

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
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, 2017 and 2016, 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, 2017 and 2016, 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 November 16, 2017 on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Catholic Charities' 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
November 16, 2017

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017 AND 2016**

ASSETS	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 13,386,031	\$ 25,142,257
Accounts and Contracts Receivable, Net	20,474,845	15,970,704
Pledges Receivable	7,579,508	10,712,744
Prepaid Expenses and Other Assets	1,291,838	1,176,335
Assets Held by Catholic Community Foundation	7,402,893	6,647,446
Investments	36,663,710	34,057,387
Interest in Split Interest Agreements	3,553,832	3,631,711
Land, Building, and Equipment - Net	36,460,599	24,371,857
Land and Buildings Held for Sale	<u>137,697</u>	<u>42,697</u>
Total Assets	<u><u>\$ 126,950,953</u></u>	<u><u>\$ 121,753,138</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,463,702	\$ 3,684,906
Accrued Payroll, Benefits, Taxes, and Withholdings	3,458,584	3,302,371
Other Accrued Liabilities	662,613	563,518
Deferred Revenue	114,083	111,840
Accrued Pension Liability	3,493,941	5,065,085
Charitable Annuities Payable	583,942	644,238
Obligations of Split-Interest Agreements	1,212,056	1,399,648
Asset Retirement Obligation	143,997	145,815
Notes and Mortgages Payable	<u>17,144,181</u>	<u>23,817,644</u>
Total Liabilities	28,277,099	38,735,065
NET ASSETS		
Unrestricted	60,177,305	45,598,826
Temporarily Restricted	32,468,211	31,481,362
Permanently Restricted - Endowments	5,795,881	5,694,625
Permanently Restricted - Other	<u>232,457</u>	<u>243,260</u>
Total Net Assets	<u>98,673,854</u>	<u>83,018,073</u>
Total Liabilities and Net Assets	<u><u>\$ 126,950,953</u></u>	<u><u>\$ 121,753,138</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Revenue:								
Government Fees and Grants	\$ 28,943,063	\$ -	\$ -	\$ 28,943,063	\$ 21,831,904	\$ -	\$ -	\$ 21,831,904
Program Service Fees	10,798,485	-	-	10,798,485	7,455,402	-	-	7,455,402
Other Revenues	759,223	-	-	759,223	666,756	-	-	666,756
Total Revenue	40,500,771	-	-	40,500,771	29,954,062	-	-	29,954,062
Support:								
Contributions and Private Grants, Net	15,384,456	7,158,113	2,500	22,545,069	15,876,310	18,117,190	5,902	33,999,402
United Way	-	930,000	-	930,000	784,870	928,028	-	1,712,898
Total Support	15,384,456	8,088,113	2,500	23,475,069	16,661,180	19,045,218	5,902	35,712,300
Net Assets Released from Restrictions	8,551,541	(8,543,501)	(8,040)	-	1,518,588	(1,602,316)	83,728	-
Total Revenue and Support	64,436,768	(455,388)	(5,540)	63,975,840	48,133,830	17,442,902	89,630	65,666,362
EXPENSES								
Program Service	46,219,912	-	-	46,219,912	38,070,959	-	-	38,070,959
Management and General	4,568,875	-	-	4,568,875	6,706,417	-	-	6,706,417
Fundraising	2,798,634	-	-	2,798,634	2,888,228	-	-	2,888,228
Total Expenses	53,587,421	-	-	53,587,421	47,665,604	-	-	47,665,604
CHANGES NET ASSETS FROM OPERATIONS	10,849,347	(455,388)	(5,540)	10,388,419	468,226	17,442,902	89,630	18,000,758
NONOPERATING ACTIVITY								
Net Pension Gains and Losses:								
Net Periodic Pension (Cost) Benefit	(7,027)	-	-	(7,027)	54,115	-	-	54,115
Other Changes in Plan Assets and								
Benefit Obligations	1,578,171	-	-	1,578,171	(2,533,022)	-	-	(2,533,022)
Total Net Pension Gains (Losses)	1,571,144	-	-	1,571,144	(2,478,907)	-	-	(2,478,907)
Changes in Split-Interest Agreements and Annuities	154,763	(101,474)	4,132	57,421	(136,381)	(58,751)	22,166	(172,966)
Gain on Fixed Assets	50	-	-	50	1,549	-	-	1,549
Investment Gain (Loss)	2,003,175	1,595,941	39,631	3,638,747	(316,897)	(78,886)	(159,276)	(555,059)
Fund Transfer	-	(52,230)	52,230	-	376,564	(595,997)	219,433	-
Total Nonoperating Activity	3,729,132	1,442,237	95,993	5,267,362	(2,554,072)	(733,634)	82,323	(3,205,383)
CHANGE IN NET ASSETS	14,578,479	986,849	90,453	15,655,781	(2,085,846)	16,709,268	171,953	14,795,375
Net Assets - Beginning of Year	45,598,826	31,481,362	5,937,885	83,018,073	47,684,672	14,772,094	5,765,932	68,222,698
NET ASSETS - END OF YEAR	<u>\$ 60,177,305</u>	<u>\$ 32,468,211</u>	<u>\$ 6,028,338</u>	<u>\$ 98,673,854</u>	<u>\$ 45,598,826</u>	<u>\$ 31,481,362</u>	<u>\$ 5,937,885</u>	<u>\$ 83,018,073</u>

