Catholic Charities of the Archdiocese of Chicago

Combined Financial Statements as of and
for the Years Ended June 30, 2018 and 2017,
Supplementary Information as of and for the
Year Ended June 30, 2018, and
Independent Auditors' Report

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

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Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

His Eminence Cardinal Blase J. Cupich
Archbishop of Chicago

The Board of Directors of
Catholic Charities of the Archdiocese of Chicago:

We have audited the accompanying combined financial statements of Catholic Charities of the Archdiocese of Chicago ("Catholic Charities"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Catholic Charities as of June 30, 2018 and 2017, and the combined changes in their net assets and their combined cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 17 to the combined financial statements, Catholic Charities changed their presentation of certain items in the 2018 Statement of Activities and updated the 2017 Statement of Activities to conform to the 2018 presentation.

Report on Supplementary Information

Our 2018 audit was conducted for the purpose of forming an opinion on the 2018 combined financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of combined financial statements. This supplementary information is the responsibility of Catholic Charities' management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2018 combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the 2018 combined 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 December 14, 2018, on our consideration of Catholic Charities' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Catholic Charities' internal control over financial reporting and compliance.

Deloitte & Touche LLP

December 14, 2018

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 21,350,888	$ 24,755,720
Program receivables—net of allowance for doubtful accounts—$646,813 and $546,896 in 2018 and 2017, respectively	25,050,133	29,569,573
Legacies and pledges receivable—net	1,108,403	2,737,175
United Way receivable	1,396,082	2,704,918
Prepaid and other assets	1,669,440	2,003,331
Due from affiliates—net	1,507,758	879,392
Total current assets	52,082,704	62,650,109
INVESTMENTS	95,546,245	82,679,298
INVESTMENT IN AFFILIATES	632,210	632,210
LOANS RECEIVABLE	5,434,850	5,434,850
LONG-TERM LEGACIES AND PLEDGES RECEIVABLE—Net	334,359	635,850
SPLIT-INTEREST TRUST AGREEMENTS	834,942	753,848
ASSETS WHOSE USE IS LIMITED	11,481,272	10,612,446
LAND, BUILDINGS, AND EQUIPMENT—Net	177,648,471	180,388,984
TOTAL ASSETS	$ 343,995,053	$ 343,787,595

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued compensation	$ 12,225,275	$ 10,625,605
Interest payable	102,137	89,735
Due to governmental agencies	4,664,719	6,596,781
Current portion of deferred revenue and other liabilities	1,111,148	1,043,123
Current portion of gift annuities payable	261,484	251,547
Current portion of postretirement benefits liability	1,437,208	1,412,301
Current portion of long-term debt	377,616	360,226
Total current liabilities	20,179,587	20,379,318
DEFERRED REVENUE	-	421,529
SECURITY DEPOSITS	701,992	694,472
GIFT ANNUITIES PAYABLE	1,482,534	1,209,381
OTHER LIABILITIES	722,749	847,739
PENSION LIABILITY	60,256,413	91,547,066
POSTRETIREMENT BENEFITS LIABILITY	20,515,008	21,637,582
REFUNDABLE GRANT ADVANCES	154,394,908	154,894,908
LONG-TERM DEBT—Net	20,023,511	20,833,172
Total liabilities	278,276,702	312,465,167
NET ASSETS (DEFICIT):		
Unrestricted:		
Undesignated	(22,001,993)	(48,737,444)
Designated by the Board for endowment	65,167,127	51,984,026
Temporarily restricted	15,214,262	20,906,282
Permanently restricted	7,338,955	7,169,564
Total net assets	65,718,351	31,322,428
TOTAL LIABILITIES AND NET ASSETS	$ 343,995,053	$ 343,787,595

See notes to combined financial statements. (Concluded)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	$ 143,210,470	$ -	$ -	$ 143,210,470
Program service fees	20,069,787	-	-	20,069,787
Program-related contributions	2,434,638	1,897,856	-	4,332,494
Program-related in-kind donations	1,265,520	-	-	1,265,520
United Way pledges	320,310	-	-	320,310
Net assets released from restrictions	3,235,088	(3,235,088)	-	-
Total revenue	170,535,813	(1,337,232)	-	169,198,581
EXPENSES:				
Education and training	10,014,421			10,014,421
Nutrition	56,729,557	-	-	56,729,557
Basic human needs	10,863,795	-	-	10,863,795
Housing	32,998,797	-	-	32,998,797
Counseling and case management	36,049,203	-	-	36,049,203
Senior care	27,335,826	-	-	27,335,826
Management and general	15,494,159	-	-	15,494,159
Fundraising	2,346,719	-	-	2,346,719
Total expenses	191,832,477	-	-	191,832,477
LOSS FROM PROGRAM OPERATIONS	(21,296,664)	(1,337,232)	-	(22,633,896)
SUPPORT:				
Contributions	6,234,045	2,106,331	88,297	8,428,673
Special events—net of special event expenses—$1,850,526	4,748,867	-	-	4,748,867
In-kind donations	150,000	-	-	150,000
Bequests	4,683,287	2,385,974	-	7,069,261
Net assets released from restrictions	8,739,633	(8,739,633)	-	-
Total support	24,555,832	(4,247,328)	88,297	20,396,801
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,816,021	38,235	-	1,854,256
Net realized gain (loss) on investments	290,102	(44,832)	-	245,270
Net unrealized gain (loss) on investments	3,567,743	(11,397)	-	3,556,346
Net assets released from restrictions	89,466	(89,466)	-	-
Change in fair value of split-interest trusts	-	-	81,094	81,094
Loss on disposal of land, building and equipment	(10,061)	-	-	(10,061)
Other revenue	1,032,332	-	-	1,032,332
Total other revenue (expense)	6,785,603	(107,460)	81,094	6,759,237
INCREASE (DECREASE) IN NET ASSETS BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	10,044,771	(5,692,020)	169,391	4,522,142
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	29,873,781	-	-	29,873,781
INCREASE (DECREASE) IN NET ASSETS	39,918,552	(5,692,020)	169,391	34,395,923
NET ASSETS—Beginning of year	3,246,582	20,906,282	7,169,564	31,322,428
NET ASSETS—End of year	$ 43,165,134	$ 15,214,262	$ 7,338,955	$ 65,718,351

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	$ 147,748,068	$ -	$ -	$ 147,748,068
Program service fees	20,145,675	-	-	20,145,675
Program-related contributions	3,240,717	1,622,587	-	4,863,304
Program-related in-kind donations	1,541,394	-	-	1,541,394
United Way pledges	335,179	2,674,081	-	3,009,260
Net assets released from restrictions	3,734,711	(3,734,711)	-	-
Total revenue	176,745,744	561,957	-	177,307,701
EXPENSES:				
Education and training	10,663,086	-	-	10,663,086
Nutrition	58,970,844	-	-	58,970,844
Basic human needs	12,058,687	-	-	12,058,687
Housing	34,978,267	-	-	34,978,267
Counseling and case management	39,375,293	-	-	39,375,293
Senior care	28,659,506	-	-	28,659,506
Management and general	16,154,020	-	-	16,154,020
Fundraising	2,278,387	-	-	2,278,387
Total expenses	203,138,090	-	-	203,138,090
(LOSS) GAIN FROM PROGRAM OPERATIONS	(26,392,346)	561,957	-	(25,830,389)
SUPPORT:				
Contributions	5,718,678	2,468,363	20,550	8,207,591
Special events—net of special event expenses—$1,866,331	4,698,777	-	-	4,698,777
In-kind donations	1,290,000	-	-	1,290,000
Bequests	4,343,188	789,395	-	5,132,583
Net assets released from restrictions	333,524	(333,524)	-	-
Total support	16,384,167	2,924,234	20,550	19,328,951
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,669,174	20,196	-	1,689,370
Net realized gain (loss) on investments	1,156,778	(1,400)	-	1,155,378
Net unrealized gain (loss) on investments	4,585,389	(87,725)	-	4,497,664
Net assets released from restrictions	83,340	(83,340)	-	-
Change in fair value of split-interest trusts	-	-	(129,781)	(129,781)
Loss on disposal of land, building and equipment—net	(1,321,159)	-	-	(1,321,159)
Other revenue	189,656	-	-	189,656
Total other revenue (expense)	6,363,178	(152,269)	(129,781)	6,081,128
(DECREASE) INCREASE IN NET ASSETS (DEFICIT) BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(3,645,001)	3,333,922	(109,231)	(420,310)
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	40,919,698	-	-	40,919,698
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	37,274,697	3,333,922	(109,231)	40,499,388
NET ASSETS (DEFICIT)—Beginning of year	(34,028,115)	17,572,360	7,278,795	(9,176,960)
NET ASSETS—End of year	$ 3,246,582	$ 20,906,282	$ 7,169,564	$ 31,322,428

