

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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OF ST. PAUL AND MINNEAPOLIS  
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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 St. Paul and Minneapolis (Catholic Charities), which comprise the consolidated balance sheets as of June 30, 2016 and 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

**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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2, *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
October 12, 2016

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
Cash and Cash Equivalents	\$ 25,142,257	\$ 6,348,791
Accounts and Contracts Receivable, Net	15,149,398	3,832,956
Pledges Receivable	10,712,744	5,819,138
Prepaid Expenses and Other Assets	1,176,335	998,176
Assets Held by Catholic Community Foundation	6,647,446	7,127,782
Investments	34,057,387	35,241,857
Interest in Split Interest Agreements	3,631,711	3,810,627
Land, Building, and Equipment - Net	25,193,163	20,595,676
Land and Buildings Held for Sale	42,697	42,697
Total Assets	\$ 121,753,138	\$ 83,817,700
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 3,684,906	\$ 1,404,382
Accrued Payroll, Benefits, Taxes, and Withholdings	3,302,371	2,802,522
Other Accrued Liabilities	563,518	496,304
Deferred Revenue	111,840	60,241
Accrued Pension Liability	5,065,085	2,586,178
Charitable Annuities Payable	644,238	626,114
Obligations of Split-Interest Agreements	1,399,648	1,882,960
Asset Retirement Obligation	145,815	136,715
Notes and Mortgages Payable	23,817,644	5,599,586
Total Liabilities	38,735,065	15,595,002
<b>NET ASSETS</b>		
Unrestricted	45,598,826	47,684,672
Temporarily Restricted	31,481,362	14,772,094
Permanently Restricted - Endowments	5,694,625	5,138,991
Permanently Restricted - Other	243,260	626,941
Total Net Assets	83,018,073	68,222,698
Total Liabilities and Net Assets	\$ 121,753,138	\$ 83,817,700

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATED STATEMENTS OF STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Revenue:								
Government Fees and Grants	\$ 21,831,904	\$ -	\$ -	\$ 21,831,904	\$ 20,830,375	\$ -	\$ -	\$ 20,830,375
Program Service Fees	7,455,402	-	-	7,455,402	7,860,705	-	-	7,860,705
Other Revenues	666,756	-	-	666,756	391,825	-	-	391,825
Total Revenue	<u>29,954,062</u>	<u>-</u>	<u>-</u>	<u>29,954,062</u>	<u>29,082,905</u>	<u>-</u>	<u>-</u>	<u>29,082,905</u>
Support:								
Contributions and Private Grants, Net	15,876,310	18,117,190	5,902	33,999,402	14,320,244	6,484,369	3,425	20,808,038
United Way	784,870	928,028	-	1,712,898	858,330	790,795	-	1,649,125
Total Support	<u>16,661,180</u>	<u>19,045,218</u>	<u>5,902</u>	<u>35,712,300</u>	<u>15,178,574</u>	<u>7,275,164</u>	<u>3,425</u>	<u>22,457,163</u>
Net Assets Released from Restrictions	1,518,588	(1,602,316)	83,728	-	2,001,903	(2,001,903)	-	-
Total Revenue and Support	<u>48,133,830</u>	<u>17,442,902</u>	<u>89,630</u>	<u>65,666,362</u>	<u>46,263,382</u>	<u>5,273,261</u>	<u>3,425</u>	<u>51,540,068</u>
<b>EXPENSES</b>								
Program Service	38,070,959	-	-	38,070,959	37,325,003	-	-	37,325,003
Management and General	6,706,417	-	-	6,706,417	6,765,597	-	-	6,765,597
Fundraising	2,888,228	-	-	2,888,228	2,694,046	-	-	2,694,046
Total Expenses	<u>47,665,604</u>	<u>-</u>	<u>-</u>	<u>47,665,604</u>	<u>46,784,646</u>	<u>-</u>	<u>-</u>	<u>46,784,646</u>
<b>CHANGES NET ASSETS FROM OPERATIONS</b>	468,226	17,442,902	89,630	18,000,758	(521,264)	5,273,261	3,425	4,755,422
<b>NONOPERATING ACTIVITY</b>								
Net Pension Gains and Losses:								
Net Periodic Pension (Cost) Benefit	54,115	-	-	54,115	(38,634)	-	-	(38,634)
Other Changes in Plan Assets and Benefit Obligations	(2,533,022)	-	-	(2,533,022)	1,313,920	-	-	1,313,920
Total Net Pension Gains (Losses)	<u>(2,478,907)</u>	<u>-</u>	<u>-</u>	<u>(2,478,907)</u>	<u>1,275,286</u>	<u>-</u>	<u>-</u>	<u>1,275,286</u>
Changes in Split-Interest Agreements and Annuities	(136,381)	(58,751)	22,166	(172,966)	129,247	14,528	118,485	262,260
Gain on Fixed Assets	1,549	-	-	1,549	191,751	-	-	191,751
Investment Gain (Loss)	(316,897)	(78,886)	(159,276)	(555,059)	204,535	(11,097)	(1,605)	191,833
Fund Transfer	376,564	(595,997)	219,433	-	-	-	-	-
Total Nonoperating Activity	<u>(2,554,072)</u>	<u>(733,634)</u>	<u>82,323</u>	<u>(3,205,383)</u>	<u>1,800,819</u>	<u>3,431</u>	<u>116,880</u>	<u>1,921,130</u>
<b>CHANGE IN NET ASSETS</b>	(2,085,846)	16,709,268	171,953	14,795,375	1,279,555	5,276,692	120,305	6,676,552
Net Assets - Beginning of Year	<u>47,684,672</u>	<u>14,772,094</u>	<u>5,765,932</u>	<u>68,222,698</u>	<u>46,405,117</u>	<u>9,495,402</u>	<u>5,645,627</u>	<u>61,546,146</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 45,598,826</u>	<u>\$ 31,481,362</u>	<u>\$ 5,937,885</u>	<u>\$ 83,018,073</u>	<u>\$ 47,684,672</u>	<u>\$ 14,772,094</u>	<u>\$ 5,765,932</u>	<u>\$ 68,222,698</u>