See accompanying Notes to Consolidated Financial Statements.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EMPLOYEE COMPENSATION								
Salaries	\$ 21,743,308	\$ 2,692,434	\$ 1,271,943	\$ 25,707,685	\$ 18,096,008	\$ 3,893,586	\$ 1,539,006	\$ 23,528,600
Employee Benefits	4,076,514	378,280	235,733	4,690,527	3,372,164	589,431	269,002	4,230,597
Payroll Taxes	1,546,264	143,486	89,416	1,779,166	1,279,099	223,577	102,035	1,604,711
Total Employee Compensation	<u>27,366,086</u>	<u>3,214,200</u>	<u>1,597,092</u>	<u>32,177,378</u>	<u>22,747,271</u>	<u>4,706,594</u>	<u>1,910,043</u>	<u>29,363,908</u>
OTHER EXPENSES								
Employee Related	295,606	165,352	30,595	491,553	275,301	233,528	58,751	567,580
Professional Services	1,264,227	276,744	515,273	2,056,244	517,888	567,897	123,266	1,209,051
Outside Services	524,529	-	1,500	526,029	381,067	-	-	381,067
Travel and Entertainment	16,756	8,461	6,949	32,166	25,227	8,515	86,819	120,561
Occupancy	4,264,383	470,423	50,460	4,785,266	3,213,503	200,067	60,872	3,474,442
Office Expense	3,297,526	18,689	554,032	3,870,247	2,640,852	533,951	587,290	3,762,093
Program Expense	7,436,271	52,346	21,487	7,510,104	6,861,493	41,594	33,397	6,936,484
Interest	251,743	1,166	-	252,909	109,925	14,462	-	124,387
Miscellaneous	186,170	87,732	21,246	295,148	100,245	62,774	27,790	190,809
Total Other Expenses	<u>17,537,211</u>	<u>1,080,913</u>	<u>1,201,542</u>	<u>19,819,666</u>	<u>14,125,501</u>	<u>1,662,788</u>	<u>978,185</u>	<u>16,766,474</u>
Total Expenses Before Depreciation and Amortization	44,903,297	4,295,113	2,798,634	51,997,044	36,872,772	6,369,382	2,888,228	46,130,382
Depreciation and Amortization of Property, Plant, and Equipment	<u>1,316,615</u>	<u>273,762</u>	<u>-</u>	<u>1,590,377</u>	<u>1,198,187</u>	<u>337,035</u>	<u>-</u>	<u>1,535,222</u>
Total Expenses	<u>\$ 46,219,912</u>	<u>\$ 4,568,875</u>	<u>\$ 2,798,634</u>	<u>\$ 53,587,421</u>	<u>\$ 38,070,959</u>	<u>\$ 6,706,417</u>	<u>\$ 2,888,228</u>	<u>\$ 47,665,604</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, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 15,655,781	\$ 14,795,375
Adjustments to Reconcile Change in Net Asset to Net Cash Provided (Used) by Operating Activities:		
Realized Gain on Sale of Investments	(438,898)	(90,228)
Unrealized (Gain) Loss on Investments	(2,645,570)	1,239,365
Donation of Property, Trust	(101,400)	-
Depreciation and Amortization	1,590,377	1,535,222
Gain on Disposal of Land, Building, and Equipment	(50)	(1,549)
Change in Interest in Split Interest Agreements	29,793	207,696
Change in CSV of Life Insurance	(3,890)	(4,161)
Forgiveness of Long-Term Debt	(154,099)	(381,968)
Amortization of Loan Discount	23,593	14,146
Pledges Restricted for Construction Project	(2,717,907)	(10,466,020)
Permanently Restricted Contributions	(2,500)	(5,900)
(Increase) Decrease in Assets:		
Accounts and Contracts Receivable	(4,504,141)	(11,316,442)
Pledges Receivable	(55,499)	(46,938)
Prepaid Expenses and Other Assets	(173,516)	(187,964)
Increase (Decrease) in Liabilities:		
Accounts Payable	(785,070)	283,936
Accrued Payroll, Benefits, Taxes, and Withholdings	156,213	499,849
Other Accrued Liabilities	99,095	67,214
Deferred Revenue	2,243	51,599
Net Pension Liability / Asset	(1,571,144)	2,478,907
Asset Retirement Obligation	(1,818)	9,100
Net Cash Provided (Used) by Operating Activities	4,401,593	(1,318,761)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,585,264)	(7,404,888)
Proceeds from Sale and Maturity of Investments	3,311,852	7,924,718
Purchase of Land, Building, and Equipment	(15,090,202)	(803,711)
Proceeds from Sale of Land, Building, and Equipment	50	11,234
Net Cash Used by Investing Activities	(15,363,564)	(272,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently Restricted Contributions	2,500	5,900
Distributions under Charitable Annuities and Split Interest Agreements	(236,802)	(525,166)
Additional Contributions to Charitable Annuities	37,000	31,198
Payments on Long-Term Debt	(6,503,595)	(898,955)
Proceeds from Issuance of Long-Term Debt	-	16,683,223
Proceeds from Contributions Restricted for Construction Project	5,906,642	5,619,352
Payments for Financing Costs of Long-Term Debt	-	(530,678)
Net Cash Provided (Used) by Financing Activities	(794,255)	20,384,874
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,756,226)	18,793,466
Cash and Cash Equivalents - Beginning of Year	25,142,257	6,348,791
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,386,031	\$ 25,142,257
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 243,309	\$ 34,981
Land, Building, and Equipment in Accounts Payable	\$ 560,454	\$ 1,996,588
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, 2017 AND 2016**

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 serves 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, 2017 AND 2016**

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
- Parenting Services

Aging and Disabilities Services:

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

Client Support Services:

- Health Supported Housing
- St. Josephs Home for Children Clinic
- Counseling Services
- Food Services

New American Services:

- Resettlement
- Refugee Cash Assistance

Social Justice Advocacy:

- Sowers of Justice Grassroots Network
- Public Policy Leadership and Advocacy

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, Dorothy Day Capital Corporation, a nonprofit organization, and Dorothy Day Condominium Association, a nonprofit corporation. 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, 2017 AND 2016**

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, 2017 and 2016, the allowance for uncollectible accounts was \$129,779 and \$94,132, 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, 2017. 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, 2017 AND 2016**

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 35 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 \$143,997 and \$145,815 at June 30, 2017 and 2016, 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
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017 and 2016 was \$193,783 and \$170,757, 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 contribution revenue at estimated fair value at date of receipt. Donated goods and services are recorded as contribution revenue and program expense at estimated fair value at date of receipt. Donated services are recorded as contributions when the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. Some volunteers' time has not been included in the Organization's consolidated financial statements since the services do not meet accounting standards criteria for recording. For the years ended June 30, 2017 and 2016, approximately 145,983 and 163,475 hours, respectively, of volunteer time were donated to the Organization and its programs and not included in the financial statements.