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018									
	Programs						Supporting Services			
	Education & Training	Nutrition	Basic Human Needs	Housing	Counseling & Case Management	Senior Care	Management and General	Fund-Raising	Total	2017 Total
EXPENSES:										
Salaries	$ 5,826,365	$ 10,335,105	$ 4,280,508	$ 7,268,978	$ 20,622,978	$ 17,326,145	$ 8,434,604	$ 1,242,210	$ 75,336,893	$ 74,982,973
Employee benefits and payroll taxes	2,147,324	3,044,156	1,398,168	2,394,330	7,112,624	4,139,872	3,163,012	376,565	23,776,051	33,734,363
Total salaries and related expenses	7,973,689	13,379,261	5,678,676	9,663,308	27,735,602	21,466,017	11,597,616	1,618,775	99,112,944	108,717,336
Food purchases	11,886	30,186,212	32,092	38,823	13,050	635,795	-	-	30,917,858	32,035,472
Specific assistance to individuals	123,649	16,780	1,124,829	9,422,719	1,574,414	60,681		-	12,323,072	14,397,684
Occupancy	633,312	5,208,223	635,449	3,610,776	1,710,552	275,709	1,050,817	135,690	13,260,528	12,702,072
Supplies	164,852	877,078	169,313	1,266,183	1,154,386	1,340,295	811,389	83,291	5,866,787	4,923,757
Professional fees and contract service payments	408,978	4,959,550	1,328,206	3,700,672	1,822,521	1,850,922	1,143,549	390,146	15,604,544	16,015,958
Telephone	101,937	377,187	139,774	357,727	505,596	159,251	224,588	78,589	1,944,649	1,867,596
Outside printing	10,236	43,400	20,649	36,750	103,602	31,079	89,376	272,210	607,302	470,755
Local transportation	25,110	575,943	248,093	169,810	453,399	138,572	90,376	14,966	1,716,269	1,774,416
Conferences, conventions, and meetings	15,962	84,085	35,102	71,265	103,777	44,837	286,810	1,471,972	2,113,810	1,919,414
Membership dues and subscriptions	3,730	6,545	4,179	37,185	47,951	39,127	140,215	8,396	287,328	215,227
Awards and grants	1,462	13,119	4,575	11,065	21,778	700	4,611		57,310	69,950
Interest and financing costs	22,150	73,304	5,963	601,476	19,788	62,275	-	-	784,956	695,373
Payments to affiliates	150	853	163	495	541	410	-	-	2,612	4,400
Distribution of in-kind gifts		-	1,265,520	-		-	-	-	1,265,520	1,541,394
Miscellaneous	58,251	327,032	64,976	291,584	316,697	248,934	102	123,210	1,430,786	1,383,984
Total expenses before depreciation	9,555,354	56,128,572	10,757,559	29,279,838	35,583,654	26,354,604	15,439,449	4,197,245	187,296,275	198,734,788
Depreciation	459,067	600,985	106,236	3,718,959	465,549	981,222	54,710	-	6,386,728	6,269,633
Total functional expenses	10,014,421	56,729,557	10,863,795	32,998,797	36,049,203	27,335,826	15,494,159	4,197,245	193,683,003	205,004,421
Less expenses related to special events	-	-	-	-	-	-	-	(1,850,526)	(1,850,526)	(1,866,331)
TOTAL EXPENSES	$ 10,014,421	$ 56,729,557	$ 10,863,795	$ 32,998,797	$ 36,049,203	$ 27,335,826	$ 15,494,159	$ 2,346,719	$ 191,832,477	$ 203,138,090

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	2017								
	Programs						Supporting Services		
	Education & Training	Nutrition	Basic Human Needs	Housing	Counseling & Case Management	Senior Care	Management and General	Fund-Raising	Total
EXPENSES:									
Salaries	$ 5,846,914	$ 9,807,217	$ 4,390,004	$ 7,374,668	$ 21,050,049	$ 16,729,878	$ 8,672,167	$ 1,112,076	$ 74,982,973
Employee benefits and payroll taxes	2,804,494	4,977,838	2,039,528	3,673,604	10,113,067	5,757,210	3,911,047	457,575	33,734,363
Total salaries and related expenses	8,651,408	14,785,055	6,429,532	11,048,272	31,163,116	22,487,088	12,583,214	1,569,651	108,717,336
Food purchases	1,112	31,316,806	14,967	41,579	8,418	652,590	-	-	32,035,472
Specific assistance to individuals	115,726	22,407	1,589,840	10,508,330	2,127,678	33,703	-	-	14,397,684
Occupancy	562,222	4,852,533	586,621	3,492,261	1,539,226	238,818	1,279,250	151,141	12,702,072
Supplies	132,635	1,263,389	156,070	937,540	913,940	919,251	519,855	81,077	4,923,757
Professional fees and contract service payments	490,503	4,890,178	1,112,069	3,602,249	1,704,089	2,599,091	1,077,848	539,931	16,015,958
Telephone	111,637	360,204	126,518	341,650	485,986	162,076	222,092	57,433	1,867,596
Outside printing	8,394	33,280	19,783	31,953	85,639	19,525	70,854	201,327	470,755
Local transportation	21,649	524,567	276,836	182,348	475,725	205,449	65,148	22,694	1,774,416
Conferences, conventions, and meetings	15,944	79,633	24,067	82,364	110,103	36,062	148,454	1,422,787	1,919,414
Membership dues and subscriptions	7,213	4,162	3,038	26,756	43,674	23,103	98,513	8,768	215,227
Awards and grants	1,282	17,186	4,968	12,490	20,609	-	13,415	-	69,950
Interest and financing costs	29,459	41,781	6,744	545,651	22,022	49,716	-	-	695,373
Payments to affiliates	253	1,405	287	834	938	683	-	-	4,400
Distribution of in-kind gifts	-	-	1,541,394	-	-	-	-	-	1,541,394
Miscellaneous	49,484	275,576	65,213	349,558	296,512	262,847	30	84,764	1,383,984
Total expenses before depreciation	10,198,921	58,468,162	11,957,947	31,203,835	38,997,675	27,690,002	16,078,673	4,139,573	198,734,788
Depreciation	464,165	502,682	100,740	3,774,432	377,618	969,504	75,347	5,145	6,269,633
Total functional expenses	10,663,086	58,970,844	12,058,687	34,978,267	39,375,293	28,659,506	16,154,020	4,144,718	205,004,421
Less expenses related to special events	-	-	-	-	-	-	-	(1,866,331)	(1,866,331)
TOTAL EXPENSES	$ 10,663,086	$ 58,970,844	$ 12,058,687	$ 34,978,267	$ 39,375,293	$ 28,659,506	$ 16,154,020	$ 2,278,387	$ 203,138,090

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 34,395,923	$ 40,499,388
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Retirement benefit changes other than net periodic cost	(29,873,781)	(40,919,698)
Bad debt expense	816,541	723,503
Loss on disposal of land, building and equipment	10,061	1,321,159
Depreciation	6,386,728	6,269,633
Forgiveness of refundable grant advance	(921,529)	-
Amortization of debt issuance costs	5,111	5,111
Net realized gain on investments	(245,270)	(1,155,378)
Net unrealized gain on investments	(3,556,346)	(4,497,664)
Loss on interest rate swap agreements	107,575	
Change in fair value of split-interest trusts	(81,094)	129,781
Gain in charitable gift annuities	(123,935)	(678,048)
Amortization of discount on note payable	73,684	77,053
Contributions restricted for permanent endowment	(88,297)	(20,550)
Contributed investments	(5,132,640)	(890,824)
Fair value of donated fixed assets	(150,000)	(1,290,000)
Changes in operating accounts:		
Receivables	7,349,448	(6,184,745)
Prepaid and other assets	333,891	(500,465)
Long-term receivable	301,491	243,551
Due from affiliates	(1,337,307)	116,766
Accounts payable and accrued compensation	1,360,648	(234,146)
Interest payable	12,402	4,054
Other liabilities	(2,514,539)	6,854,546
Due to governmental agencies	(1,932,062)	4,245,867
Deferred revenue and other liabilities	(118,011)	(517,535)
Security deposits	7,520	(24,589)
Gift annuities payable	407,025	69,375
Net cash provided by operating activities	5,493,237	3,646,145

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Land, buildings, and equipment purchased or constructed	$ (2,978,075)	$ (2,111,915)
Purchases of investments	(51,092,029)	(19,601,788)
Proceeds from sale of investments	47,159,339	21,041,506
Proceeds from sale of fixed assets		2,799
Change in assets whose use is limited	(868,826)	(440,757)
Net cash used in investing activities	(7,779,591)	(1,110,155)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(871,066)	(434,633)
Repayments of capital lease obligations	(335,709)	(287,578)
Contributions restricted for permanent endowment	88,297	20,550
Net cash used in financing activities	(1,118,478)	(701,661)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,404,832)	1,834,329
CASH AND CASH EQUIVALENTS—Beginning of year	24,755,720	22,921,391
CASH AND CASH EQUIVALENTS—End of year	$ 21,350,888	$ 24,755,720
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 772,554	$ 691,320
Contributed investments	$ 5,132,640	$ 890,824
Accounts payable for fixed asset additions	$ 538,575	$ 299,553
Fair value of donated assets	$ 150,000	$ 1,290,000
Fixed assets acquired with capital lease obligations	$ 289,179	$ 932,950

See notes to combined financial statements. (Concluded)

1. NATURE OF OPERATIONS

Catholic Charities of the Archdiocese of Chicago ("Catholic Charities") provides assistance to people in need through six primary activities. Education and Training provides child development services, after school enrichment and addresses unemployment. Nutrition provides food and nutritional assistance to supplement the monthly food expenses of low income families. Basic Human Needs includes emergency shelter, food, clothing and transportation. Counseling and case management provides counseling services to families and individuals, removes barriers to living in a safe environment and seeks to maximize self-sufficiency and well being. Housing assists low income individuals or families with obtaining safe, permanent and affordable housing. Senior Care provides in-home or personal care, day care and skilled nursing facilities.