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATED STATEMENTS OF STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
<b>EMPLOYEE COMPENSATION</b>								
Salaries	\$ 18,096,008	\$ 3,893,586	\$ 1,539,006	\$ 23,528,600	\$ 17,492,011	\$ 3,869,205	\$ 1,431,784	\$ 22,793,000
Employee Benefits	3,372,164	589,431	269,002	4,230,597	3,135,223	555,387	241,723	3,932,333
Payroll Taxes	1,279,099	223,577	102,035	1,604,711	1,189,223	210,664	91,688	1,491,575
Total Employee Compensation	<u>22,747,271</u>	<u>4,706,594</u>	<u>1,910,043</u>	<u>29,363,908</u>	<u>21,816,457</u>	<u>4,635,256</u>	<u>1,765,195</u>	<u>28,216,908</u>
<b>OTHER EXPENSES</b>								
Employee Related	275,301	233,528	58,751	567,580	272,083	175,041	53,283	500,407
Professional Services	517,888	567,897	123,266	1,209,051	494,537	560,340	144,184	1,199,061
Outside Services	381,067	-	-	381,067	363,990	743	-	364,733
Travel and Entertainment	25,227	8,515	86,819	120,561	22,092	10,876	70,238	103,206
Occupancy	3,213,503	200,067	60,872	3,474,442	3,114,845	266,443	75,441	3,456,729
Office Expense	2,640,852	533,951	587,290	3,762,093	2,831,728	586,884	534,468	3,953,080
Program Expense	6,861,493	41,594	33,397	6,936,484	6,865,342	47,777	25,313	6,938,432
Interest	109,925	14,462	-	124,387	49,010	33,376	-	82,386
Miscellaneous	100,245	62,774	27,790	190,809	147,361	65,195	25,924	238,480
Total Other Expenses	<u>14,125,501</u>	<u>1,662,788</u>	<u>978,185</u>	<u>16,766,474</u>	<u>14,160,988</u>	<u>1,746,675</u>	<u>928,851</u>	<u>16,836,514</u>
Total Expenses Before Depreciation and Amortization	36,872,772	6,369,382	2,888,228	46,130,382	35,977,445	6,381,931	2,694,046	45,053,422
Depreciation and Amortization of Property, Plant, and Equipment	1,198,187	337,035	-	1,535,222	1,347,558	383,666	-	1,731,224
Total Expenses	<u>\$ 38,070,959</u>	<u>\$ 6,706,417</u>	<u>\$ 2,888,228</u>	<u>\$ 47,665,604</u>	<u>\$ 37,325,003</u>	<u>\$ 6,765,597</u>	<u>\$ 2,694,046</u>	<u>\$ 46,784,646</u>

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 14,795,375	\$ 6,676,552
Adjustments to Reconcile Change in Net Asset to Net Cash		
Provided by Operating Activities:		
Realized Gain on Sale of Investments	(90,228)	(1,913,126)
Unrealized Loss on Investments	1,239,365	2,198,264
Depreciation and Amortization	1,535,222	1,731,224
Gain on Disposal of Land, Building, and Equipment	(1,549)	(191,751)
Change in Interest in Split Interest Agreements	207,696	(118,234)
Change in CSV of Life Insurance	(4,161)	(3,866)
Forgiveness of Long-Term Debt	(381,968)	(136,928)
Amortization of Loan Discount	14,146	13,569
Pledges Restricted for Construction Project	(10,466,020)	-
Permanently Restricted Contributions	(5,900)	-
(Increase) Decrease in Assets:		
Accounts and Contracts Receivable	(11,316,442)	(575,222)
Pledges Receivable	(46,938)	(3,678,377)
Prepaid Expenses and Other Assets	(187,964)	79,396
Increase (Decrease) in Liabilities:		
Accounts Payable	283,936	220,880
Accrued Payroll, Benefits, Taxes, and Withholdings	499,849	(129,867)
Other Accrued Liabilities	67,214	139,853
Deferred Revenue	51,599	(23,659)
Net Pension Liability / Asset	2,478,907	(1,275,286)
Asset Retirement Obligation	9,100	8,626
Net Cash Provided (Used) by Operating Activities	(1,318,761)	3,022,048
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(7,404,888)	(4,448,922)
Proceeds from Sale and Maturity of Investments	7,924,718	7,571,120
Purchase of Land, Building, and Equipment	(803,711)	(5,333,724)
Proceeds from Sale of Land, Building, and Equipment	11,234	408,391
Net Cash Used by Investing Activities	(272,647)	(1,803,135)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently Restricted Contributions	5,900	-
Distributions under Charitable Annuities and Split Interest Agreements	(525,166)	(644,904)
Additional Contributions to Charitable Annuities	31,198	-
Payments on Long-Term Debt	(898,955)	(578,564)
Payments on Capital Lease Obligation	-	(76,848)
Proceeds from Issuance of Long-Term Debt	16,683,223	116,749
Proceeds from Contributions Restricted for Construction Project	5,619,352	-
Payments for Financing Costs of Long-Term Debt	(530,678)	-
Net Cash Provided (Used) by Financing Activities	20,384,874	(1,183,567)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	18,793,466	35,346
Cash and Cash Equivalents - Beginning of Year	6,348,791	6,313,445
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 25,142,257	\$ 6,348,791

See accompanying Notes to Consolidated Financial Statements.



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2016 AND 2015**

<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	2016	2015
Cash Paid for Interest	\$ 34,981	\$ 60,190
Land, Building, and Equipment in Accounts Payable	\$ 1,996,588	\$ 136,436
CIP Acquired through Debt	\$ 3,321,971	\$ -

*See accompanying Notes to Consolidated Financial Statements.*

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 helping those most in need. We are a leader at solving poverty, creating opportunity and advocating for justice in the community.

Catholic Charities served thousands of men, women, children and families at our direct service programs throughout the Greater Minneapolis-St. Paul metro region. This work is supported by hundreds of talented staff and thousands of dedicated volunteers and donors. Catholic Charities is the largest comprehensive private provider of social services in the Greater Minneapolis-St. Paul metropolitan area.

Catholic Charities programs provide life-saving and life-changing services to five (5) key customer groups, including:

- **People Experiencing Homelessness.** At places like the Dorothy Day Center, Higher Ground, and the Opportunity Center, we provide meals, shelter, and opportunities to find jobs, secure a stable home, and medical assistance for those who need it.
- **Children in Need.** At places like St. Joseph's Home for Children and Northside Child Development Center, we serve children and their families with early childhood education, comfort in times of crisis, and mental health counseling for bright, strong futures.
- **New Americans.** Catholic Charities helps refugees and immigrants work towards independence by connecting families and finding housing, school, and job opportunities.
- **Older Adults.** We serve elders and those with disabilities, helping them live independently in their own homes and connecting homeless elders to safe, permanent housing.
- **The Greater Minneapolis-St. Paul Region.** By meeting the needs of those most vulnerable, we help improve the quality of life for the entire region. To fully achieve our vision of a community where there is "poverty for no one and opportunity for everyone," we augment direct services with public engagement and advocacy around effective anti-poverty and economic growth strategies promoting the vitality of the Greater Minneapolis-St. Paul community.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Organization (Continued)**

Following is a sample of the supports, services, and social justice advocacy Catholic Charities provides to achieve our mission:

**Housing Stability Services:**

- Daytime Resource Centers
- Emergency Shelter
- Transitional Housing
- Permanent Supportive Housing
- Youth Shelter, Housing, and Services

**Children and Family Services:**

- St. Joseph's Home for Children Mental Health and Emergency Shelter Programs
- Day Treatment
- School-Based Counseling
- Northside Child Development Center
- Pregnant to Parenting Services

**New American Services:**

- Resettlement
- Refugee Cash Assistance

**Aging and Disabilities Services:**

- Senior and Adult with Disabilities Care Management
- Homeless Elder Services

**Health and Wellbeing Services:**

- Health Supported Housing
- Counseling Services

**Social Justice Advocacy:**

- Sowers of Justice Grassroots Network
- Public Policy Leadership and Advocacy
- Social Justice Research and Policy Analysis

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Consolidation**

The consolidated financial statements of the Organization include the accounts of the Organization and its consolidated subsidiaries CCSPM-I, LLC, Dorothy Day Shelter LLC, and Dorothy Day LLC, Minnesota limited liability companies and Dorothy Day Capital Corporation, a nonprofit organization. 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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 and 2015, the allowance for uncollectible accounts was \$94,132 and \$216,361, respectively.