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, Dorothy Day, LLC, and Dorothy Day Condominium Association 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.

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.

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JUNE 30, 2017 AND 2016**

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 nonactive 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 November 16, 2017, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets as previously reported.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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>2017</u>	<u>2016</u>
Unconditional Pledges Receivable	\$ 7,635,226	\$ 10,752,089
Unamortized Discount	(55,718)	(39,345)
Total	<u>\$ 7,579,508</u>	<u>\$ 10,712,744</u>
Amounts Due in:		
Less Than One Year	\$ 3,940,222	\$ 5,133,052
One to Five Years	3,645,004	5,454,037
Greater Than Five Years	50,000	165,000
Total	<u>\$ 7,635,226</u>	<u>\$ 10,752,089</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 0.73%. There were fifty-four new long-term unconditional promises made during 2017.

The Organization received a conditional pledge of \$4,000,000 for the Dorothy Day Project. The gift will be recognized and the condition will be realized when the total funding goal has been reached.

For the year ended June 30, 2017, there were two donors whose receivable balance individually represented 10% or more of the Organization's total pledges receivable balance. For the year ended June 30, 2016, there were no concentrations. For the year ended June 30, 2017, ten donors accounted for 58% of gross pledges receivable. For the year ended June 30, 2016, there were no concentrations.

**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>2017</u>	<u>2016</u>
Food and Meals (1,412,837 lbs.- FY17; 1,238,286 lbs. - FY16)	\$ 2,377,618	\$ 2,062,605
Clothing and Household Goods	304,448	244,835
Services (1,314 hrs.- FY17; 1,820 hrs. - FY16)	<u>240,782</u>	<u>214,399</u>
Donated Goods and Services	<u>\$ 2,922,848</u>	<u>\$ 2,521,839</u>

All goods and services were considered program activities. The professional services were donated by doctors, nurses, lawyers, and other professionals.

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>2017</u>	<u>2016</u>
Cash and Cash Equivalents	1 %	- %
Corporate Bonds	22	25
Corporate Stocks	70	68
Real Estate Investment Trust	<u>7</u>	<u>7</u>
Total	<u>100 %</u>	<u>100 %</u>

NOTE 5 INVESTMENTS

Investments are stated at fair value, which is based substantially on quoted market prices at June 30, 2017 and 2016, 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.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
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JUNE 30, 2017 AND 2016**

NOTE 5 INVESTMENTS (CONTINUED)

A summary of investments by type is as follows:

	2017	2016
Equities	\$ 2,738	\$ -
Equity Mutual Funds	18,728,562	16,593,369
Fixed Income Mutual Funds	11,222,488	11,178,805
Money Market Trust and Short-Term Investment Funds	2,717,091	2,544,254
Partnerships	3,907,047	3,659,065
Cash Surrender Value of Life Insurance	85,784	81,894
Total	<u>\$ 36,663,710</u>	<u>\$ 34,057,387</u>

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

	2017	2016
Partnership Income	\$ 5,689	\$ 5,525
Interest and Dividends	548,590	588,553
Net Realized Gains	438,898	90,228
Unrealized Gains (Losses)	2,645,570	(1,239,365)
Total Investment Gains (Losses)	<u>\$ 3,638,747</u>	<u>\$ (555,059)</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, 2017 and 2016, the balance of Operating Reserves was \$7,778,611 and \$7,763,571, respectively.

Catholic Charities has an investment spending policy which provides a payout from a board designated fund. The payout is calculated by using a formula of 20% weight assigned to 10% of the 60-month average balance as of March 31st of the net assets in the board designated fund plus 80% weight assigned to the previous year's total transfer from the board designated fund to the Unrestricted Fund plus an inflation factor. The Organization received planned giving contributions, which are included in the board designated fund, of \$2,209,540 and \$2,888,757 for the years ended June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Organization transferred from the board designated fund \$2,466,996 and \$2,378,004 to the Unrestricted Fund for general operations.

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

	2017				Total
	Level 1	Level 2	Level 3	NAV	
Assets Held by Catholic Community Foundation	\$ -	\$ -	\$ 7,402,893	\$ -	\$ 7,402,893
Investments:					
Equities	2,738	-	-	-	2,738
Equity Mutual Funds	18,728,562	-	-	-	18,728,562
Fixed Income Mutual Funds	11,222,488	-	-	-	11,222,488
Partnerships	-	-	35,506	3,871,541	3,907,047
Interest in Split-Interest Agreements	-	-	3,553,832	-	3,553,832
Total	<u>\$ 29,953,788</u>	<u>\$ -</u>	<u>\$ 10,992,231</u>	<u>\$ 3,871,541</u>	<u>\$ 44,817,560</u>

	2016				Total
	Level 1	Level 2	Level 3	NAV	
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	-	-	35,506	3,623,559	3,659,065
Interest in Split-Interest Agreements	-	-	3,631,711	-	3,631,711
Total	<u>\$ 27,772,174</u>	<u>\$ -</u>	<u>\$ 10,314,663</u>	<u>\$ 3,623,559</u>	<u>\$ 41,710,396</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
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JUNE 30, 2017 AND 2016**

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:

