	12,048,751
Partnerships	-	-	488,026	488,026
Interest in Split Interest Agreements	-	-	3,096,241	3,096,241
Total	$ 26,375,930	$ -	$ 10,355,233	$ 36,729,801

Level 3 Assets

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended June 30, 2013 and 2012:

	2013			
	Assets Held by Catholic Community Foundation	Investments in Partnerships	Interest in Split Interest Agreements	Total
Balances as of June 30, 2012	$ 6,770,966	$ 488,026	$ 3,096,241	$ 10,355,233
Purchases	146,247	2,152,233	879,860	3,178,340
Distributions	(202,659)	(434,000)	(166,966)	(803,625)
Realized Gain(Loss)	409,230	(20,753)	11,714	400,191
Change in Market Value	193,519	126,372	131,995	451,886
Balances as of June 30, 2013	$ 7,317,303	$ 2,311,878	$ 3,952,844	$ 13,582,025

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets (Continued)

	2012			
	Assets Held by Catholic Community Foundation	Investments in Partnerships	Interest in Split Interest Agreements	Total
Balances as of June 30, 2011	$ 7,148,148	$ 33,273	$ 3,322,258	$ 10,503,678
Purchases	319,646	454,753	79,249	853,648
Distributions	(425,223)	-	(172,968)	(598,191)
Realized Gain(Loss)	149,055	-	(32,600)	116,455
Change in Market Value	(420,661)	-	(99,697)	(520,358)
Balances as of June 30, 2012	$ 6,770,966	$ 488,026	$ 3,096,241	$ 10,355,233

Assets Held by Catholic Community Foundation

Interest in Split Interest Agreements-beneficial interest in charitable trusts include values reflected for publicly-traded assets and values for non-publicly traded assets that may be based on estimates provided by external valuation service provider. A substantial portion of the underlying assets are measured at fair value using Level 1 inputs.

Investments in Partnerships

The fund's net asset value is calculated on the basis of pricing information obtained from various sources, the Fund, one or more broker/dealers as directed by the Fund and administrators of funds in which the Fund may have invested. These underlying hedge fund portfolios are priced by their independent administrators. Underlying hedge fund account statements are aggregated to determine the total value of all investments in the underlying hedge funds. Other assets of the Funds are then added to determine the gross assets of the Funds, which are then reduced by the liabilities of the Funds. This value is then divided by the shares outstanding to determine NAV, or by allocation percentage to determine partners' or participants' interest.

Interest in Split Interest Agreements

Values reflected for publicly-traded assets and values for non-publicly traded assets that may be based on estimates provided by external valuation service provider and include investments based upon undivided interests in these portfolios held by either the respective charitable trust, or investment manager. A substantial portion of the underlying assets are measured at fair value using Level 1 and Level 2 inputs.

NOTE 7 LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consist of the following as of June 30, 2013 and 2012:

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 2,219,334	$ -	$ 2,455,321	$ -
Buildings and Improvements	36,263,333	22,222,994	37,947,854	22,826,141
Leasehold Improvements	1,373,851	1,332,142	1,338,446	1,262,402
Furniture, Fixtures and Vehicles	5,296,477	3,386,321	5,254,103	2,991,732
	$ 45,152,995	$ 26,941,457	$ 46,995,724	$ 27,080,275
Net Land, Buildings, and Equipment	$ 18,211,538		$ 19,915,449	

At June 30, 2013 and 2012, furniture, fixtures and vehicles included $835,055 and $830,651 held under a capital lease. At June 30, 2013 and 2012, accumulated amortization of these assets totaled $539,754 and $315,249, respectively.

NOTE 8 LEASE COMMITMENTS

The Organization leases office space and office equipment under operating leases. For the years ended June 30, 2013 and 2012, total rental expense was $338,894 and $267,006, respectively.