Dorothy Day Capital Corporation has a note receivable of \$9,694,000, with maturity date of December 11, 2045, and annual interest rate of 1.75% as of June 30, 2016. Interest is paid quarterly until amortization commencement date on January 1, 2023. Interest and principal will be paid quarterly thereafter until maturity date.

**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 nonprofit 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 statements of activities as a component of investment income.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

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.

**Land, Building, and Equipment**

Expenditures for property, plant, and equipment (and donated property at fair value) in excess of \$5,000 are capitalized. Expenditures for building, building improvement, leasehold improvement, and land improvement in excess of \$7,500 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 \$145,815 and \$136,715 at June 30, 2016 and 2015, 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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interest in Split-Interest Agreements**

Catholic Charities is a named beneficiary of several perpetual trusts, a charitable remainder trust, 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 specified by the Internal Revenue Service at the trust creation. 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.

**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, 2016 and 2015 was \$170,757 and \$146,225, respectively.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Property, Materials, and Services**

Donated property is recorded as a contribution at estimated fair value at date of receipt. Donated food and clothing and donated services are valued at their fair 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, 2016 and 2015, approximately 163,475 and 159,155 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.

**Tax-Exempt Status**

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has been classified as an organization that is a public charity under the IRC and charitable contributions by the donors are tax deductible. CCSPM-1, LLC, Dorothy Day Shelter, LLC, and Dorothy Day, LLC are disregarded entities for income tax purposes. Dorothy Day Capital Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization has no current obligation for unrelated business income tax or uncertain tax positions.

**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.



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Catholic Charities carries all non-publicly traded equity securities at the lower of cost or market unless the election under this accounting standard has been made. To date the Catholic Charities has elected to carry all non-publicly traded equity securities at fair value.

During the year ended June 30, 2016, the Organization early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the Organization has omitted this disclosure for the years ended June 30, 2016 and 2015. The early adoption of this provision did not have an impact on the Organization's financial position or results of operations.

**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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy (Continued)**

Financial assets and liabilities recorded on the 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).

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through October 12, 2016, the date the consolidated financial statements were available to be issued.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**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 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Unconditional Pledges Receivable	\$ 10,752,089	\$ 5,842,997
Unamortized Discount	(39,345)	(23,859)
Total	<u>\$ 10,712,744</u>	<u>\$ 5,819,138</u>
Amounts Due in:		
Less Than One Year	\$ 5,133,052	\$ 3,080,331
One to Five Years	5,454,037	2,762,666
Greater Than Five Years	165,000	-
Total	<u>\$ 10,752,089</u>	<u>\$ 5,842,997</u>

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 average annual rate of 0.86%. There were fifty-four new long-term unconditional promises made during 2016.

The Organization received a conditional pledge for \$4,000,000 to facilitate the estimated \$64,000,000 fund raising necessary for the Dorothy Day Capital Campaign Project. The condition will be realized when the fundraising goal has been reached. This will not be recorded as contribution revenue until the donor conditions are met.

For the year ended June 30, 2016, there were no donors whose receivable balance individually represented 10% or more of the Organization's total pledges receivable balance. For the year ended June 30, 2015, ten donors accounted for 95% of gross pledges receivable.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 3 DONATED GOODS AND SERVICES**

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

	<u>2016</u>	<u>2015</u>
Donated Food and Meals	\$ 2,062,605	\$ 2,009,796
Miscellaneous Donated Items	327,691	533,213
Donated Services:		
10 hours @ \$375; 10 hrs @ \$182.50; 50 hrs @ \$150; 192 hrs @ \$122; 407 hrs @ \$107; 1121 hrs @ \$45; and 30 hrs @ \$35 in 2016. 195 hours @ \$150; 248 hours @ \$122; 962 hours @ \$46.62; 104 hours @ \$45; 72 hours @ \$35; 678 hours @ \$31.74; and 70 hours @ \$15 in 2015.	<u>131,543</u>	<u>134,126</u>
Donated Goods and Services	<u>\$ 2,521,839</u>	<u>\$ 2,677,135</u>

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 as follows:

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	-	4 %
Corporate Bonds	25	22
Corporate Stocks	68	67
Real Estate Investment Trust	7	7
Total	<u>100 %</u>	<u>100 %</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 5 INVESTMENTS**

Investments are stated at fair value, which is based substantially on quoted market prices at June 30, 2016 and 2015, 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.

A summary of investments by type is as follows:

	2016	2015
Equity Mutual Funds	\$ 16,593,369	\$ 17,494,883
Fixed Income Mutual Funds	11,178,805	10,985,652
Money Market Trust and Short-Term Investment Funds	2,544,254	2,258,498
Partnerships	3,659,065	4,425,091
Cash Surrender Value of Life Insurance	81,894	77,733
Total (1)	<u>\$ 34,057,387</u>	<u>\$ 35,241,857</u>

Investment income (losses) as of June 30 consists of the following:

	2016	2015
Partnership Income	\$ 5,525	\$ 5,831
Interest and Dividends	588,553	471,140
Net Realized Gains	90,228	1,913,126
Unrealized Losses	(1,239,365)	(2,198,264)
Total Investment Gains (Losses)	<u>\$ (555,059)</u>	<u>\$ 191,833</u>

- (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, 2016 and 2015, the balance of Operating Reserves was \$7,763,571 and \$7,657,009, 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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**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**

	2016			Total
	Level 1	Level 2	Level 3	
Assets Held by Catholic Community Foundation	\$ -	\$ -	\$ 6,647,446	\$ 6,647,446
Investments:				
Equity Mutual Funds	16,593,369	-	-	16,593,369
Fixed Income Mutual Funds	11,178,805	-	-	11,178,805
Partnerships	-	-	3,659,065	3,659,065
Interest in Split-Interest Agreements	-	-	3,631,711	3,631,711
Total	<u>\$ 27,772,174</u>	<u>\$ -</u>	<u>\$ 13,938,222</u>	<u>\$ 41,710,396</u>
	2015			
	Level 1	Level 2	Level 3	Total
Assets Held by Catholic Community Foundation	\$ -	\$ -	\$ 7,127,782	\$ 7,127,782
Investments:				
Equity Mutual Funds	17,494,883	-	-	17,494,883
Fixed Income Mutual Funds	10,985,652	-	-	10,985,652
Partnerships	-	-	4,425,091	4,425,091
Interest in Split-Interest Agreements	-	-	3,810,627	3,810,627
Total	<u>\$ 28,480,535</u>	<u>\$ -</u>	<u>\$ 15,363,500</u>	<u>\$ 43,844,035</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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JUNE 30, 2016 AND 2015**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets**

The following tables provide a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended June 30:

	2016			
	Assets Held by Catholic Comm Foundation	Investments in Partnerships	Interest in Split-Interest Agreements	Total
<u>Level 3 Assets</u>				
Balances as of June 30, 2015	\$ 7,127,782	\$ 4,425,091	\$ 3,810,627	\$ 15,363,500
Purchases	155,602	1,000,000	-	1,155,602
Distributions	(374,726)	(1,464,381)	(171,567)	(2,010,673)
Realized Gain	(112,208)	(52,887)	-	(165,095)
Unrealized Gain (Loss)	(149,004)	(248,758)	(7,349)	(405,111)
Balances as of June 30, 2016	<u>\$ 6,647,446</u>	<u>\$ 3,659,065</u>	<u>\$ 3,631,711</u>	<u>\$ 13,938,222</u>

	2015			
	Assets Held by Catholic Comm Foundation	Investments in Partnerships	Interest in Split-Interest Agreements	Total
<u>Level 3 Assets</u>				
Balances as of June 30, 2014	\$ 8,171,616	\$ 2,488,616	\$ 4,046,477	\$ 14,706,709
Purchases	122,662	1,775,000	-	1,897,662
Distributions	(994,582)	-	(179,972)	(1,174,554)
Realized Gain	377,772	-	-	377,772
Unrealized Gain	(549,686)	161,475	(55,878)	(444,089)
Balances as of June 30, 2015	<u>\$ 7,127,782</u>	<u>\$ 4,425,091</u>	<u>\$ 3,810,627</u>	<u>\$ 15,363,500</u>

**Assets Held by Catholic Community Foundation**

Assets held by Catholic Community Foundation 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 (net asset value), or by allocation percentage to determine partners' or participants' interest.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets (Continued)**

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.

Net Asset Value

Fair value measurement of investments that calculated NAV per share (or its equivalent) as of June 30:

Investment Category	Net Asset Value 6/30/2016	Net Asset Value 6/30/2015	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Prisma Capital Partners LP	\$ 2,642,374	\$ 3,222,317	\$ -	Quarterly	65 Days
Barlow Partners, Inc.	-	1,167,268	-	Annually	60 Days
Blackstone	981,185	-	-	Not Eligible	95 Days

**NOTE 7 LAND, BUILDING, AND EQUIPMENT**

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

	2016		2015	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 4,806,044	\$ -	\$ 5,447,768	\$ -
Buildings and Improvements	36,580,954	25,616,861	36,533,837	24,616,756
Leasehold Improvements	1,356,454	1,353,822	1,356,454	1,343,458
Furniture, Fixtures, and Vehicles	6,181,753	4,767,268	5,864,128	4,477,150
Construction in Progress	8,005,909	-	1,830,853	-
	\$ 56,931,114	\$ 31,737,951	\$ 51,033,040	\$ 30,437,364
Net Land, Buildings, and Equipment	\$ 25,193,163		\$ 20,595,676	



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 8 LEASE COMMITMENTS**

The Organization leases spaces and office equipment under operating leases. For the years ended June 30, 2016 and 2015, total rental expense was \$421,148 and \$463,087, respectively.

Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016 are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2017	\$ 339,104
2018	221,998
2019	72,303
2020	29,635
2021	30,524
Total Minimum Lease Payments	<u><u>\$ 693,564</u></u>

Dorothy Day Shelter LLC (landlord) entered a lease with Dorothy Day Housing Limited Partnership (tenant) on November 4, 2015. The term of this lease commences on the commencement date and expire 75 years after the date hereof, unless terminated earlier as provided in the lease.

Dorothy Day Shelter LLC (lessor/fee owner of real property) and City of St Paul (lessee) entered a Ground Lease on December 11, 2015 for 50 years from December 31, 2016 which is the expected completion date, to be adjusted to the actual completion date when known. The ground lease should not be sooner terminated except with the prior written consent of MNDHS and the Commissioner of Minnesota Management and Budget.

Dorothy Day Shelter LLC (lessor/fee owner of real property) and City of St Paul (lessee) entered a Lease/Use agreement on December 11, 2015. The initial term of the Lease/Use agreement is for 20 years and ends on June 30, 2035. Lessor and Lessee agree to renew the Lease/Use Agreement for 2 successive periods, the first of which should be 20 years and the second of which shall be the lesser of 10 years and the remaining term of the Ground Lease.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**NOTE 9 PENSION, 401(K), AND POSTRETIREMENT LIFE INSURANCE BENEFITS**

**401(k)**

The Organization sponsors a 401(k) savings plan for its employees. Regular benefits eligible employees over the age of 21 can enroll immediately following their date of hire. If an employee is an eligible participant and has not enrolled on their own after one year of service, an employee may be automatically enrolled in the plan at a 2% deferral unless they opt out. Employees may defer up to 100% of compensation up to the IRS limit. Employer match contributions begin on the first payroll of a quarter after eligibility requirements are met. Match contribution eligibility occurs after one year of service provided that a required 1,000 hours are worked within that first 12 months of service. The Organization matches contributions equal to 50% of employees' contributions not to exceed 3% of total compensation. Highly compensated employees (HCEs) are restricted in the amount they may defer in the plan. The maximum amount an HCE may defer is 2% above the average deferral rate of the non-highly compensated employees. The Organization may also make an additional discretionary contribution. Matching and discretionary contributions to the plan were \$350,759 and \$350,587 during the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the Organization has accrued \$676,487 and \$587,149 as future premium liabilities, respectively.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
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**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.

<b>Measurement Date</b>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Change in the Projected Benefit Obligation</b>		
PBO at Beginning of Year	\$ 13,566,556	\$ 15,143,151
Service Cost	31,256	15,347
Interest Cost	475,376	613,609
Change Due to Assumption Change(s)	1,939,262	373,359
Benefits Paid	(1,141,223)	(1,084,164)
Actuarial Loss (Gain)	104,955	(1,479,399)
Expense Changes	(31,256)	(15,347)
PBO at End of Year	<u>\$ 14,944,926</u>	<u>\$ 13,566,556</u>
<b>Change in Plan Assets</b>		
Fair Value of Plan Assets at Beginning of Year	\$ 10,980,378	\$ 11,294,923
Employer Contributions	-	-
Benefits Paid	(1,172,479)	(1,099,511)
Actual Return on Assets	71,942	784,966
Fair Value of Plan Assets at End of Year	<u>\$ 9,879,841</u>	<u>\$ 10,980,378</u>
<b>Funded Status of the Accumulated Benefit Obligation</b>		
Accumulated Benefit Obligation	\$ 14,944,926	\$ 13,566,556
Fair Value of Plan Assets	9,879,841	10,980,378
Under Funded Status	<u>\$ (5,065,085)</u>	<u>\$ (2,586,178)</u>
<b>Components of the Net Periodic Pension Cost</b>		
Service Cost	\$ 31,256	\$ 15,347
Interest Cost	475,376	613,609
Expected Return of Plan Assets	(877,180)	(846,543)
Amortization of Prior Service Cost	-	-
Amortization of Net Actuarial Loss	10,996	139,000
Amount of Loss Recognized Due to Settlement	305,437	117,221
Net Periodic Pension Cost (Benefit)	<u>\$ (54,115)</u>	<u>\$ 38,634</u>
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets</b>		
Net Gain (Loss)	\$ (2,544,018)	\$ 1,174,920
Amortization of Net Gain	10,996	139,000
Total Recognized in Unrestricted Net Assets	<u>\$ (2,533,022)</u>	<u>\$ 1,313,920</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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

**Defined Benefit Plan (Continued)**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assumptions</b> - Used to Determine Benefit Obligations at Measurement Date		
Discount Rate	3.35%	3.50%
Rate of Compensation Increase	N/A	N/A
<b>Assumptions</b> - Used to Determine Net Periodic Pension Cost		
Discount Rate	3.50%	4.05%
Expected Long-Term Return on Plan Assets	8.00%	7.50%
Rate of Compensation Increase	N/A	N/A

At June 30, 2016 and 2015, the discount rate was determined by matching the projected future benefit payments to the spot rates of the June 30, 2016 and 2015 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%.