	2017			
	Assets Held by Catholic Comm Foundation	Investments in Partnerships	Interest in Split-Interest Agreements	Total
Level 3 Assets				
Balances as of June 30, 2016	\$ 6,647,446	\$ 35,506	\$ 3,631,711	\$ 10,314,663
Purchases	125,409	-	-	125,409
Distributions	(108,596)	-	(163,698)	(272,294)
Realized Gain	124,292	-	-	124,292
Unrealized Gain (Loss)	614,342	-	85,819	700,161
Balances as of June 30, 2017	<u>\$ 7,402,893</u>	<u>\$ 35,506</u>	<u>\$ 3,553,832</u>	<u>\$ 10,992,231</u>

	2016			
	Assets Held by Catholic Comm Foundation	Investments in Partnerships	Interest in Split-Interest Agreements	Total
Level 3 Assets				
Balances as of June 30, 2015	\$ 7,127,782	\$ 35,506	\$ 3,810,627	\$ 10,973,915
Purchases	155,602	-	-	155,602
Distributions	(374,726)	-	(171,567)	(546,293)
Realized Gain	(112,208)	-	-	(112,208)
Unrealized Gain	(149,004)	-	(7,349)	(156,353)

Assets Held by Catholic Community Foundation

Assets held by Catholic Community Foundation include values reflected for publicly traded assets and values for nonpublicly 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 nonpublicly 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 6/30/2017	Net Asset Value 6/30/2016	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Prisma Capital Partners LP	\$ 2,806,651	\$ 2,642,374	\$ -	Quarterly	65 Days
Blackstone	1,064,890	981,185	-	Semi-Annually	95 Days
Total	\$ 3,871,541	\$ 3,623,559	\$ -		

NOTE 7 LAND, BUILDING, AND EQUIPMENT

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

	2017		2016	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 5,200,744	\$ -	\$ 4,806,044	\$ -
Buildings and Improvements	49,478,405	26,731,271	36,580,954	25,616,861
Leasehold Improvements	1,356,454	1,353,989	1,356,454	1,353,822
Furniture, Fixtures, and Vehicles	6,596,462	4,052,680	6,181,753	4,767,268
Construction in Progress	5,966,474	-	7,184,603	-
	\$ 68,598,539	\$ 32,137,940	\$ 56,109,808	\$ 31,737,951
Net Land, Buildings, and Equipment	\$ 36,460,599		\$ 24,371,857	

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
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NOTE 8 LEASE COMMITMENTS

The Organization leases spaces and office equipment under operating leases. For the years ended June 30, 2017 and 2016, total rental expense was \$476,213 and \$421,148, 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, 2017 are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2018	\$ 348,584
2019	117,109
2020	33,955
2021	34,844
2022	32,880
Total Minimum Lease Payments	<u><u>\$ 567,372</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
OF ST. PAUL AND MINNEAPOLIS
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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 will be automatically enrolled in the plan at a 2% deferral after an administrative waiting period unless they opt out. Employees may defer up to 100% of compensation up to the IRS limit. 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 \$429,732 and \$350,759 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Organization has accrued \$644,182 and \$676,487 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.

Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Change in the Projected Benefit Obligation		
PBO at Beginning of Year	\$ 14,944,926	\$ 13,566,556
Service Cost	22,560	31,256
Interest Cost	492,233	475,376
Change Due to Assumption Change(s)	(638,926)	1,939,262
Benefits Paid	(525,376)	(1,141,223)
Actuarial Loss (Gain)	(204,279)	104,955
Expense Changes	(22,560)	(31,256)
PBO at End of Year	<u>\$ 14,068,578</u>	<u>\$ 14,944,926</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 9,879,841	\$ 10,980,378
Employer Contributions	-	-
Benefits Paid	(547,936)	(1,172,479)
Actual Return on Assets	1,242,732	71,942
Fair Value of Plan Assets at End of Year	<u>\$ 10,574,637</u>	<u>\$ 9,879,841</u>
Funded Status of the Accumulated Benefit Obligation		
Accumulated Benefit Obligation	\$ 14,068,578	\$ 14,944,926
Fair Value of Plan Assets	10,574,637	9,879,841
Under Funded Status	<u>\$ (3,493,941)</u>	<u>\$ (5,065,085)</u>
Components of the Net Periodic Pension Cost		
Service Cost	\$ 22,560	\$ 31,256
Interest Cost	492,233	475,376
Expected Return of Plan Assets	(768,470)	(877,180)
Amortization of Prior Service Cost	-	-
Amortization of Net Actuarial Loss	260,704	10,996
Amount of Loss Recognized Due to Settlement	-	305,437
Net Periodic Pension Cost (Benefit)	<u>\$ 7,027</u>	<u>\$ (54,115)</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets		
Net Gain (Loss)	\$ (1,838,875)	\$ (2,544,018)
Amortization of Net Gain	260,704	10,996
Total Recognized in Unrestricted Net Assets	<u>\$ (1,578,171)</u>	<u>\$ (2,533,022)</u>

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

Defined Benefit Plan (Continued)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assumptions - Used to Determine Benefit Obligations at Measurement Date		
Discount Rate	3.60%	3.35%
Rate of Compensation Increase	N/A	N/A
Assumptions - Used to Determine Net Periodic Pension Cost		
Discount Rate	3.35%	3.50%
Expected Long-Term Return on Plan Assets	8.00%	8.00%
Rate of Compensation Increase	N/A	N/A

At June 30, 2017 and 2016, the discount rate was determined by matching the projected future benefit payments to the spot rates of the June 30, 2017 and 2016 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 2018 is \$-0-. 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	<u>Year</u>	<u>Amount</u>
The following benefit payments are expected to be paid:	2018	\$ 682,000
	2019	692,000
	2020	716,000
	2021	726,000
	2022	747,000
	2023-2027	4,062,000

During the year ended June 30, 2017, 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
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**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	
	2017	2016
U.S. Equity	50.63 %	48.91 %
International Equity	17.22	15.28
REIT	4.87	5.51
Bond	19.52	19.90
Annuity Contracts	0.24	0.03
Insurance Company / General Account	7.52	10.37
Total	<u>100.00 %</u>	<u>100.00 %</u>