The combined financial statements include 21 senior housing facilities whose funding is provided primarily by the U.S. Department of Housing and Urban Development (HUD). These housing facilities include Roseland Manor, Hayes Manor, Matthew Manor, Tolton Manor, Frances Manor, Lawrence Manor, Bernardin Manor, St. Ailbe Faith Apartments, St. Sabina Elders Village, St. Ailbe Hope Apartments, Ozanam Village Apartments, St. Ailbe Love Apartments, St. Peter Claver Courts, St. Brendan Apartments, Bishop Goedert Residence, St. Vincent De Paul Residence, Donald W. Kent Residence, Pope John Paul II Residence, St. Francis of Assisi Residence, All Saints Residence and Porta Coeli Residence (collectively, the "Residences"). The combined financial statements also include six other legal tax-exempt entities: Options for Housing, Inc.; Holy Family Villa; Cooke's Manor LLC; Catholic Charities Housing Development Corporation (CCHDC); House of the Good Shepherd of Chicago ("House of the Good Shepherd"); and The Peace Corner, Incorporated ("Peace Corner"). In addition, included in the combined financial statements are two legal for profit entities: Veterans Independent Painting L3C and Crisp!Mobile Grocery L3C. All of the aforementioned organizations are operated under the auspices of Catholic Charities, whose sole member is the Catholic Bishop of Chicago, an Illinois corporation sole.

The financial information for Misericordia Home, Mission of Our Lady of Mercy, and Maryville Academy is combined with Catholic Charities and reported as "Charitable Activities" within the consolidated financial statements of the Archdiocese of Chicago. However, this information is not included within the combined financial statements of Catholic Charities herein.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination—The accompanying combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These combined financial statements reflect only the operations of the organizations that are noted above. These combined financial statements do not reflect the operations of other agencies and organizations that also are a part of the Archdiocese of Chicago, a corporation sole. All interagency transactions and balances have been eliminated in the combined financial statements.

Use of Estimates—The preparation of combined financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Catholic Charities considers all cash maintained on premises or at financial institutions for day-to-day operations as operating cash. Cash equivalents are defined as all liquid investments with purchased maturities of three months or less and stated at cost, which approximates fair value. Cash equivalents represent money market bank accounts and mutual funds available to be liquidated on a daily basis and used for operating purposes. Investments in mutual funds are categorized in Level 1 of the fair value hierarchy. Balances on bank and money market deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Management does not expect losses on these balances to occur.

Investments—Investments in short-term investments, equity securities, fixed income securities, mutual funds, and alternative investments are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

Split-Interest Trust Agreements—Catholic Charities is an income beneficiary of certain irrevocable trusts held by third parties. Catholic Charities has the irrevocable right to receive the income earned on the trust assets in perpetuity. Catholic Charities records an asset equal to the fair value of its beneficial interest in these trusts.

Assets Whose Use is Limited—Assets not available for operations include cash and cash equivalents set aside in accordance with the requirements of various governmental agencies and are stated at cost which approximates fair value.

Land, Buildings, and Equipment—Land, buildings, and equipment are stated at cost. Major renewals and improvements are charged to the property accounts, while replacement, maintenance, and repairs that do not improve or extend the life of the respective assets are charged directly to expense.

Depreciation is computed using the straight-line, half-year method based upon the following lives:

Land and building improvements	10–20 years
Buildings	30–60 years
Equipment, furniture, and fixtures	3–10 years

Title to certain properties of Catholic Charities rests with the Catholic Bishop of Chicago.

Gifts of long-lived assets, such as land, buildings, or equipment, recorded at fair value at the date of donation, are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Due to Governmental Agencies—Due to governmental agencies represents unexpended government funding received in advance for various programs, including the Women, Infants, and Children (WIC) program. These advances are offset by WIC inventory on hand at year-end, which primarily represents food at WIC food centers. WIC inventory was $10,856,829 and $13,086,124 as of June 30, 2018 and 2017, respectively.

Deferred Revenue—Special event-related contributions received in advance are deferred to the period of the event at which time they are earned.

Classification of Net Assets—Resources are classified into three classifications of net assets according to externally (donor) imposed restrictions:

Unrestricted—Net assets which are expendable for any purpose in performing the primary objectives of the organization. Included in unrestricted net assets are board-designated funds for endowment purposes. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Temporarily Restricted—Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Included in temporarily restricted net assets are United Way pledges, bequests, and other contributions that have been classified as temporarily restricted. Temporarily restricted net assets as of June 30, 2018 and 2017, are restricted for the following purposes:

	2018	**2017**
Purchase of land, building, and equipment	$ 3,134,005	$ 7,030,718
Program operations and support	9,988,601	11,676,449
Time-restricted contributions	1,009,095	1,049,261
Program-restricted contributions from donor-restricted endowment funds	1,082,561	1,149,854
Total temporarily restricted net assets	$ 15,214,262	$ 20,906,282

Permanently Restricted—Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. Included in permanently restricted net assets are contributions that have been classified as permanently restricted. Permanently restricted net assets as of June 30, 2018 and 2017, are for the following purposes:

	2018	2017
Donor-restricted endowment funds primarily for program operations	$ 6,504,013	$ 6,415,716
Split-interest trust agreements	834,942	753,848
Total permanently restricted net assets	$ 7,338,955	$ 7,169,564

Refundable Grant Advances—Development and construction have been substantially funded under non-interest-bearing mortgage agreements with HUD for the Residences. The Residences are not required to make principal or interest payments on the mortgage notes, provided they maintain housing in accordance with the Capital Advance Program Use and Regulatory Agreements, as issued by HUD. If all requirements continue to be met, the grant advances will be considered earned in not less than 40 years or an earlier date if approved by HUD. The refundable grant advances are collateralized by the Residences' property and equipment associated with the advance.

Interest Rate Swaps—Catholic Charities cash flows are affected by changes in interest rate due to the impact that those changes have on interest expense from floating rate debt instruments. To reduce the exposure, Catholic Charities has entered into an interest rate swap agreement and designated this as a hedge of cash flows on certain variable debt. Changes in the fair value of the derivative instrument as included in other revenue.

Gift Annuities Payable—Gift annuities payable result from funds granted to Catholic Charities by individuals in return for annuities payable to those individuals during their lifetime. Annuities payable are actuarially determined using the discount rate at the time of the annuity agreement and are based upon the annuitant's age and life expectancy. Assets received under these arrangements are recorded as investments in the combined statements of financial position. The excess of the funds granted to Catholic Charities over the calculated annuity payable is recorded as a contribution in the year of the grant.

Contributions—Unconditional promises to give cash and other assets to Catholic Charities are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the contribution is received. The contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. In the absence of donor stipulations, Catholic Charities classifies the contribution as unrestricted.

Revenue Recognition—The majority of funding for Catholic Charities' operations is provided by governmental agencies. Catholic Charities recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that they are received. Grant revenue is recognized when the related grant expenditure has been incurred.

United Way Funding—Catholic Charities recognizes United Way contributions when funding is confirmed by United Way.

Management and General Expenses—Management and general expenses represent the expenses incurred to provide overall management and direction to all entities.

Acquisitions—The identifiable assets and liabilities of an acquisition of a business or nonprofit activity are recorded at fair value. If the fair value of the net assets acquired is greater than the consideration transferred at the date of acquisition, an inherent contribution is recognized as a separate credit in the combined statement of activities and changes in net assets.

Tax Status—The agencies that comprise Catholic Charities are tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code with the exception of Veterans Independent Painting L3C and Crisp!Mobile Grocery L3C which are social enterprise entities subject to corporate income taxes.