The expected contribution to the plan in 2017 is \$-0-. Estimated future benefit payments over the next 10 years, which reflect expected future service, are expected to be paid as follows:

<b>Estimated Future Benefit Payments</b>	<u>Year</u>	<u>Amount</u>
The following benefit payments are expected to be paid:	2017	\$ 682,000
	2018	692,000
	2019	716,000
	2020	728,000
	2021-2025	4,001,000

During the year ended June 30, 2016, the Organization's pension plan consisted of a segregated diversified portfolio of financial assets managed by a fiduciary which also administers the plan. Investment decisions are guided by an investment policy statement which strives to manage the plan assets in a prudent, conservative yet productive manner and states that goal to increase the value of plan assets which recognizing the need to preserve asset value in order to enhance the ability of the plan to meet its obligations to plan participants and their beneficiaries when due.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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

**Defined Benefit Plan (Continued)**

Asset allocations at June 30, by asset category, are as follows:

<u>Asset Category</u>	Plan Assets	
	2016	2015
U.S. Equity	48.91%	50.00%
International Equity	15.28%	15.40%
REIT	5.51%	4.90%
Bond	19.90%	20.80%
Annuity Contracts	0.03%	-
Insurance Company / General Account	10.37%	8.90%
Total	100.00%	100.00%

The plan assets measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2016 and June 30, 2015:

<u>Asset Category</u>	2016			Total
	Level 1	Level 2	Level 3	
U.S. Equity	\$ 4,832,321	\$ -	\$ -	\$ 4,832,321
International Equity	1,509,937	-	-	1,509,937
REIT	547,024	-	-	547,024
Bond	1,965,696	-	-	1,965,696
Insurance Company / General Account	-	-	1,024,863	1,024,863
Total	<u>\$ 8,854,978</u>	<u>\$ -</u>	<u>\$ 981,791</u>	<u>\$ 9,879,841</u>

<u>Asset Category</u>	2015			Total
	Level 1	Level 2	Level 3	
U.S. Equity	\$ 5,492,119	\$ -	\$ -	\$ 5,492,119
International Equity	1,682,294	-	-	1,682,294
REIT	539,349	-	-	539,349
Bond	2,284,825	-	-	2,284,825
Insurance Company / General Account	-	-	981,791	981,791
Total	<u>\$ 9,998,587</u>	<u>\$ -</u>	<u>\$ 981,791</u>	<u>\$ 10,980,378</u>

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 1 – Summary of Significant Accounting Policies. Fair value of Level 3 is based on investments and bonds held at the insurance company that are not publically traded.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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

**Defined Benefit Plan (Continued)**

The following table is a roll forward of the pension plan assets classified within Level 3 of the valuation hierarchy that had significant activity during 2016 and 2015:

	2016		
	Pooled Master Trust Assets	Insurance Company Assets	Total
<u>Level 3 Assets</u>			
Balance as of June 30, 2015	\$ -	\$ 981,791	\$ 981,791
Purchases/Transfer in from Prior Third-Party Administrator	-	1,201,201	1,201,201
Disbursements	-	(1,166,178)	(1,166,178)
Realized and Unrealized Gain (Loss)	-	8,049	8,049
Balance as of June 30, 2016	<u>\$ -</u>	<u>\$ 1,024,863</u>	<u>\$ 1,024,863</u>
	2015		
	Pooled Master Trust Assets	Insurance Company Assets	Total
<u>Level 3 Assets</u>			
Balance as of June 30, 2014	\$ 11,294,923	\$ -	\$ 11,294,923
Transfer to New Third-Party Administrator	(11,294,923)	-	(11,294,923)
Purchases/Transfer in from Prior Third-Party Administrator	-	1,872,250	1,872,250
Disbursements	-	(887,025)	(887,025)
Realized and Unrealized Gain (Loss)	-	(3,434)	(3,434)
Balance as of June 30, 2015	<u>\$ -</u>	<u>\$ 981,791</u>	<u>\$ 981,791</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 10 NOTES, MORTGAGES, AND LINE OF CREDIT**

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

<u>Description</u>	<u>Security</u>	<u>2016</u>	<u>2015</u>
<b>Mortgages and Other:</b>			
Mortgage and notes payable, annual payments of \$578,565, interest rates ranging from 1.2675% to 4.22% with various due dates from 2016 to 2045	Land, Buildings, and Equipment	\$ 20,796,906	\$ 1,391,471
Various non-interest bearing mortgage notes, various due dates from 2016 to 2041	Land, Buildings, and Equipment	<u>3,769,100</u>	<u>4,450,264</u>
Total Long-Term Debt		24,566,006	5,841,735
Less: Unamortized Debt Issuance Costs		(520,359)	-
Less: Unamortized Discount (4.25%)		<u>(228,003)</u>	<u>(242,149)</u>
Net Long-Term Debt		<u>\$ 23,817,644</u>	<u>\$ 5,599,586</u>

Approximately \$8.8 million of net land, building, and equipment is pledged as collateral in the mortgage agreements.

**Debt Issuance Cost**

The Organization has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related debt, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by \$520,359 as of June 30, 2016. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied. The Organization has elected to adopt this change in accounting principle as of July 1, 2015, prior to its effective date.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 10 NOTES, MORTGAGES, AND LINE OF CREDIT (CONTINUED)**

**Maturities**

A summary of aggregate annual future maturities of principal on notes payable as of June 30, 2016 is as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Payment Amount</u>
2017	\$ 453,694
2018	193,331
2019	368,331
2020	101,403
2021	101,403
Thereafter	<u>23,347,844</u>
Total	<u><u>\$ 24,566,006</u></u>

There is a \$10,000,000 line of credit as of June 30, 2016 and 2015 with no outstanding balance. The interest is LIBOR plus 1.55% and expires on June 21, 2017.

**New Market Tax Credit (NMTTC) Transactions**

The Organization entered into several debt and receivable transactions during the fiscal year ended June 30, 2016, in order to make additional funds available to it through the New Markets Tax Credit (NMTTC) Program. As part of these transactions, the Organization created Dorothy Day Capital Corporation and Dorothy Day Shelter LLC, and Dorothy Day LLC as described in Note 1 under Principles of Consolidation.

The NMTTC Program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEI) in designated Community Development Entities (CDEs). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (QLICI). The taxpaying investor is provided with a tax credit which is claimed over a seven-year period. The credit is equal to 5% of the total amount paid for the capital investment over the first three years and 6% annually for the final four years.