The plan assets measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2017 and 2016:

<u>Asset Category</u>	2017			
	Level 1	Level 2	Level 3	Total
U.S. Equity	\$ 5,353,904	\$ -	\$ -	\$ 5,353,904
International Equity	1,821,206	-	-	1,821,206
REIT	515,090	-	-	515,090
Bond	2,064,278	-	-	2,064,278
Insurance Company / General Account	-	-	820,159	820,159
Total	<u>\$ 9,754,478</u>	<u>\$ -</u>	<u>\$ 820,159</u>	<u>\$ 10,574,637</u>

<u>Asset Category</u>	2016			
	Level 1	Level 2	Level 3	Total
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>\$ 1,024,863</u>	<u>\$ 9,879,841</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, 2017 AND 2016**

**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 2017 and 2016:

	2017
	Insurance Company Assets
<u>Level 3 Assets</u>	
Balances as of June 30, 2016	\$ 1,024,863
Purchases/Transfer in from Prior Third-Party Administrator	334,000
Disbursements	(547,936)
Realized and Unrealized Gain (Loss)	9,232
Balances as of June 30, 2017	\$ 820,159
	2016
	Insurance Company Assets
<u>Level 3 Assets</u>	
Balances as of June 30, 2015	\$ 981,791
Purchases/Transfer in from Prior Third-Party Administrator	1,201,201
Disbursements	(1,166,178)
Realized and Unrealized Gain (Loss)	8,049
Balances as of June 30, 2016	\$ 1,024,863

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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>2017</u>	<u>2016</u>
Mortgages and Other:			
Mortgage and notes payable, annual payments of \$578,565, interest rates ranging from 0% to 4.22% with various due dates from 2017 to 2045	Land, Buildings, and Equipment	\$ 14,293,309	\$ 20,796,906
Various noninterest bearing mortgage notes, various due dates from 2017 to 2041	Land, Buildings, and Equipment	<u>3,615,000</u>	<u>3,769,100</u>
Total Long-Term Debt		17,908,309	24,566,006
Less: Unamortized Debt Issuance Costs		(550,873)	(520,359)
Less: Unamortized Discount (4.25%)		<u>(213,255)</u>	<u>(228,003)</u>
Net Long-Term Debt		<u>\$ 17,144,181</u>	<u>\$ 23,817,644</u>

Approximately \$19.9 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, 2017 is as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Payment Amount</u>
2018	\$ 193,331
2019	193,331
2020	276,403
2021	101,403
2022	100,330
Thereafter	<u>17,043,511</u>
Total	<u>\$ 17,908,309</u>

There is a \$10,000,000 line of credit as of June 30, 2017 and 2016 with no outstanding balance. The interest is LIBOR plus 1.55% and expires on June 20, 2018.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

New Market Tax Credit (NMTC) 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 (NMTC) 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 NMTC 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.

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 was 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).

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

New Market Tax Credit (NMTTC) Transactions (Continued)

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.

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, 2017 and 2016, 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 THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 12 RELATED PARTY TRANSACTIONS

The Organization received an annual contribution from the Catholic Services Appeal Foundation. For the years ended June 30, 2017 and 2016, the Organization recorded revenue of \$1,102,251 and \$1,000,980, 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, 2017 and 2016 was \$7,402,893 and \$6,647,446, respectively.

The Organization also made payments to several companies, which board members are employees and officers of, for services in the amount of \$975,508 and \$1,012,272 for the years ended June 30, 2017 and 2016, respectively.

The Organization invoiced Health Partners for services rendered \$959,617 for the year ended June 30, 2016 and made payments for insurance premiums in the amount of \$3,668,657 for the year ended June 30, 2016. Health Partners is no longer a related party for the year ended June 30, 2017.

The organization is the general partner in the Dorothy Day Housing Limited Partnership (DDHLP). The organization had the following transactions and balances with DDHLP for the years ending June 2017 and 2016.

	2017	2016
Property management fees earned	\$ 56,978	\$ -
Expenses reimbursed	881,503	-
Developer fees earned	1,200,000	100,000
Accrued interest on notes earned	68,931	10,196
Accounts receivable for fees, loans, and expense reimbursement	6,757,695	2,186,646

There is a Housing Assistance Agreement between DDHLP and Catholic Charities has Catholic Charities subsidizing rental payments for various clients. There have been no payments under this agreement.

The organization is the general partner in the Visitation Place Limited Partnership (Visitation). For the years ended June 30, 2017 and 2016 the organization had the following transactions and balances with Visitation for the years ending June 2017 and 2016.

	2017	2016
Property management fees earned	\$ 10,002	\$ 10,158
Expenses reimbursed	52,486	65,414
Accounts receivable for fees, loans, and expense reimbursement	267,930	348,740

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 13 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or time periods at June 30, 2017 and 2016:

	2017	2016
Children and Family Services	\$ 6,517,578	\$ 5,267,099
Client Support	78,872	163,760
Housing Stability	418,105	276,555
Aging and Disability Services	22,567	15,000
Advocacy	-	2,818
Capital	24,744,997	24,274,212
Future Year Operations	686,092	1,481,918
Total Temporarily Restricted Net Assets	<u>\$ 32,468,211</u>	<u>\$ 31,481,362</u>

The net assets released from restrictions of \$8,280,794 and \$1,602,316 for the years ended June 30, 2017 and 2016, 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:

	2017	2016
Children and Family Services	\$ 1,357,255	\$ 1,329,286
Housing Stability	139,930	139,930
Future Year Operations	4,531,153	4,468,669
Total Permanently Restricted Net Assets	<u>\$ 6,028,338</u>	<u>\$ 5,937,885</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 14 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Donor-Restricted Endowment Investments, July 1, 2016	\$ -	\$ 129,174	\$ 5,694,625	\$ 5,823,799
Investment Income	-	959,224	20,128	979,352
Contributions	-	12,013	36,938	48,951
Transfers	-	(52,230)	52,230	-
Appropriations of Endowment Assets for Expenditure	-	(375,584)	(8,040)	(383,624)
Donor-Restricted Endowment Investments, June 30, 2017	<u>\$ -</u>	<u>\$ 672,597</u>	<u>\$ 5,795,881</u>	<u>\$ 6,468,478</u>
	<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	-	(67,569)	(148,106)	(215,675)
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>

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, 2017 and 2016.