Accounting Standards Updates—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2015-14 deferred the effective date of ASU 2014-09. ASU 2014-09 is effective for Catholic Charities beginning on July 1, 2019. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. The guidance will be effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 reexamines existing standards for financial statement presentation by not-for-profit entities (NFP), focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this ASU include presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions. Additionally, an NFP shall continue to present on the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but is no longer required to present or disclose the indirect method (reconciliation) if using the direct method. Furthermore, an NFP shall enhance disclosures about governing board imposed restrictions and liquidity. ASU 2016-14 is effective for Catholic Charities beginning on July 1, 2018. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). This standard requires reporting the service cost component of net periodic pension in operating expenses, while all other components of net periodic pension costs are reported as part of non-operating revenues and expenses. The provisions of this standard are effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Catholic Charities is currently evaluating the impact adopting this standard will have on their combined financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. ASU 2018-08 is effective for Catholic Charities beginning on July 1, 2019. Catholic Charities has not yet determined the impact on its financial statements.

In August 2018, the FASB issues ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). This guidance eliminates, modifies, and adds certain disclosures on fair value measurements. ASU 2018-13 is effective for Catholic Charities beginning on July 1, 2020. Catholic Charities has not yet determined the impact on its financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation–Retirement Benefits–Defined Benefit Plans–General (Subtopic 715-20): Disclosure Framework–Changes to the Disclosure Requirements for Defined Benefit Plans*. This standard modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Catholic Charities adopted ASU No. 2018-14 in fiscal year 2018, and there was no material impact on disclosures for pensions.

3. INVESTMENTS

Catholic Charities' investments are overseen by the Investment Committee of the Board of Directors. The Investment Committee administers the investment of the endowment, restricted assets, and certain working capital, collectively, the "investment portfolio." These assets are managed by external investment managers and include various equity securities, fixed income securities, mutual funds, and alternative investments.

Catholic Charities has established a fund to meet future capital needs of its facilities. The fund is included in investments in the combined statements of financial position and is invested in domestic and international mutual funds and corporate and government-backed bonds with fair values of $18,627,561 and $18,298,403 at June 30, 2018 and 2017, respectively.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the investment amounts reported in the accompanying combined financial statements.

Fair value of investments as of June 30, 2018 and 2017, is as follows:

	2018	2017
Short-term investments	$ 277,890	$ 858,024
Equity securities	151,055	139,532
Mutual funds—equity strategy	23,075,578	21,667,622
Mutual funds—fixed-income strategy	29,328,198	9,868,628
Fixed income securities	2,078,138	18,516,218
Commingled fund	28,559,673	19,950,742
Subtotal	83,470,532	71,000,766
Alternative investments:		
Marketable alternative equity	4,637,690	5,015,324
Real estate	5,515,635	5,113,507
Private equity	1,922,388	1,549,701
Total alternative investments	12,075,713	11,678,532
Total	$ 95,546,245	$ 82,679,298

4. LAND, BUILDINGS, AND EQUIPMENT

Major classes of property and equipment as of June 30, 2018 and 2017, are as follows:

	2018	2017
Land and land improvements	$ 13,399,725	$ 13,399,725
Buildings and building improvements	228,445,202	224,777,662
Equipment, furniture, and fixtures	13,206,862	12,993,219
Capital lease equipment	1,047,673	1,102,093
Construction in progress	860,474	886,916
Total land, buildings, and equipment	256,959,936	253,159,615
Less accumulated depreciation	(79,311,465)	(72,770,631)
Land, buildings, and equipment—net	$ 177,648,471	$ 180,388,984

Catholic Charities recorded depreciation expense of $6,386,728 and $6,269,633 for the years ended June 30, 2018 and 2017, respectively.

5. LONG-TERM DEBT

Long-term debt as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
Illinois Finance Authority—revenue refunding bond: Series 2014, loan payable to Wintrust Bank, due January 1, 2028, variable interest rate adjusted monthly, weighted-average interest rate of 2.07% in 2018	$ 10,070,000	$ 10,070,000
St. Sabina note payable to City of Chicago, due in a lump sum on June 1, 2039; interest free	387,800	387,800
Porta Coeli note payable to City of Chicago, due in a lump sum on December 1, 2054; interest free	759,865	759,865
All Saints note payable to City of Chicago, due in a lump sum on December 2, 2052; interest free	892,678	892,678
Catholic Charities note payable to Illinois Facilities Fund, interest rate 4.30%, paid in full during fiscal year 2018	-	507,480
Catholic Charities note payable to Sisters of Saint Casimir, due in annual installments through December 1, 2034, interest free	3,400,000	3,600,000
Roseland Manor mortgage payable to HUD, due in monthly installments through 2032, interest rate 8.375%	2,249,671	2,333,435
Hayes Manor mortgage payable to HUD, due in monthly installments through 2033, interest rate 8.375%	2,412,382	2,489,805
Ozanam Village note payable to Illinois Housing Development Authority, due in equal monthly installments, with additional principal payments required based on residual receipts, interest free	259,326	260,526
Cooke's Manor LLC note payable to Illinois Housing Development Authority, due in equal monthly installments of $100, with remaining principal due May 1, 2021, interest free	735,400	736,600
Total, before deferred debt issuance costs, net and discount of interest free note payable, net	21,167,122	22,038,189
Less deferred debt issuance costs, net of accumulated amortization	(48,554)	(53,665)
Less discount of interest free note payable, net of accumulated amortization	(717,441)	(791,126)
Total, net before contractual portion and current portion of discount of interest free note payable	20,401,127	21,193,398
Less contractual current portion of long-term debt	(447,839)	(437,279)
Current portion of discount of interest free note payable	70,223	77,053
Total current portion of long-term debt less current portion of discount of interest free note payable	(377,616)	(360,226)
Total long-term debt, net	$ 20,023,511	$ 20,833,172

Future maturities of long-term debt as of June 30, 2018, are as follows:

Years Ending June 30	
2019	$ 377,616
2020	392,867
2021	409,445
2022	427,466
2023	447,056
Thereafter	19,112,672
Total	$ 21,167,122

Debt Covenants—Catholic Charities was in compliance with all financial debt covenants at June 30, 2018.

Deferred Debt Issuance Costs—Expenses related to the procurement and underwriting of the direct obligation notes and revenue bonds have been deferred and are being amortized over the life of the bonds. The deferred debt issuance costs are shown net of accumulated amortization of $20,586 and $15,475 at June 30, 2018 and 2017, respectively. Net deferred debt issuance costs are classified as a deduction from long-term debt on the combined statements of financial position.

Unsecured Lines of Credit—Catholic Charities maintains unsecured lines of credit with two banks for its working capital requirements. The lines of credit permit a maximum amount of $15,000,000 outstanding at one time, of which $0 was outstanding at June 30, 2018 and 2017.

For one of the lines of credit, the interest rate is either the reference rate as defined by the bank or the London InterBank Offered Rate (LIBOR). This line of credit matures July 5, 2019.

For the other line of credit, the interest rate is the prime rate for borrowings that are held for less than one month (the prime rate was 5% at June 30, 2018 and 4.25% at June 30, 2017). For borrowings that will be held for more than one month, the interest rate is LIBOR, plus 1.0% (the LIBOR was 2.76% at June 30, 2018 and 1.74% at June 30, 2017) or the bank offered rate. This line of credit has no formal maturity; however, borrowings are due on demand if the bank requests repayment or cancellation.

6. LEASES

Catholic Charities leases office space under conditional operating leases that generally contain rent escalation provisions. Rent expense under the leases is recognized based on straight-line amortization of total rent over the term of the lease. Rent expense of $5,726,640 and $5,781,229 was incurred for the years ended June 30, 2018 and 2017, respectively. Rent expense is included in Occupancy in the Combined Statement of Functional Expenses. Future minimum lease payments as of June 30, 2018, are as follows:

Years Ending June 30	
2019	$ 4,345,648
2020	1,970,296
2021	983,480
2022	250,840
2023	254,812
Thereafter	6,235,179
Total	$ 14,040,255

Catholic Charities leases certain equipment under capital leases. The total obligation at June 30, 2018 and 2017 was $707,330 and $750,767, respectively. The current portion of $342,339 and $412,486 is classified as current portion of deferred revenue and other liabilities as of June 30, 2018, and 2017, respectively. The long-term obligation of $364,991 and $338,281 is classified as other liabilities as of June 30, 2018 and 2017, respectively. The net book value of equipment leased under capital leases is $688,169 and $705,018 as of June 30, 2018 and 2017, respectively. Future lease payments as of June 30, 2018 are as follows:

Years Ending June 30	
2019	$ 442,159
2020	305,008
2021	113,778
2022	18,208
2023	1,244
Total	880,397
Less fees and interest	(173,067)
Capital lease obligation, net	$ 707,330

7. REFUNDABLE GRANT ADVANCES

Under the terms of the federally funded program, Catholic Charities received certain HUD Supportive Housing for the Elderly (Section 202) grant advances and Affordable Housing Project Loans.