US Bancorp Community Development Corporation through its USBCDC Investment Fund 157, LLC (Investment Fund) made an \$11,000,000 qualified equity investment in DD/NCF Sub-CDE, LLC (Sub-CDE). Sub-CDE made two QLICI loans totaling \$10,780,180 to Dorothy Day Shelter LLC QALICB (Qualified Active Low Income Community Business) in amounts of \$7,687,429 and \$3,092,571.



**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 10 NOTES, MORTGAGES, AND LINE OF CREDIT (CONTINUED)**

**New Market Tax Credit (NMTTC) Transactions (Continued)**

US Bancorp Community Development Corporation through its USBCDC Investment Fund 157, LLC (Investment Fund) made a \$3,000,000 qualified equity investment in USBCDE Sub-CDE 137, LLC (Sub-CDE). Sub-CDE made two QLICI loans totaling \$3,000,000 to Dorothy Day Shelter LLC QALICB (Qualified Active Low Income Community Business) in amounts of \$2,006,571 and \$993,429.

Dorothy Day Shelter LLC used the proceeds from the QLICI loans to fund new development and construction will be completed in the year ended on June 30, 2017.

Dorothy Day Capital Corporation issued a loan of \$9,694,000 to the USBCDC Investment Fund 157, LLC (Investment Fund).

In connection with making the loans to the USBCDC Investment Fund 157, LLC (Investment Fund), Dorothy Day Capital Corporation entered into put options with Twain Financial Partners LLC (Twain) and US Bancorp Community Development Corporation (the Investors). The agreements allow the Investors to put their interest in the Investment Fund to the Dorothy Day Capital Corporation during the 180 days following the seventh anniversary of the effective date. The purchase price of the interests is \$1,000 plus any taxes or other closing costs attributable to the exercise of the Investment Fund put and the sale of USBCDC's interest plus any amounts due to USBCDC or the Investment Fund. Also, Dorothy Day Capital Corporation entered into call options that, if the Investor and USBCDC Investment Fund 157, LLC (Investment Fund) do not exercise their put options, Dorothy Day Capital Corporation may call the Investors' interests, six months following the seven year anniversary of the QEI. The call options may be executed by the Dorothy Day Capital Corporation at any time during the 6 month period following the end of the put options period. The purchase price of the call options is the fair market value of the Investors' interests at the time of the call. The purchase price of the funds' interests are the sum of the fair market value of the CDEs' interest plus the amount of any and all unpaid obligations then payable to USBCDC by the Guarantor Plus any transfer taxes or other closing costs attributable to the exercise of the Investment Fund Call as of the call options closing date. No amounts have been recorded on the accompanying consolidated financial statements related to the put and call options.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 and 2015, the Organization was contingently liable for debt of \$605,000 which was assigned to Visitation Place Limited Partnership (Visitation Place) upon its formation. The Organization owns 0.01% of the general partnership equity of Visitation Place and is the general partner.

**Catholic Charities of St. Paul and Minneapolis**

As of June 30, 2016, the Organization was contingently liable for three property purchase agreements totaling \$5,400,000 in which earnest money totaling \$130,000 has been paid.

**Dorothy Day Shelter LLC and Dorothy Day Housing Limited Partnership**

As of June 30, 2016, Dorothy Day Shelter LLC was contingently liable for the building construction cost of \$5,252,538 and Dorothy Day Housing Limited Partnership was contingently liable for the building construction cost of \$11,974,978. Dorothy Day Housing Limited Partnership is not part of the consolidated financial statement, but the Organization owns 0.01% of the general partnership equity of Dorothy Day Housing Limited Partnership.

**NOTE 12 RELATED PARTY TRANSACTIONS**

The Organization received an annual contribution from the Catholic Services Appeal Foundation. For the years ended June 30, 2016 and 2015, the Organization recorded revenue of \$1,000,980 and \$918,339, respectively.

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, 2016 and 2015 was \$6,647,446 and \$7,127,782, respectively.

The Organization invoiced Health Partners for services rendered of \$358,544 and \$959,617 for the years ended June 30, 2016 and 2015, respectively. The Organization also made payments to several companies for services and insurance premiums in the amount of \$4,680,929 and \$3,639,056 for the years ended June 30, 2016 and 2015, respectively.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 13 NET ASSETS**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or time periods at June 30, 2016 and 2015:

	2016	2015
Children and Family Services	\$ 5,267,099	\$ 6,323,776
Client Support	163,760	-
Housing Stability	276,555	278,403
Aging and Disability Services	15,000	-
Advocacy	2,818	488,350
Capital	24,274,212	6,918,758
Future Year Operations	1,481,918	762,807
Total Temporarily Restricted Net Assets	<u>\$ 31,481,362</u>	<u>\$ 14,772,094</u>

The net assets released from restrictions of \$1,602,316 and \$2,001,903 for the years ended June 30, 2016 and 2015, 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:

	2016	2015
Children and Family Services	\$ 1,329,286	\$ 1,640,618
Housing Stability	139,930	139,930
Future Year Operations	4,468,669	3,985,384
Total Permanently Restricted Net Assets	<u>\$ 5,937,885</u>	<u>\$ 5,765,932</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 accounting principles generally accepted in the united states of America, 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

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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Donor-Restricted Endowment Investments, July 1, 2015	\$ -	\$ 364,759	\$ 5,138,991	\$ 5,503,750
Investment Income:				
Interest and Dividends	-	79,963	72,951	152,914
Net Realized and Unrealized Losses	-	(147,532)	(221,057)	(368,589)
Contributions	-	-	620,014	620,014
Transfers	-	-	83,726	83,726
Appropriations of Endowment Assets for Expenditure	-	(168,016)	-	(168,016)
Donor-Restricted Endowment Investments, June 30, 2016	<u>\$ -</u>	<u>\$ 129,174</u>	<u>\$ 5,694,625</u>	<u>\$ 5,823,799</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 14 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Donor-Restricted Endowment Investments, July 1, 2014	\$ -	\$ 453,050	\$ 5,100,525	\$ 5,553,575
Investment Income:				
Interest and Dividends	-	58,368	-	58,368
Net Realized and Unrealized Losses	-	(24,079)	-	(24,079)
Contributions	-	-	38,466	38,466
Appropriations of Endowment Assets for Expenditure	-	(122,580)	-	(122,580)
Donor-Restricted Endowment Investments, June 30, 2015	<u>\$ -</u>	<u>\$ 364,759</u>	<u>\$ 5,138,991</u>	<u>\$ 5,503,750</u>

**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 accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of June 30, 2016 and 2015.

**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**

In 2015, a new spending policy was approved. The new formula is 20% weight assigned to 10% of the 60-month average balance as of March 31st of the net assets in the internal board-designated fund plus 80% weight assigned to the previous year's total transfer from the internal board-designated fund to the Operations Fund plus inflation factor. This replaces previous policies. At no time would the distributions reduce the value of the endowment below donor contributions.

The Organization received planned giving contributions of \$2,888,757 and \$1,394,913 for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, the Organization transferred from the internal board-designated fund \$2,378,004 and \$2,299,956 to the operations fund for general operations, respectively.