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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.

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. 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 endowment funds annual payout is an amount equal to 4.75% of the individual endowment fund balance as of July 1st. At no time would the distributions reduce the value of the endowment below donor contributions.

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, 2017 and 2016, and have issued our report thereon dated November 16, 2017, 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
November 16, 2017

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING BALANCE SHEET
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
ASSETS								
Cash and Cash Equivalents	\$ 12,687,712	\$ -	\$ 96,003	\$ 602,316	\$ -	\$ -	\$ -	\$ 13,386,031
Accounts and Contracts Receivable, Net	11,287,111	-	9,694,000	29,456	-	-	(535,722)	20,474,845
Pledges Receivable	7,579,508	-	-	-	-	-	-	7,579,508
Prepaid Expenses and Other Assets	1,404,143	-	-	-	-	-	(112,305)	1,291,838
Assets Held by Catholic Community Foundation	7,402,893	-	-	-	-	-	-	7,402,893
Investments	36,663,611	-	-	-	99	-	-	36,663,710
Interest in Split Interest Agreements	3,553,832	-	-	-	-	-	-	3,553,832
Land, Building, and Equipment - Net	22,490,384	-	-	13,970,215	-	-	-	36,460,599
Land and Buildings Held for Sale	95,000	42,697	-	-	-	-	-	137,697
Total Assets	\$ 103,164,194	\$ 42,697	\$ 9,790,003	\$ 14,601,987	\$ 99	\$ -	\$ (648,027)	\$ 126,950,953
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable	\$ 1,506,982	\$ -	\$ 30,450	\$ 416,067	\$ 183	\$ 45,742	\$ (535,722)	\$ 1,463,702
Accrued Payroll, Benefits, Taxes, and Withholdings	3,458,584	-	-	-	-	-	-	3,458,584
Other Accrued Liabilities	623,561	-	-	39,052	-	-	-	662,613
Deferred Revenue	114,083	-	-	112,205	-	-	(112,205)	114,083
Accrued Pension Liability	3,493,941	-	-	-	-	-	-	3,493,941
Charitable Annuities Payable	583,942	-	-	-	-	-	-	583,942
Obligations of Split-Interest Agreements	1,212,056	-	-	-	-	-	-	1,212,056
Asset Retirement Obligation	143,997	-	-	-	-	-	-	143,997
Notes and Mortgages Payable	3,866,848	-	-	13,277,333	-	-	-	17,144,181
Total Liabilities	15,003,994	-	30,450	13,844,657	183	45,742	(647,927)	28,277,099
NET ASSETS								
Unrestricted	49,663,651	42,697	9,759,553	757,330	(84)	(45,742)	(100)	60,177,305
Temporarily Restricted	32,468,211	-	-	-	-	-	-	32,468,211
Permanently Restricted - Endowments	5,795,881	-	-	-	-	-	-	5,795,881
Permanently Restricted - Other	232,457	-	-	-	-	-	-	232,457
Total Net Assets	88,160,200	42,697	9,759,553	757,330	(84)	(45,742)	(100)	98,673,854
Total Liabilities and Net Assets	\$ 103,164,194	\$ 42,697	\$ 9,790,003	\$ 14,601,987	\$ 99	\$ -	\$ (648,027)	\$ 126,950,953

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING BALANCE SHEET
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
Cash and Cash Equivalents	\$ 18,125,151	\$ -	\$ 15,589	\$ 7,001,517	\$ -	\$ -	\$ -	\$ 25,142,257
Accounts and Contracts Receivable, Net	6,234,293	-	9,736,411	-	-	-	-	15,970,704
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	15,047,651	-	-	9,324,206	-	-	-	24,371,857
Land and Buildings Held for Sale	-	42,697	-	-	-	-	-	42,697
Total Assets	\$ 95,625,719	\$ 42,697	\$ 9,752,000	\$ 16,332,723	\$ 99	\$ -	\$ (100)	\$ 121,753,138
LIABILITIES AND NET ASSETS								
LIABILITIES								
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
Total Liabilities	17,437,100	-	6,233,934	15,064,031	-	-	-	38,735,065
NET ASSETS								
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
Total Net Assets	78,188,619	42,697	3,518,066	1,268,692	99	-	(100)	83,018,073
Total Liabilities and Net Assets	\$ 95,625,719	\$ 42,697	\$ 9,752,000	\$ 16,332,723	\$ 99	\$ -	\$ (100)	\$ 121,753,138