On September 29, 2017, Cooke's Manor was notified that the refundable grant advance of $500,000 through Federal Home Loan Bank is no longer required to be repaid. This is included within Other Revenue in the Combined Statement of Activities for the year ended June 30, 2018.

Total advances as of June 30, 2018 and 2017, are as follows:

Project	Advance 2018	Advance 2017	End of Commitment
Matthew Manor	$ 4,015,901	$ 4,015,901	December 2035
Tolton Manor	5,514,800	5,514,800	July 2036
Frances Manor	4,822,997	4,822,997	April 2037
Lawrence Manor	8,215,354	8,215,354	October 2039
Bernardin Manor	13,990,100	13,990,100	June 2040
St. Ailbe Faith Apartments	6,836,400	6,836,400	July 2040
St. Sabina Elders Village	6,727,600	6,727,600	September 2040
St. Ailbe Hope Apartments	813,900	813,900	March 2041
Ozanam Village Apartments	5,151,900	5,151,900	May 2041
St. Ailbe Love Apartments	6,300,300	6,300,300	February 2042
St. Peter Claver Courts	7,748,942	7,748,942	March 2043
Bishop Goedert Residence	9,592,300	9,592,300	December 2044
St. Vincent De Paul Residence	10,891,000	10,891,000	November 2045
Donald W. Kent Residence	8,975,400	8,975,400	January 2046
Pope John Paul II Residence	2,253,000	2,253,000	September 2046
Roseland Manor	912,093	912,093	March 2047
St. Francis of Assisi Residence	11,319,300	11,319,300	November 2047
Hayes Manor	631,227	631,227	June 2048
St. Brendan Apartments	8,827,641	8,827,641	July 2060
All Saints Residence	7,017,100	7,017,100	November 2052
Porta Coeli Residence	14,355,768	14,355,768	November 2054
Total HUD grant advances	144,913,023	144,913,023	
Affordable housing project loans	9,481,885	9,981,885	Various through 2060
Total refundable grant advances	$154,394,908	$154,894,908	

8. RETIREMENT BENEFITS

Pension Benefits—Eligible employees of Catholic Charities and Holy Family Villa participate in a noncontributory pension plan administered by the Benefits Committee, a committee of the Board of Directors of Catholic Charities, the plan's sponsor, which covers substantially all lay employees.

The plan provides annual retirement benefits (over and above normal social security benefits) equal to 1.125% of average earnings within the last five years of service multiplied by the number of years of full-time service up to 15 years, plus 1.5% of average earnings, as defined above, multiplied by the number of years of service in excess of 15 years. Plan assets consist primarily of equity securities, mutual funds, commingled funds, fixed income securities, and alternative investments.

As of June 30, 2018, the assumptions used reflect mortality projections for the measurement of the pension benefits that reflect longevity improvements of plan participants, resulting in an increase to future pension expense and to the benefit obligation. In addition, the discount rate used reflects current market conditions.

Effective July 1, 2016, the plan was amended and no employees hired after June 30, 2016 will be eligible to participate in the plan. Effective May 2, 2017, the plan was additionally amended to remove the lump sum death benefit. This change resulted in a reduction of the pension obligation by $1,285,906 as of June 30, 2017.

Effective July 1, 2019, employees with less than 20 years of credited service in the pension plan will not accrue any additional benefits after that date. Employees with more than 20 years of credited service will continue to accrue benefits under the pension plan. This amendment triggered a pension curtailment which required a re-measurement of the plan's obligation as of October 31, 2017. The re-measurement resulted in a decrease in the obligation by $7,275,560 primarily due to the impact of the curtailment as of June 30, 2018. In addition, effective July 1, 2018, the plan was amended so that participants who are re-hired will no longer be eligible to continue to participate in the plan. The impact of this amendment on the pension obligation has not yet been determined.

Postretirement Benefits—Catholic Charities offers certain medical and dental benefits for retired employees. Catholic Charities amended this policy as of February 1, 2002. A cap was placed on the net employer contribution to the cost of medical coverage for employees retiring on or after July 1, 2002. The cap is equal to $500 per month for retirees with single coverage and $700 per month for retirees with family coverage. The amended policy stated that all new employees hired after July 1, 2002, would not be offered postretirement medical and dental benefits and employees must maintain coverage in the active employee medical plan to be eligible for medical coverage during retirement. Employees hired before July 1, 2002, had a choice of continuing their eligibility for postretirement medical and dental benefits or electing to participate in an employer sponsored 403(b) plan (see Retirement Savings Plan below) and permanently forgo any eligibility for future postretirement medical and dental benefits. Effective April 1, 2009, the plan was amended to remove the requirement that employees maintain continuous coverage in the active employee medical plan and replaced with elect medical coverage in the final year of employment. Effective January 1, 2017, the plan was amended to revise the cap to $400 per month for retirees with single coverage and $600 per month for retirees with family coverage.

The postretirement benefit liability of $21,952,216 and $23,049,883 at June 30, 2018 and 2017, respectively, includes an unrecognized prior-service gain of $7,927,390 and $8,916,026, respectively, due to the plan changes on January 1, 2017 and April 2, 2009. The plan changes reduced the monthly caps and modified the requirement that continuous coverage in the active employee medical plan is necessary to qualify for medical benefits in retirement.

For the years ended June 30, 2018 and 2017, plan measures of the benefit obligation and net periodic postretirement benefit cost are actuarially equivalent and include Medicare Part D subsidies. However, future obligations have not been reduced for anticipated subsidy collections because the amount is difficult to determine and management believes the effect is not material.

Retirement Savings Plan—Catholic Charities has a defined contribution plan under Internal Revenue Code Section 403(b) covering all new employees hired after July 1, 2002, as well as employees hired before July 1, 2002, who have opted out of the postretirement medical and dental benefit policy. For eligible employees, Catholic Charities contributes 1% of each individual participant's compensation, plus a matching contribution of up to 1.5% of the individual participant's compensation. For eligible employees hired after July 1, 2016, Catholic Charities contributes a percentage of each employee's individual compensation plus a matching contribution up to 2% and 7%, respectively, based on the employee's age and years of credited service. Total employer contribution expense for the years ended June 30, 2018 and 2017, was $958,871 and $940,408, respectively.

Catholic Charities uses a June 30 measurement date for its pension and postretirement obligations. Summary information for pension and postretirement benefits as of June 30, 2018 and 2017, is as follows:

	Pension Benefits		**Postretirement Benefits**	
	2018	**2017**	**2018**	**2017**
Change in benefit obligation:				
Benefit obligation—beginning of year	$ 171,599,295	$ 183,124,405	$ 23,049,883	$ 42,346,101
Service cost	5,378,851	7,529,045	272,794	446,420
Interest cost	6,241,190	6,515,450	853,173	1,100,640
Actuarial gains	(24,495,226)	(14,180,953)	(917,209)	(10,499,190)
Benefits paid	(10,254,129)	(10,102,746)	(1,954,633)	(2,130,428)
Medicare Part D subsidy	-	-	30,507	217,532
Participant contributions	-	-	617,701	448,329
Curtailments	(7,275,560)	-	-	-
Plan amendments	-	(1,285,906)	-	(8,879,521)
Benefit obligation—end of year	141,194,421	171,599,295	21,952,216	23,049,883
Change in plan assets:				
Fair value of plan assets—beginning of year	80,052,229	76,808,405	-	-
Actual return on plan assets	5,893,447	8,251,915	-	-
Employer contributions	5,246,461	5,094,655	1,306,425	1,464,567
Benefits paid	(10,254,129)	(10,102,746)	(1,954,633)	(2,130,428)
Participant contributions	-	-	617,701	448,329
Medicare Part D subsidy	-	-	30,507	217,532
Fair value of plan assets—end of year	80,938,008	80,052,229	-	-
Funded status—end of year	(60,256,413)	(91,547,066)	(21,952,216)	(23,049,883)
Net accrued benefit cost	$ (60,256,413)	$ (91,547,066)	$(21,952,216)	$(23,049,883)

The accumulated pension obligation as of June 30, 2018 and 2017 was $133,399,688 and $153,250,120, respectively.

The components of net periodic benefit cost for the years ended June 30, 2018 and 2017, are as follows:

	Pension Benefits		Postretirement Benefits	
	2018	**2017**	**2018**	**2017**
Components of net periodic benefit cost:				
Service cost	$ 5,378,851	$ 7,529,045	$ 272,794	$ 446,420
Interest cost	6,241,190	6,515,450	853,173	1,100,640
Expected return on plan assets	(6,547,574)	(5,933,457)	-	-
Amortization of unrecognized net loss	1,649,079	4,441,256	-	-
Amortization of unrecognized prior service credit	(613,429)	(489,566)	(988,636)	(196,020)
Curtailments	(2,207,101)	-	-	-
Total net periodic benefit cost	$ 3,901,016	$ 12,062,728	$ 137,331	$ 1,351,040

The pension plan and postretirement benefit plan accumulated losses and prior-service credits not yet recognized as a component of periodic pension and postretirement expense, but accumulated in unrestricted net assets as of June 30, 2018 and 2017, are as follows:

	Pension Benefits		Postretirement Benefits	
	2018	**2017**	**2018**	**2017**
Unrecognized actuarial loss (gain)	$ 13,507,742	$ 46,273,480	$ (1,945,910)	$ (1,028,701)
Unrecognized prior service credit	(906,980)	(3,727,510)	(7,927,390)	(8,916,026)
Total accumulated in unrestricted net assets	$ 12,600,762	$ 42,545,970	$ (9,873,300)	$ (9,944,727)

An estimated $485,849 in prior service credit will be included as components of periodic pension expense in 2019. An estimated $952,131 in prior service credit will be included as components of periodic postretirement expense in 2019.