## 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, 2016 and 2015, and have issued our report thereon dated October 12, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating balance sheet and consolidating statement of activities is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary schedule of program expenses and the New Market Tax Credit Transaction Diagram, 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**

St. Cloud, Minnesota  
October 12, 2016

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATING BALANCE SHEET  
YEAR ENDED JUNE 30, 2016**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Eliminating Entries	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 18,125,151	\$ -	\$ 15,589	\$ 7,001,517	\$ -	\$ -	\$ 25,142,257
Accounts and Contracts Receivable, Net	5,412,987	-	9,736,411	-	-	-	15,149,398
Pledges Receivable	10,712,744	-	-	-	-	-	10,712,744
Prepaid Expenses and Other Assets	1,169,335	-	-	7,000	-	-	1,176,335
Assets Held by Catholic Community Foundation	6,647,446	-	-	-	-	-	6,647,446
Investments	34,057,388	-	-	-	99	(100)	34,057,387
Interest in Split Interest Agreements	3,631,711	-	-	-	-	-	3,631,711
Land, Building, and Equipment - Net	15,868,957	-	-	9,324,206	-	-	25,193,163
Land and Buildings Held for Sale	-	42,697	-	-	-	-	42,697
<b>Total Assets</b>	<b>\$ 95,625,719</b>	<b>\$ 42,697</b>	<b>\$ 9,752,000</b>	<b>\$16,332,723</b>	<b>\$ 99</b>	<b>\$ (100)</b>	<b>\$ 121,753,138</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 1,850,582	\$ -	\$ 29,934	\$ 1,804,390	\$ -	\$ -	\$ 3,684,906
Accrued Payroll, Benefits, Taxes, and Withholdings	3,302,371	-	-	-	-	-	3,302,371
Other Accrued Liabilities	563,518	-	-	-	-	-	563,518
Deferred Revenue	111,840	-	-	-	-	-	111,840
Accrued Pension Liability	5,065,085	-	-	-	-	-	5,065,085
Charitable Annuities Payable	644,238	-	-	-	-	-	644,238
Obligations of Split-Interest Agreements	1,399,648	-	-	-	-	-	1,399,648
Asset Retirement Obligation	145,815	-	-	-	-	-	145,815
Notes and Mortgages Payable	4,354,003	-	6,204,000	13,259,641	-	-	23,817,644
<b>Total Liabilities</b>	<b>17,437,100</b>	<b>-</b>	<b>6,233,934</b>	<b>15,064,031</b>	<b>-</b>	<b>-</b>	<b>38,735,065</b>
<b>NET ASSETS</b>							
Unrestricted	40,769,372	42,697	3,518,066	1,268,692	99	(100)	45,598,826
Temporarily Restricted	31,481,362	-	-	-	-	-	31,481,362
Permanently Restricted - Endowments	5,694,625	-	-	-	-	-	5,694,625
Permanently Restricted - Other	243,260	-	-	-	-	-	243,260
<b>Total Net Assets</b>	<b>78,188,619</b>	<b>42,697</b>	<b>3,518,066</b>	<b>1,268,692</b>	<b>99</b>	<b>(100)</b>	<b>83,018,073</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 95,625,719</b>	<b>\$ 42,697</b>	<b>\$ 9,752,000</b>	<b>\$16,332,723</b>	<b>\$ 99</b>	<b>\$ (100)</b>	<b>\$ 121,753,138</b>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Eliminating Entries	Total
<b>REVENUE AND SUPPORT</b>							
Revenue:							
Government Fees and Grants	\$ 21,831,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,831,904
Program Service Fees	7,455,402	-	-	-	-	-	7,455,402
Other Revenues	572,510	-	3,584,247	1,268,823	(1)	(4,758,823)	666,756
Total Revenue	<u>29,859,816</u>	<u>-</u>	<u>3,584,247</u>	<u>1,268,823</u>	<u>(1)</u>	<u>(4,758,823)</u>	<u>29,954,062</u>
Support:							
Contributions and Private Grants, Net	33,999,402	-	-	-	-	-	33,999,402
United Way	1,712,898	-	-	-	-	-	1,712,898
Total Support	<u>35,712,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,712,300</u>
Net Assets Released from Restrictions	-	-	-	-	-	-	-
Total Revenue and Support	<u>65,572,116</u>	<u>-</u>	<u>3,584,247</u>	<u>1,268,823</u>	<u>(1)</u>	<u>(4,758,823)</u>	<u>65,666,362</u>
<b>EXPENSES</b>							
Employee Compensation:							
Salaries	23,528,600	-	-	-	-	-	23,528,600
Employee Benefits	4,230,597	-	-	-	-	-	4,230,597
Payroll Taxes	1,604,711	-	-	-	-	-	1,604,711
Total Employee Compensation	<u>29,363,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,363,908</u>
Other Expenses:							
Employee Related	567,580	-	-	-	-	-	567,580
Professional Services	1,209,051	-	-	-	-	-	1,209,051
Outside Services	381,067	-	-	-	-	-	381,067
Travel and Entertainment	120,561	-	-	-	-	-	120,561
Occupancy	3,474,442	-	-	-	-	-	3,474,442
Office Expense	3,762,093	-	-	-	-	-	3,762,093
Program Expense	6,936,484	-	-	-	-	-	6,936,484
Interest	58,228	-	66,159	-	-	-	124,387
Miscellaneous	4,949,479	-	22	131	-	(4,758,823)	190,809
Total Other Expenses	<u>21,458,985</u>	<u>-</u>	<u>66,181</u>	<u>131</u>	<u>-</u>	<u>(4,758,823)</u>	<u>16,766,474</u>
Total Expenses Before Depreciation and Amortization	50,822,893	-	66,181	131	-	(4,758,823)	46,130,382
Depreciation and Amortization of Property, Plant, and Equipment	1,535,222	-	-	-	-	-	1,535,222
Total Expenses	<u>52,358,115</u>	<u>-</u>	<u>66,181</u>	<u>131</u>	<u>-</u>	<u>(4,758,823)</u>	<u>47,665,604</u>