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
REVENUE AND SUPPORT								
Revenue:								
Government Fees and Grants	\$ 22,943,063	\$ -	\$ -	\$ 6,000,000	\$ -	\$ -	\$ -	\$ 28,943,063
Program Service Fees	10,798,485	-	-	10,201	-	-	(10,201)	10,798,485
Other Revenues	590,589	-	6,372,634	-	-	-	(6,204,000)	759,223
Total Revenue	34,332,137	-	6,372,634	6,010,201	-	-	(6,214,201)	40,500,771
Support:								
Contributions and Private Grants, Net	22,545,069	-	-	-	-	-	-	22,545,069
United Way	930,000	-	-	-	-	-	-	930,000
Total Support	23,475,069	-	-	-	-	-	-	23,475,069
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-
Total Revenue and Support	57,807,206	-	6,372,634	6,010,201	-	-	(6,214,201)	63,975,840
EXPENSES								
Employee Compensation:								
Salaries	25,707,685	-	-	-	-	-	-	25,707,685
Employee Benefits	4,690,527	-	-	-	-	-	-	4,690,527
Payroll Taxes	1,779,166	-	-	-	-	-	-	1,779,166
Total Employee Compensation	32,177,378	-	-	-	-	-	-	32,177,378
Other Expenses:								
Employee Related	491,553	-	-	-	-	-	-	491,553
Professional Services	1,968,566	-	969	40,829	138	45,742	-	2,056,244
Outside Services	526,029	-	-	-	-	-	-	526,029
Travel and Entertainment	32,166	-	-	-	-	-	-	32,166
Occupancy	4,794,631	-	-	836	-	-	(10,201)	4,785,266
Office Expense	3,870,247	-	-	-	-	-	-	3,870,247
Program Expense	7,510,104	-	-	-	-	-	-	7,510,104
Interest	40,306	-	130,075	82,528	-	-	-	252,909
Miscellaneous	294,557	-	103	6,204,443	45	-	(6,204,000)	295,148
Total Other Expenses	19,528,159	-	131,147	6,328,636	183	45,742	(6,214,201)	19,819,666
Total Expenses Before Depreciation and Amortization	51,705,537	-	131,147	6,328,636	183	45,742	(6,214,201)	51,997,044
Depreciation and Amortization of Property, Plant, and Equipment	1,397,450	-	-	192,927	-	-	-	1,590,377
Total Expenses	53,102,987	-	131,147	6,521,563	183	45,742	(6,214,201)	53,587,421

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 4,704,219	\$ -	\$ 6,241,487	\$ (511,362)	\$ (183)	\$ (45,742)	\$ -	\$ 10,388,419
NONOPERATING ACTIVITY								
Net Pension Losses:								
Net Periodic Pension Benefit	(7,027)	-	-	-	-	-	-	(7,027)
Other Changes in Plan Assets and Benefit Obligations	1,578,171	-	-	-	-	-	-	1,578,171
Total Net Pension Losses	1,571,144	-	-	-	-	-	-	1,571,144
Changes in Split-Interest Agreements and Annuities	57,421	-	-	-	-	-	-	57,421
Gain on Fixed Assets	50	-	-	-	-	-	-	50
Investment Income <Loss>	3,638,747	-	-	-	-	-	-	3,638,747
Total Nonoperating Activity	5,267,362	-	-	-	-	-	-	5,267,362
CHANGE IN NET ASSETS	9,971,581	-	6,241,487	(511,362)	(183)	(45,742)	-	15,655,781
Net Assets - Beginning of Year	78,188,619	42,697	3,518,066	1,268,692	99	-	(100)	83,018,073
NET ASSETS - END OF YEAR	<u>\$ 88,160,200</u>	<u>\$ 42,697</u>	<u>\$ 9,759,553</u>	<u>\$ 757,330</u>	<u>\$ (84)</u>	<u>\$ (45,742)</u>	<u>\$ (100)</u>	<u>\$ 98,673,854</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
REVENUE AND SUPPORT								
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	29,859,816	-	3,584,247	1,268,823	(1)	-	(4,758,823)	29,954,062
Support:								
Contributions and Private Grants, Net	33,999,402	-	-	-	-	-	-	33,999,402
United Way	1,712,898	-	-	-	-	-	-	1,712,898
Total Support	35,712,300	-	-	-	-	-	-	35,712,300
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-
Total Revenue and Support	65,572,116	-	3,584,247	1,268,823	(1)	-	(4,758,823)	65,666,362
EXPENSES								
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	29,363,908	-	-	-	-	-	-	29,363,908
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	21,458,985	-	66,181	131	-	-	(4,758,823)	16,766,474
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	52,358,115	-	66,181	131	-	-	(4,758,823)	47,665,604

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CCSPM	CCSPM-1 LLC	DDC Cap Corp	DD Shelter LLC	Dorothy Day LLC	Dorothy Day Condo	Eliminating Entries	Total
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 13,214,001	\$ -	\$ 3,518,066	\$ 1,268,692	\$ (1)	\$ -	\$ -	\$ 18,000,758
NONOPERATING ACTIVITY								
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 Income (Loss)	(555,059)	-	-	-	-	-	-	(555,059)
Total Nonoperating Activity	(3,205,383)	-	-	-	-	-	-	(3,205,383)
CHANGE IN NET ASSETS	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
NET ASSETS - END OF YEAR	<u>\$ 78,188,619</u>	<u>\$ 42,697</u>	<u>\$ 3,518,066</u>	<u>\$ 1,268,692</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ (100)</u>	<u>\$ 83,018,073</u>

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED SCHEDULE OF PROGRAM EXPENSES
YEAR ENDED JUNE 30, 2017**

(UNAUDITED)