The pension and postretirement benefit items not yet recognized as a component of periodic pension and postretirement expense, but included as a separate charge to net assets during 2018 and 2017, are as follows:

	Pension Benefits		Postretirement Benefits	
	2018	**2017**	**2018**	**2017**
Actuarial gain arising during the period	$(23,841,099)	$(17,785,317)	$(917,209)	$(19,378,711)
Reclassification adjustment for recognition of prior service cost (credit)	(6,104,109)	(3,951,690)	988,636	196,020
Total recognized as a separate (increase) decrease to net assets	$(29,945,208)	$(21,737,007)	$ 71,427	$(19,182,691)

Actuarial assumptions for the pension and postretirement benefits as of June 30, 2018 and 2017, are as follows:

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
Weighted-average assumptions:				
Discount rate—benefit obligation	4.16 %	3.87 %	4.10 %	3.70 %
Discount rate—benefit cost	3.87	3.53	3.70	3.18
Expected return on plan assets	8.00	8.00	-	-
Rate of compensation increase	3.50	3.50	-	-

For measurement purposes, a 8% gross health care trend rate was used for the 2018 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2022, and beyond.

For measurement purposes, a 8% gross health care trend rate was used for the 2017 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2021, and beyond.

For the year ending June 30, 2019, Catholic Charities expects to contribute $3,901,806 to its pension plan and to pay $1,437,208 for health care premiums on behalf of the retirees covered under its postretirement benefit policy.

The benefit payments, which reflect expected future services, as appropriate, are expected to be paid as of June 30, 2018, as follows:

Years Ending June 30	Pension Benefits	Postretirement Benefits
2019	$ 6,184,584	$ 1,437,208
2020	6,429,724	1,441,196
2021	6,779,397	1,446,360
2022	6,925,092	1,441,923
2023	7,203,060	1,429,296
Thereafter	38,816,072	6,977,607
Total	$ 72,337,929	$ 14,173,590

Pension Plan Assets—The primary return objectives of the plan are a) the preservation of principal, b) to earn a competitive total return consistent with prudent levels of risk, and c) to create a stream of investment returns to ensure the systematic and adequate funding of actuarially determined benefits through contributions from Catholic Charities and professional management of the pension plan assets.

This is accomplished through diversification of assets in accordance with the investment policy. Periodic rebalancing occurs after the end of each calendar quarter, as required by the policy.

The target allocations for plan assets are 33% domestic equity securities or mutual funds, 21.5% international equity mutual funds, 15% fixed income securities or mutual funds, 10.5% hedge fund of funds, 10% commercial real estate, 5% low volatility global core equity and 5% mezzanine private equity.

Short-term investments include invested cash, money market mutual funds, and certificates of deposit, and are generally categorized in Level 1 of the fair value hierarchy.

Domestic equity securities include investments in large-cap and mid-cap companies located in the United States. Equity securities are valued based on quoted prices from an exchange. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the net asset value (NAV) as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Fixed income securities are comprised of U.S. Treasuries, U.S. government agency securities, and corporate bonds. U.S. Treasuries are valued using quoted market prices for similar securities and, accordingly, are categorized in Level 2 of the fair value hierarchy. U.S. government agency securities are comprised of noncallable agency-issued debt securities and are generally valued using quoted market prices. Actively traded noncallable agency-issued debt securities are categorized in Level 2 of the fair value hierarchy. The fair value of corporate bond securities is estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that references a comparable issuer are used. These corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are comprised of investments in a hedge fund of funds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Real estate alternative investments are comprised of investments in diversified real estate funds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Fair value of investments in certain commingled funds and private partnerships that utilize a net asset value (NAV) per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner's capital balance, as applicable. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded.

On May 1, 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2015-07"). ASU 2015-07 addresses the diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized. The amendments in this ASU remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 was adopted retrospectively effective July 1, 2017.

The following fair value hierarchy table presents information about Catholic Charities' pension plan investments measured at fair value as of June 30, 2018 and 2017:

	2018	**2017**
Level 1—quoted prices in active markets for identical securities:		
Short-term investments	$ 1,502,248	$ 1,505,795
Domestic equity securities	7,428,678	9,069,031
Mutual funds—domestic equity	5,557,019	5,023,036
Mutual funds—international strategy	12,192,404	12,074,154
Mutual funds—domestic fixed income strategy	2,773,691	2,271,012
Subtotal	29,454,040	29,943,028
Level 2—significant other observable inputs:		
Fixed income securities:		
U.S. treasuries	2,095,450	1,138,472
U.S. government agencies	863,733	4,298,156
Corporate	3,654,311	3,062,438
Subtotal	6,613,494	8,499,066
Investments measured at NAV:		
Commingled funds	26,379,782	22,366,682
Marketable alternative equity	8,675,283	9,152,165
Real estate	9,815,409	10,091,288
Subtotal	44,870,474	41,610,135
Total fair value of plan assets	$ 80,938,008	$ 80,052,229

9. ENDOWMENT NET ASSETS

Catholic Charities endowment net assets consist of approximately 43 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with permanently restricted funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Catholic Charities has interpreted the 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 permanently restricted funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted 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 the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (161,539)	$ 2,091,656	$ 6,504,013	$ 8,434,130
Split-interest trust agreements	-	-	834,942	834,942
Board-designated endowment funds	65,328,666	-	-	65,328,666
Total endowment funds	$ 65,167,127	$ 2,091,656	$ 7,338,955	$ 74,597,738

Endowment net asset composition by type of fund as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (105,343)	$ 2,199,116	$ 6,415,716	$ 8,509,489
Split-interest trust agreements	-	-	753,848	753,848
Board-designated endowment funds	52,089,369	-	-	52,089,369
Total endowment funds	$ 51,984,026	$ 2,199,116	$ 7,169,564	$ 61,352,706

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 51,984,026	$ 2,199,116	$ 7,169,564	$ 61,352,706
Investment return:				
Dividend and interest income	1,110,668	38,235	81,094	1,229,997
Realized and unrealized gains (losses)—net	3,447,487	(56,229)	-	3,391,258
Total investment return	4,558,155	(17,994)	81,094	4,621,255
Contributions and other additions	9,761,089	-	88,297	9,849,386
Appropriation of endowment assets for expenditures	(1,136,143)	(89,466)	-	(1,225,609)
Endowment net assets—end of year	$ 65,167,127	$ 2,091,656	$ 7,338,955	$ 74,597,738

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 46,658,330	$ 2,290,288	$ 7,278,795	$ 56,227,413
Investment return:				
Dividend and interest income	956,660	54,992	149,702	1,161,354
Realized and unrealized gains (losses)—net	4,331,200	(106,642)	(138,604)	4,085,954
Total investment return	5,287,860	(51,650)	11,098	5,247,308
Contributions and other additions	2,205,132	61,096	20,550	2,286,778
Appropriation of endowment assets for expenditures	(2,167,296)	(100,618)	(140,879)	(2,408,793)
Endowment net assets—end of year	$ 51,984,026	$ 2,199,116	$ 7,169,564	$ 61,352,706

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires Catholic Charities to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were $161,539 and $105,343 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted net assets during fiscal year 2018 and 2017.

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 while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowments that Catholic Charities must hold in perpetuity or for a donor-specified period(s), as well as

Board-designated funds. Under this policy, the Board-designated endowment assets are invested in a manner that is intended to produce a return that exceeds the level of inflation as measured by the Consumer Price Index (CPI) by at least 5% on a rolling three-year basis. Catholic Charities expects its Board-designated endowment funds, over time, to provide an average rate of return of approximately 5% annually, plus CPI, which is in excess of inflation. Actual returns in any given year may vary from this amount. Donor-restricted endowments are invested in fixed-income securities and cash equivalents or as the donor specifically requests.