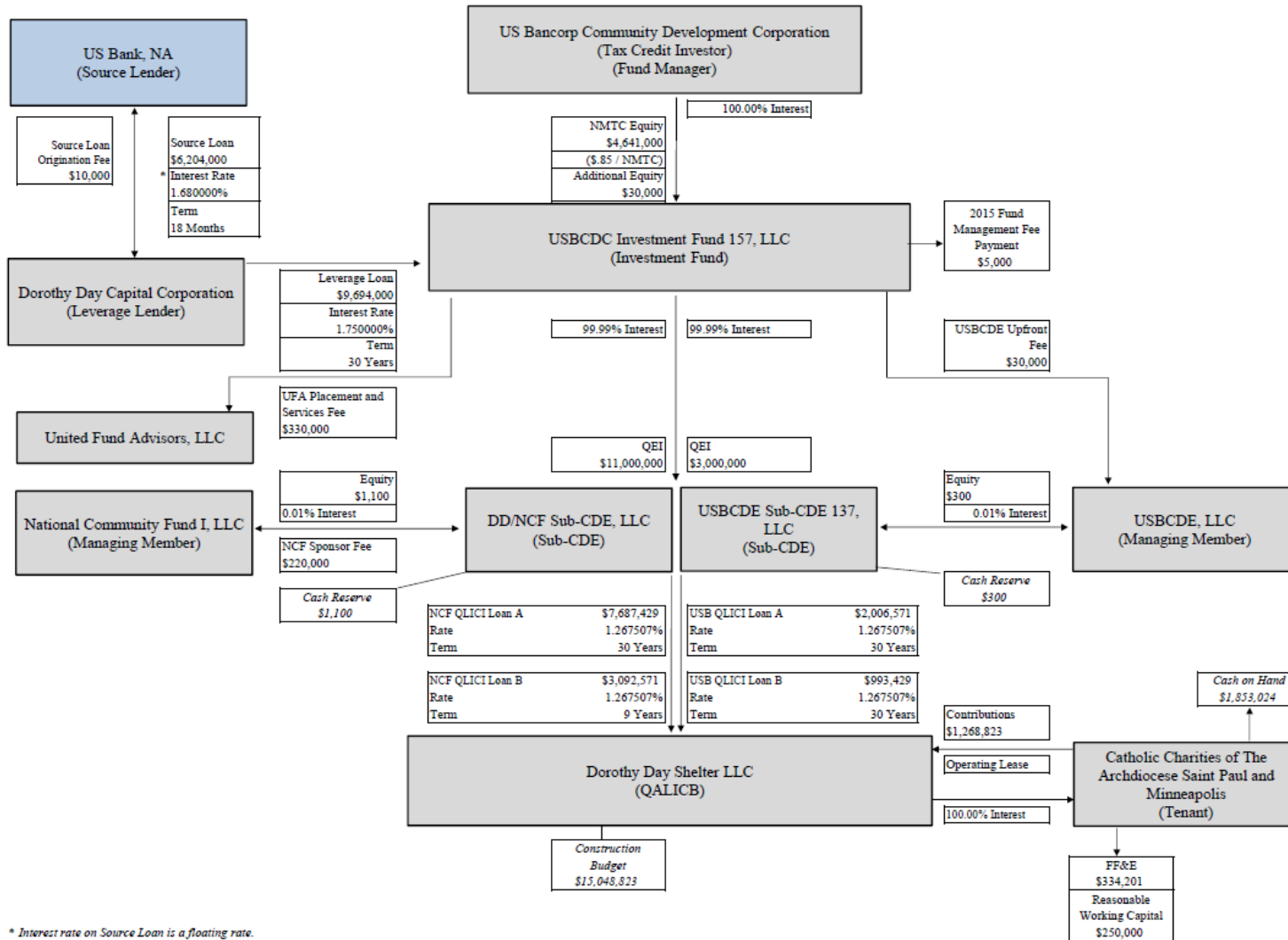
**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Eliminating Entries	Total
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	\$ 13,214,001	\$ -	\$ 3,518,066	\$ 1,268,692	\$ (1)	\$ -	\$ 18,000,758
<b>NONOPERATING ACTIVITY</b>							
Net Pension Losses:							
Net Periodic Pension Benefit	54,115	-	-	-	-	-	54,115
Other Changes in Plan Assets and Benefit Obligations	(2,533,022)	-	-	-	-	-	(2,533,022)
Total Net Pension Losses	(2,478,907)	-	-	-	-	-	(2,478,907)
Changes in Split-Interest Agreements and Annuities	(172,966)	-	-	-	-	-	(172,966)
Gain on Fixed Assets	1,549	-	-	-	-	-	1,549
Investment Loss	(555,059)	-	-	-	-	-	(555,059)
Total Nonoperating Activity	(3,205,383)	-	-	-	-	-	(3,205,383)
<b>CHANGE IN NET ASSETS</b>	10,008,618	-	3,518,066	1,268,692	(1)	-	14,795,375
Net Assets - Beginning of Year	68,180,001	42,697	-	-	100	(100)	68,222,698
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 78,188,619</u>	<u>\$ 42,697</u>	<u>\$ 3,518,066</u>	<u>\$ 1,268,692</u>	<u>\$ 99</u>	<u>\$ (100)</u>	<u>\$ 83,018,073</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
SCHEDULE OF PROGRAM EXPENSES  
YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

	<u>Children and Family</u>	<u>New American Services</u>	<u>Housing Stability</u>	<u>Aging and Disabilities Services</u>	<u>Client Support</u>	<u>Advocacy</u>	<u>Total</u>
<b>EMPLOYEE COMPENSATION</b>							
Salaries	\$ 6,155,526	\$ 241,459	\$ 7,379,151	\$ 1,578,885	\$ 2,437,825	\$ 303,162	\$ 18,096,008
Employee Benefits	1,147,748	47,409	1,398,786	294,575	430,243	53,403	3,372,164
Payroll Taxes	435,353	17,983	530,574	111,736	163,196	20,257	1,279,099
Total Employee Compensation	<u>7,738,627</u>	<u>306,851</u>	<u>9,308,511</u>	<u>1,985,196</u>	<u>3,031,264</u>	<u>376,822</u>	<u>22,747,271</u>
<b>OTHER EXPENSES</b>							
Employee Related	81,933	15,619	120,599	28,955	22,484	5,711	275,301
Professional Services	75,771	4,368	95,174	431	271,526	70,618	517,888
Outside Services	700	-	377,256	-	111	3,000	381,067
Travel and Entertainment	3,183	-	17,003	225	3,697	1,119	25,227
Occupancy	524,174	12,133	2,506,775	21,868	110,241	38,312	3,213,503
Office Expense	738,586	17,299	1,219,801	116,463	512,569	36,134	2,640,852
Program Expense	431,376	317,422	3,970,434	24,983	2,115,834	1,444	6,861,493
Interest	6,853	235	101,213	421	1,203	-	109,925
Miscellaneous	28,649	-	69,210	-	2,286	100	100,245
Total Other Expenses	<u>1,891,225</u>	<u>367,076</u>	<u>8,477,465</u>	<u>193,346</u>	<u>3,039,951</u>	<u>156,438</u>	<u>14,125,501</u>
Total Expenses Before Depreciation and Amortization	9,629,852	673,927	17,785,976	2,178,542	6,071,215	533,260	36,872,772
Depreciation and Amortization of Property, Plant, and Equipment	<u>288,864</u>	<u>4,245</u>	<u>879,464</u>	<u>7,618</u>	<u>15,422</u>	<u>2,574</u>	<u>1,198,187</u>
Total Program Expenses	<u><u>\$ 9,918,716</u></u>	<u><u>\$ 678,172</u></u>	<u><u>\$ 18,665,440</u></u>	<u><u>\$ 2,186,160</u></u>	<u><u>\$ 6,086,637</u></u>	<u><u>\$ 535,834</u></u>	<u><u>\$ 38,070,959</u></u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE  
OF ST. PAUL AND MINNEAPOLIS  
NEW MARKET TAX CREDIT TRANSACTION DIAGRAM  
YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**



\* Interest rate on Source Loan is a floating rate.