(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Housing Stability Services	Children and Family Services	Aging and Disabilities Services	Client Support Services	New American Services	Social Justice Advocacy	Total
EMPLOYEE COMPENSATION							
Salaries	\$ 8,592,611	\$ 7,031,733	\$ 3,238,060	\$ 2,170,877	\$ 264,242	\$ 445,785	\$ 21,743,308
Employee Benefits	1,626,650	1,311,925	614,400	397,684	49,650	76,205	4,076,514
Payroll Taxes	617,005	497,627	233,048	150,845	18,833	28,906	1,546,264
Total Employee Compensation	<u>10,836,266</u>	<u>8,841,285</u>	<u>4,085,508</u>	<u>2,719,406</u>	<u>332,725</u>	<u>550,896</u>	<u>27,366,086</u>
OTHER EXPENSES							
Employee Related	118,684	73,962	53,340	14,549	23,215	11,856	295,606
Professional Services	258,311	204,384	37,055	655,053	12,387	97,037	1,264,227
Outside Services	525,229	(700)	-	-	-	-	524,529
Travel and Entertainment	10,947	3,325	271	1,941	32	240	16,756
Occupancy	3,527,604	547,555	39,143	84,848	20,164	45,069	4,264,383
Office Expense	1,487,973	868,387	311,832	571,159	28,315	29,860	3,297,526
Program Expense	4,139,661	535,561	24,115	2,423,296	308,185	5,453	7,436,271
Interest	244,661	6,229	68	753	32	-	251,743
Miscellaneous	130,368	47,525	-	8,277	-	-	186,170
Total Other Expenses	<u>10,443,438</u>	<u>2,286,228</u>	<u>465,824</u>	<u>3,759,876</u>	<u>392,330</u>	<u>189,515</u>	<u>17,537,211</u>
Total Expenses Before Depreciation and Amortization	21,279,704	11,127,513	4,551,332	6,479,282	725,055	740,411	44,903,297
Depreciation and Amortization of Property, Plant, and Equipment	<u>985,601</u>	<u>270,272</u>	<u>17,464</u>	<u>32,443</u>	<u>8,261</u>	<u>2,574</u>	<u>1,316,615</u>
Total Program Expenses	<u>\$ 22,265,305</u>	<u>\$ 11,397,785</u>	<u>\$ 4,568,796</u>	<u>\$ 6,511,725</u>	<u>\$ 733,316</u>	<u>\$ 742,985</u>	<u>\$ 46,219,912</u>

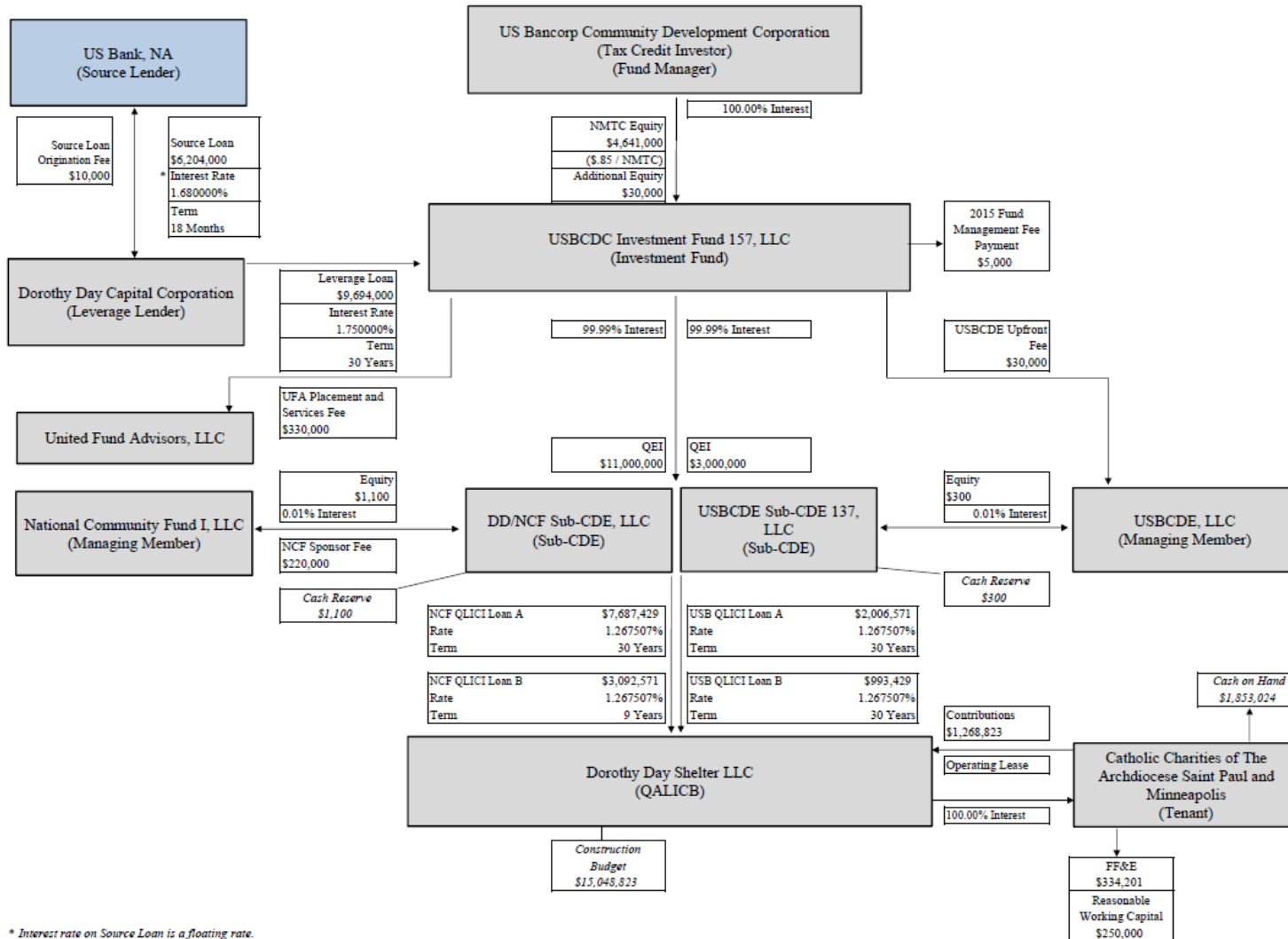
**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
CONSOLIDATED SCHEDULE OF PROGRAM EXPENSES
YEAR ENDED JUNE 30, 2016**

(UNAUDITED)

(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

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

**CATHOLIC CHARITIES OF THE ARCHDIOCESE
OF ST. PAUL AND MINNEAPOLIS
NEW MARKET TAX CREDIT TRANSACTION DIAGRAM
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**



* Interest rate on Source Loan is a floating rate.