Strategies Employed for Achieving Objectives—To satisfy its long term rate-of-return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy—Catholic Charities has a policy of appropriating endowment distributions each year of up to 5% of a rolling three-year average of its Board-designated endowment fund's average fair value. In establishing this policy, Catholic Charities considered the long-term expected return on its Board-designated endowment. Accordingly, over the long term, Catholic Charities expects the current spending policy to allow its endowment to grow on average at a rate equal to or higher than CPI. This is consistent with the organization's objective to maintain the fair value of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Donor-restricted endowments are spent in accordance with the donors' wishes and distributions are made annually to the programs and activities of Catholic Charities for the purposes, which conform to the donors' stated intentions.

10. FAIR VALUE MEASUREMENT

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Catholic Charities attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. Catholic Charities is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, Catholic Charities uses independent pricing services to establish fair value.

On May 1, 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2015-07"). ASU 2015-07 addresses the diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized. The amendments in this ASU remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 was adopted retrospectively effective July 1, 2017.

Assets Measured at Fair Value—Assets measured at fair value on a recurring basis as of June 30, 2018, are as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments	$ 277,890	$ -	$ -	$ -	$ 277,890
Equity securities	151,055	-	-	-	151,055
Mutual funds—equity strategy	23,075,578	-	-	-	23,075,578
Mutual funds—fixed income strategy	29,328,198	-	-		29,328,198
Fixed income securities:					
U.S. Treasuries	-	1,183,219	-	-	1,183,219
U.S. government agencies	-	844,841	-	-	844,841
Corporate	-	50,078	-	-	50,078
Commingled fund	-	-	-	28,559,673	28,559,673
Marketable alternative equity	-	-	-	4,637,690	4,637,690
Real estate	-	-	-	5,515,635	5,515,635
Private equity	-	-	-	1,922,388	1,922,388
Subtotal	52,832,721	2,078,138	-	40,635,386	95,546,245
Split-interest trust agreements	-	-	834,942	-	834,942
Total	$ 52,832,721	$ 2,078,138	$ 834,942	$ 40,635,386	$ 96,381,187

Assets measured at fair value on a recurring basis as of June 30, 2017, are as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments	$ 858,024	$ -	$ -	$ -	$ 858,024
Equity securities	139,532	-	-	-	139,532
Mutual funds—equity strategy	21,667,622	-	-	-	21,667,622
Mutual funds—fixed income strategy	9,868,628	-	-	-	9,868,628
Fixed income securities:					
U.S. Treasuries	-	4,110,832	-	-	4,110,832
U.S. government agencies	-	9,680,574	-	-	9,680,574
Corporate	-	4,724,812	-	-	4,724,812
Commingled fund	-	-	-	19,950,742	19,950,742
Marketable alternative equity	-	-	-	5,015,324	5,015,324
Real estate	-	-	-	5,113,507	5,113,507
Private equity	-	-	-	1,549,701	1,549,701
Subtotal	32,533,806	18,516,218	-	31,629,274	82,679,298
Split-interest trust agreements	-	-	753,848	-	753,848
Total	$ 32,533,806	$ 18,516,218	$ 753,848	$ 31,629,274	$ 83,433,146

A reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and changes in unrealized gains or losses recorded in change in net assets for the years ended June 30, 2018 and 2017, for Level 3 assets is as follows:

	2018	2017
Beginning of year	$ 753,848	$ 883,629
Realized and unrealized gain (loss)—net	81,094	(129,781)
End of year	$ 834,942	$ 753,848
The amount of total gains and losses for the year included in changes in net assets attributable to the change in unrealized gain (loss) relating to assets still held at June 30	$ 81,094	$ (129,781)

The following section describes the valuation methodologies used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instrument is generally classified. Catholic Charities uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services.

Short-term investments include invested cash, money market mutual funds, and certificates of deposit, and are generally categorized in Level 1 of the fair value hierarchy.

Equity securities are valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Fixed income securities are composed of U.S. Treasuries, U.S. government agency securities, and corporate bonds. U.S. Treasuries are valued using quoted market prices of similar securities and, accordingly, are categorized in Level 2 of the fair value hierarchy. U.S. government agency securities are composed of noncallable agency issued debt securities and are generally valued using quoted market prices. Actively traded noncallable agency issued debt securities are categorized in Level 2 of the fair value hierarchy. The fair value of corporate bond securities is estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Fair value of investments in certain commingled funds, private partnerships and other alternative investments that utilize NAV per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner's capital balance, as applicable. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded.

Marketable alternative equity investments are composed of investments in a fund of funds and hedge funds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Fixed income alternative investments are composed of hedge funds that invest in bonds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Real estate alternative investments are comprised of investments in diversified real estate funds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Private equity investments are comprised of investments in limited partnerships and private equity funds. These investments are valued utilizing the NAVs provided by the alternative investments' underlying investment funds as a practical expedient, without adjustments, when the NAVs of the investment funds are calculated in accordance with generally accepted accounting principles. The NAVs developed by external investment managers are accepted or adjusted through a valuation review performed by management. For the years ended June 30, 2018 and 2017, management made no such valuation adjustments.

Split-interest trust agreements are valued as an annuity in perpetuity and generally categorized in Level 3 of the fair value hierarchy.

The unfunded commitments, redemption frequency, and redemption notice period of investments held at NAV or its equivalent as of June 30, 2018 and 2017, are as follows:

	2018				
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Lockup or Gate**
Commingled fund	$ 28,559,673	$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	4,637,690	-	Quarterly	>90 days	n/a
Real estate	5,515,635	-	Quarterly	>90 days	2–6 years
Private equity	1,922,388	7,420,321	Quarterly	>90 days	3–5 years
Total	$ 40,635,386	$ 7,420,321			

	2017				
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Lockup or Gate**
Commingled fund	$ 19,950,742	$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	5,015,324	-	Quarterly	>90 days	n/a
Real estate	5,113,507	-	Quarterly	>90 days	2–6 years
Private equity	1,549,701	3,450,299	Quarterly	>90 days	3–5 years
Total	$ 31,629,274	$ 3,450,299			

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of current assets, trusteed funds and current liabilities approximate their fair value, as they are short term in nature. The carrying value of gift annuities payable approximates fair value as of June 30, 2018 and 2017.

12. NONCASH ASSISTANCE

During the years ended June 30, 2018 and 2017, Catholic Charities received certain food commodities with a value of $2,884,640 and $4,064,523, respectively, under the terms of the federally funded programs whereby Catholic Charities acts as a distributor. The receipt and subsequent distribution of these commodities are not shown as revenues or expenditures in the combined financial statements of Catholic Charities.

Catholic Charities recorded program-related in-kind donations of gifts in the amount of $1,265,520 and $1,541,394 during the years ended June 30, 2018 and 2017, respectively, which it distributed to the families it serves.

On June 19, 2017, Catholic Charities received a donation of a property, Augustus Tolton Peace Center. The fair value of this property of $1,290,000 was recorded as an in-kind donation for the year ended June 30, 2017.

13. CONCENTRATION OF RISK

A significant portion of the funding for several of the programs is received from federal, state, or local governmental agencies. Fees and grants from these governmental agencies represent approximately 76% and 75% of total revenues and support for the years ended June 30, 2018 and 2017.

Major Funder—Catholic Charities' largest government funder is the State of Illinois, who accounted for approximately 69% of the fees and grants from government agencies for the years ended June 30, 2018 and 2017. The funds received from the State of Illinois originate both from the federal government and the State of Illinois. The funds originating with the State of Illinois represented approximately 31% and 26% of the total amount of fees and grants from government agencies for the years ended June 30, 2018 and 2017, respectively. The loss of, or significant adverse change in, the relationship between the Catholic Charities and the State of Illinois could have a material effect on Catholic Charities' programs and financial results.

The State of Illinois also accounted for 67% and 69% of Catholic Charities' program receivables at June 30, 2018 and 2017, respectively. Although Catholic Charities is directly affected by the financial condition of its funders, management does not believe significant credit risks exist at this time.

14. COMMITMENTS AND CONTINGENCIES

Catholic Charities participates in a self-insurance program managed by the Archdiocesan Pastoral Center—Catholic Bishop of Chicago. In the event that Catholic Charities withdraws from participation in the program, amounts may be payable to the Archdiocesan Pastoral Center for residual liabilities relating to historical claims experience or for claims incurred but not yet reported.

Catholic Charities is occasionally party to lawsuits and claims arising out of the conduct of its business. While the ultimate results of lawsuits or other proceedings against Catholic Charities cannot be predicted with certainty, management of Catholic Charities is of the opinion that the liabilities resulting from these contingencies are not material in relationship to the combined financial condition of Catholic Charities.

In September 2016, Cooke's Manor LLC ("Cooke's Manor") closed an inpatient substance abuse treatment program that primarily served veterans. As part of the closure of this program, management has accrued $121,244 for closing costs as of June 30, 2018. Management has estimated that closure of the program will be completed by December 31, 2018. Cooke's Manor currently has a lease for the property which expires November 16, 2036. The maximum remaining payments under this lease total $883,966. In addition, Cooke's Manor has a note payable to Illinois Housing Development Authority which has an outstanding balances of $735,400 as of June 30, 2018. As of June 30, 2018, Cooke's Manor has $188,098 in funds held by the Illinois Housing Development Authority.