Future minimum rental payments required under capital leases and operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013 are as follows:

Year Ending June 30,	Capital Leases	Operating Leases
2014	$ 234,133	$ 195,434
2015	86,801	118,751
2016	-	66,642
2017	-	59,731
2018	-	23,917
Total Minimum Lease Payments	320,934	$ 464,475
Less: Interest Expense	16,748	
Total Capital Lease Obligation	$ 304,186	

NOTE 9 PENSION, 401(K) AND POSTRETIREMENT LIFE INSURANCE BENEFITS

401(k)

The Organization sponsors a 401(k) savings plan for its employees. To be eligible for the plan, employees must have attained 21 years of age, 12 months of service and 1,000 hours of service within that first 12 months of service or any plan year thereafter. Employees may defer up to 100% of compensation up to the IRS limit. Highly Compensated Employees (HCEs) are restricted in the amount they may defer in the plan. HCEs may defer only 2% above the average deferral rate of the Non-Highly Compensated Employees. The Organization matches contributions equal to 50% of employees' contributions not to exceed 3% of total compensation. The Organization may also make an additional discretionary contribution. Matching and discretionary contributions to the plan were $635,621 and $622,099 during the years ended June 30, 2013 and 2012, respectively.

Defined Life Insurance Benefit

The Organization sponsors a defined benefit postretirement life insurance plan. Vested participants under the previous plan, terminated during the year ended June 30, 2001, retain the original accrued benefit of one-half of salary at retirement. Eligibility under the plan is limited to those employees who retire after age 60 with at least 15 years of service. The amount of life insurance benefit provided is $20,000. The Organization makes premium payments to a life insurance provider. These life insurance policies fully insure any benefit payments to be made under the plan. At June 30, 2013 and 2012, the Organization has accrued $679,872 and $615,432 as future premium liabilities, respectively.

NOTE 9 PENSION, 401(K) AND POSTRETIREMENT LIFE INSURANCE BENEFITS (CONTINUED)

Defined Benefit Plan

On December 31, 2000, the Organization terminated its noncontributory defined benefit plan. Participation in the plan has been frozen with plan participants becoming fully vested in their accrued benefits as of the termination date. Participants with accrued benefits will receive annuities equal to the value of the accrued benefits.

Measurement Date	June 30, 2013	June 30, 2012
Change in the Projected Benefit Obligation		
PBO at Beginning of Year	$ 13,853,122	$ 11,091,682
Service Cost	-	-
Interest Cost	523,261	586,306
Benefits Paid	(401,922)	(357,251)
Actuarial (Gain) Loss	(723,571)	2,532,385
Amendments	-	-
PBO at End of Year	$ 13,250,890	$ 13,853,122
Change in Plan Assets (Level 3 Assets)		
Fair Value of Plan Assets at Beginning of Year	$ 8,833,172	$ 9,198,623
Employer Contributions	-	-
Benefits Paid	(401,922)	(357,251)
Actual Return on Assets	1,591,432	(8,200)
Fair Value of Plan Assets at End of Year	$ 10,022,682	$ 8,833,172
Funded Status of the Accumulated Benefit Obligation		
Accumulated Benefit Obligation	$ 13,250,890	$ 13,853,122
Fair Value of Plan Assets	10,022,682	8,833,172
Over (Under) Funded Status	$ (3,228,208)	$ (5,019,950)
Components of the Net Periodic Pension Cost		
Service Cost	$ -	$ -
Interest Cost	523,261	586,306
Expected Return of Plan Assets	(688,710)	(718,874)
Amortization of Prior Service Cost	-	-
Amortization of Net Actuarial Loss	280,656	-
Net Periodic Pension (Benefit) Cost	$ 115,207	$ (132,568)
Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets		
Net (Gain) Loss	$ (1,626,293)	$ 3,259,459
Amortization of Net Gain	(280,656)	-
Total Recognized in Unrestricted Net Assets	$ (1,906,949)	$ 3,259,459

NOTE 9 PENSION, 401(K) AND POSTRETIREMENT LIFE INSURANCE BENEFITS (CONTINUED)

Defined Benefit Plan (Continued)

	June 30, 2013	June 30, 2012
Assumptions - Used to Determine Benefit Obligations at Measurement Date		
Discount Rate	4.54%	3.84%
Rate of Compensation Increase	N/A	N/A
Assumptions - Used to Determine Net Periodic Pension Cost		
Discount Rate	3.84%	5.39%
Expected Long-Term Return on Plan Assets	8.00%	8.00%
Rate of Compensation Increase	N/A	N/A

At June 30, 2013 and 2012, the discount rate was determined by matching the projected future benefit payments to the spot rates of the June 30, 2013 and 2012 Citigroup Pension Discount Curve (which is based on a theoretical bond portfolio of high grade corporate bonds) and then solving for the implied discount rate. The expected long-term rate of return on assets is based on a return of CPI +5%.

Estimated future benefit payments over the next 10 years, which reflect expected future service, are expected to be paid as follows:

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

Year	Amount
2014	$ 500,000
2015	538,000
2016	558,000
2017	616,000
2018	677,000
2019 - 2023	3,786,000

NOTE 9 PENSION, 401(K) AND POSTRETIREMENT LIFE INSURANCE BENEFITS (CONTINUED)

Defined Benefit Plan (Continued)

The Organization's pension plan assets consist on an interest in a Master Trust which holds pension plan assets for both Catholic Charities' Plan and the Archdiocese of St. Paul and Minneapolis Pension Plan. As such, the Pension Plan's assets are all considered Level 3 assets. Asset allocations of the Master Trust at June 30, 2013 and 2012, by asset category, are as follows:

	Plan Assets	
Asset Category	2013	2012
U.S. Equities	82.0 %	74.7 %
International Equities	7.5	14.6
Insurance Annuity Contracts	0.5	8.4
Cash	10.0	2.3
Total	100.0 %	100.0 %

The Organization's investment policy is to manage the plan assets in a manner that preserves and maintains the real purchasing power of the principal, diversify assets to ensure adverse results from a security class will not have an unduly detrimental effect on the funds, produce a total return which would be better than average performance for fund managers with similar investment objectives, and provide an absolute return of CPI +6% over a market cycle and outperform the plans' reference fund. This strategy uses index and actively managed funds which is broadly characterized as an 80%/20% allocation between equity and debt securities.

NOTE 10 NOTES, MORTGAGES, AND LINE OF CREDIT

The following schedule summarizes notes and mortgages payable at June 30, 2013 and 2012:

Description	Security	2013	2012
Mortgages and Other:			
Mortgage and Notes Payable, annual payments of $578,565 with various Due Dates from 2016 to 2032; Interest rates varying from 2.41%-4.22%	Land, Buildings and Equipment	$ 2,548,601	$ 3,118,806
Various Non-Interest Bearing Mortgage Notes, Various Due Dates from 2015 to 2034	Land, Buildings and Equipment	4,424,924	4,561,851
Total Long-Term Debt		6,973,525	7,680,657
Less: Unamortized Discount (4.25%)		(268,735)	(281,221)
Net Long-Term Debt		$ 6,704,790	$ 7,399,436

Approximately $10.6 million of net land, building and equipment is pledged as collateral in the mortgage agreements.

Maturities

A summary of aggregate annual future maturities of principal on notes payable as of June 30, 2013 is as follows:

Year Ending June 30,	Scheduled Payment Amount
2014	$ 715,493
2015	715,493
2016	960,533
2017	436,523
2018	192,258
Thereafter	3,953,225
Total	$ 6,973,525

There is a $10,000,000 line of credit as of June 30, 2013 and 2012 with no outstanding balance. The line of credit interest is labor plus 1.3% and expires on June 30, 2014.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of current litigation, claims and disputes will not be material to the financial position of the Organization.

Visitation Place Limited Partnership

At June 30, 2013 and 2012, the Organization was contingently liable for debt of $505,000 which was assigned to Visitation Place Limited Partnership (Visitation Place) upon its formation. The Organization owns 90% of the general partnership equity of Visitation Place.

NOTE 12 RELATED PARTY TRANSACTIONS

The Organization receives an annual contribution from the Archdiocese of St. Paul and Minneapolis. For the years ended June 30, 2013 and 2012, the Organization recorded revenue of $1,523,559 and $1,429,605, respectively.

Beginning in fiscal year 2004, the Organization’s pension assets are pooled with the Archdiocese for investment management purposes only. Assets are accounted for separately.

As noted in Notes 1 and 4, assets of the Organization are also held by Catholic Community Foundation (CCF), a related party. The total assets held at CCF as of June 30, 2013 and 2012 was $7,317,303 and $6,770,966, respectively.

NOTE 13 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or time periods at June 30, 2013 and 2012:

	2013	2012
Children	$ 5,496,876	$ 5,588,177
Families	676,146	948,606
Housing and Emergency	269,003	380,424
Advocacy	488,350	488,350
Capital	248,800	528,175
Future Year Operations	1,245,264	653,775
Total Temporarily Restricted Net Assets	$ 8,424,439	$ 8,587,507

NOTE 13 NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets (Continued)

The net assets released from restrictions of $2,941,466 and $3,756,890 for the years ended June 30, 2013 and 2012, respectively, were from gifts restricted for a particular purpose and gifts restricted as to time (pledges receivable).

Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30, 2013 and 2012:

	2013	2012
Children	$ 691,387	$ 690,237
Families	422,718	424,959
Housing and Emergency	138,930	138,930
Future Year Operations	4,389,085	4,373,024
Total Permanently Restricted Net Assets	$ 5,642,120	$ 5,627,150

NOTE 14 ENDOWMENT

Catholic Charities endowment consists of funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Catholic Charities has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Catholic Charities. In accordance with UPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of Catholic Charities
(7) The investment policies of Catholic Charities

NOTE 14 ENDOWMENT (CONTINUED)

The following is a summary of donor-restricted endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Donor-Restricted Endowment Investments, July 1, 2012	$ (294,555)	$ -	$ 5,033,854	$ 4,739,299
Investment Income:				
Interest and Dividends	83,535	-	-	83,535
Net Realized and Unrealized Gains	303,006	-	-	303,006
Contributions	-	-	30,041	30,041
Appropriations of Endowment Assets for Expenditure	(114,219)	-	-	(114,219)
Donor-Restricted Endowment Investments, June 30, 2013	$ (22,233)	$ -	$ 5,063,895	$ 5,041,662

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Donor-Restricted Endowment Investments, July 1, 2011	$ (144,960)	$ -	$ 4,999,279	$ 4,854,319
Investment Income (Loss):				
Interest and Dividends	88,161	-	-	88,161
Net Realized and Unrealized Losses	(129,911)	-	-	(129,911)
Contributions	-	-	34,575	34,575
Appropriations of Endowment Assets for Expenditure	(107,845)	-	-	(107,845)
Donor-Restricted Endowment Investments, June 30, 2012	$ (294,555)	$ -	$ 5,033,854	$ 4,739,299

Fund with Deficiencies

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor requires the Catholic Charities to retain in perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $22,233 and $294,555 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations.

NOTE 14 ENDOWMENT (CONTINUED)

Investment Objectives and Strategies

Catholic Charities has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Investment Committee of Catholic Charities, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, Catholic Charities follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds.

Spending Policy

Catholic Charities has a policy that allows for maximum annual distributions equal to 5% of a 60-month rolling average of the endowment fund balance as measured on March 31 each year. In establishing this policy, Catholic Charities considered the long-term expected return on its endowment. At no time will the distributions reduce the value of the endowment below donor contributions.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Catholic Charities of the Archdiocese
of St. Paul and Minneapolis
Minneapolis, Minnesota

We have audited the consolidated financial statements of Catholic Charities of the Archdiocese of St. Paul and Minneapolis (Catholic Charities) as of and for the years ended June 30, 2013 and 2012, and our report thereon dated October 8, 2013, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedule of program expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 8, 2013

CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
SCHEDULE OF PROGRAM EXPENSES
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Children	Families	Housing and Emergency	Advocacy	Total
EMPLOYEE COMPENSATION					
Salaries	$ 5,849,299	$ 3,436,884	$ 6,091,432	$ 458,534	$ 15,836,149
Employee Benefits	1,147,589	667,134	1,247,903	92,115	3,154,741
Payroll Taxes	432,412	243,219	407,022	23,095	1,105,748
Total Employee Compensation	7,429,301	4,347,237	7,746,357	573,743	20,096,638
OTHER EXPENSES					
Employee Related	60,890	81,158	66,083	6,672	214,803
Professional Services	266,886	78,292	207,545	8,067	560,790
Outside Services	1,078	617	149,468	75	151,238
Travel and Entertainment	3,943	5,081	6,549	2,940	18,514
Occupancy	595,356	135,595	2,427,273	43,078	3,201,301
Office Expense	682,159	314,036	1,065,474	58,656	2,120,325
Program Expense	1,661,915	1,075,086	4,384,048	74,777	7,195,826
Interest	10,532	8,760	37,927	-	57,219
Miscellaneous	(29,165)	36,412	47,966	217	55,430
Total Other Expenses	3,253,595	1,735,037	8,392,332	194,481	13,575,446
Total Expenses before Depreciation and Amortization	10,682,896	6,082,274	16,138,689	768,225	33,672,084
Depreciation and Amortization of Property, Plant, and Equipment	553,534	47,296	1,158,529	9,164	1,768,523
Total Program Expenses	$ 11,236,430	$ 6,129,570	$ 17,297,218	$ 777,389	$ 35,440,607