15. TRANSACTIONS WITH RELATED PARTIES

Catholic Charities provides certain goods and services to various affiliated entities. A summary of the amounts due (to) from related parties, as of June 30, 2018 and 2017, is as follows:

	2018	2017
Maryville Academy	$ (1,293)	$ (2,222)
Little Sisters of the Poor	(1,319)	(2,169)
Misercordia Home	679,100	
St. Leo Residence LLC	831,270	883,783
Cortland Manor LLC	3,806,193	3,097,244
Total due from affiliates	5,313,951	3,976,636
Less allowance for doubtful accounts	(3,806,193)	(3,097,244)
Total due from affiliates—net	$ 1,507,758	$ 879,392

St. Leo Residence LLC was formed in April 2003 for the purpose of constructing and operating a 141-unit residential apartment building located at 7750 South Emerald, Chicago, Illinois. CCHDC is a controlling entity of the general partner of the limited partnership. As such, CCHDC has guaranteed to fund any operating deficits up to $195,000 or reduced income tax benefits incurred by the limited partner during the duration of the partnership agreement. CCHDC has agreed to create and maintain required reserves totaling $556,000, which was funded to the project at the conclusion of the development phase.

As of June 30, 2018 and 2017, CCHDC provided funding of $526,476 in exchange for an equity ownership of .01% and a loan receivable of $4,145,692, both of which are included in the combined statements of financial position. Future equity contributions of $65,000 in total are expected to be made in subsequent periods. In addition, for the years ended June 30, 2018 and 2017, CCHDC and Catholic Charities collectively provided operating funding of $799,081 and $424,883, respectively, and received reimbursement of $851,595 and $541,058, respectively. As of June 30, 2018 and 2017, the net balance due from St Leo Residence LLC was $831,271 and $883,783, respectively. This amount is included in the combined statements of financial position as due from affiliates.

Cortland Manor LLC was formed in May 2001 for the purpose of rehabilitating and operating a 22-unit residential apartment building located at 1900 North Karlov Chicago, Illinois. CCHDC is a controlling entity of the managing member of the limited liability company. As such, CCHDC has guaranteed to cover any operating deficits up to $150,000 or reduced income tax benefits incurred by the limited partner during the duration of the operating agreement. CCHDC has agreed to create and maintain required reserves totaling $170,000, which was funded to the project at the conclusion of the development phase.

As of June 30, 2018 and 2017, CCHDC has provided funding to the Cortland Manor LLC of $105,734 in exchange for an equity ownership of .01% and a loan receivable of $1,289,158, both of which are included in the combined statements of financial position. In addition, for the years ended June 30, 2018 and 2017, Catholic Charities provided operating funding of $934,994 and $856,239, respectively, and received reimbursement of $226,053 and $286,280, respectively. As of June 30, 2018 and 2017, the net balance due from Cortland Manor LLC was $3,806,193 and $3,097,244, respectively. As of June 30, 2018 and 2017, this receivable includes a reserve for doubtful accounts of $3,806,193 and $3,097,244, respectively. The net amount is included in the combined statements of financial position as due from affiliates.

16. RESIDUAL RECEIPT RECAPTURE

Residual receipts are generated through the operation of senior and disabled residences which are funded by HUD. At the end of the fiscal year, surplus cash is determined by subtracting certain liabilities from available unrestricted cash. The funds may be released from the reserve only with the written approval from HUD. Any residual receipts generated which are in excess of $250 per unit are required to be repaid to HUD. The amount expected to be repaid to HUD is $370,589 and $518,918 as of June 30, 2018 and 2017, respectively. Residual receipts recapture expense of $15,138 and $28,820 generated during fiscal year 2018 and 2017, respectively, is reflected as an adjustment to fees and grants from governmental agencies.

Residual receipts are included within other liabilities and the current portion of deferred revenue and other liabilities in the combined statements of financial position and are expected to be repaid to HUD as follows:

Years Ending June 30	
2019	$ 12,828
2020	-
2021	309,535
2022	4,475
2023	-
Thereafter	43,751
Total	$370,589

17. CHANGES IN PRESENTATION

Subsequent to the issuance of the Catholic Charities 2017 financial statements, management changed the presentation within the Statement of Activities by presenting the operating expenses incurred within different financial line items in the current year to better reflect the mission and operations of the Catholic Charities. Management has updated the presentation in the 2017 Statement of Activities to conform to the 2018 presentation. There was no effect on total net assets or the total change in net assets. The effects of the changes in presentation on the line items within the 2017 Statement of Activities were as follows:

	Revised—2017 Unrestricted	**Reported—2017 Unrestricted**
Expenses:		
Education and training	$ 10,663,086	$ -
Nutrition	58,970,844	-
Basic human needs	12,058,687	-
Housing	34,978,267	-
Counseling and case management	39,375,293	-
Senior care	28,659,506	-
Seniors	-	68,836,446
Children	-	19,740,335
Basic human needs	-	30,480,467
Families and individuals	-	65,648,435
Management and general	16,154,020	16,154,020
Fundraising	2,278,387	2,278,387
Total expenses	$ 203,138,090	$ 203,138,090

18. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through December 14, 2018, which is the date the combined financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

* * * * * *

SUPPLEMENTAL INFORMATION

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
ASSETS													
CURRENT ASSETS:													
Cash and cash equivalents	$ 19,579,331	$ 20,615	$ 1,109,503	$ 72,101	$ 5,543	$(38,138)	$ -	$ 5,567	$ 96,940	$ 302,502	$ 196,924	$ -	$ 21,350,888
Receivables—net	22,507,968	-	2,706,343	371,940	-	-	-	2,774	1,834,239	105,820	25,534	-	27,554,618
Prepaid and other assets	1,456,929	82,622	67,280	16,229	69	716	-	-	26,320	19,183	92	-	1,669,440
Due from affiliates—net	5,141,785	17,797,683	-	-	-	-	-	-	-	1,046,006	-	(22,477,716)	1,507,758
Total current assets	48,686,013	17,900,920	3,883,126	460,270	5,612	(37,422)	-	8,341	1,957,499	1,473,511	222,550	(22,477,716)	52,082,704
INVESTMENTS	95,358,355	632,210	-	-	-	-	-	-	187,890	-	-	-	96,178,455
LONG-TERM RECEIVABLES	284,359	8,029,028	-	-	-	-	-	-	-	50,000	-	(2,594,178)	5,769,209
OTHER NONCURRENT ASSETS	883,137	-	11,034,493	-	188,098	-	-	-	210,486	-	-	-	12,316,214
LAND, BUILDINGS, AND EQUIPMENT—Net	23,911,348	287,312	134,777,626	3,765	-	65,438	-	-	16,853,284	159,188	1,590,510	-	177,648,471
TOTAL	$ 169,123,212	$ 26,849,470	$ 149,695,245	$ 464,035	$ 193,710	$ 28,016	$ -	$ 8,341	$ 19,209,159	$ 1,682,699	$ 1,813,060	$(25,071,894)	$ 343,995,053
LIABILITIES AND NET ASSETS (DEFICIT)													
CURRENT LIABILITIES:													
Accounts payable and accrued compensation	$ 9,713,839	$ 6,964	$ 1,404,743	$ 19,608	$ 121,244	$ 8,073	$ -	$ -	$ 865,945	$ 69,766	$ 15,093	$ -	$ 12,225,275
Interest payable	42,936	26,664	32,537	-	-	-	-	-	-	-	-	-	102,137
Due to governmental agencies	4,663,839	-	-	-	-	-	-	-	-	-	880	-	4,664,719
Due to affiliates—net	-	-	7,183,479	2,158,755	1,281,073	41,398	(34,784)	441,849	13,631,364	254,112	114,648	(25,071,894)	-
Current portion of other liabilities	1,231,468	107,575	12,829	-	-	-	-	-	9,650	11,110	-	-	1,372,632
Current portion of long-term debt	200,000	-	176,416	-	1,200	-	-	-	-	-	-	-	377,616
Total current liabilities	15,852,082	141,203	8,810,004	2,178,363	1,403,517	49,471	(34,784)	441,849	14,506,959	334,988	130,621	(25,071,894)	18,742,379
OTHER NONCURRENT LIABILITIES	1,861,318	-	789,846	-	-	1,580	-	-	253,597	934	-	-	2,907,275
RETIREMENT BENEFITS LIABILITIES (Current and noncurrent)	82,208,629	-	-	-	-	-	-	-	-	-	-	-	82,208,629
REFUNDABLE GRANT ADVANCES	-	934,630	153,460,278	-	-	-	-	-	-	-	-	-	154,394,908
LONG-TERM DEBT—Less current portion	2,482,559	10,021,446	6,785,306	-	734,200	-	-	-	-	-	-	-	20,023,511
Total liabilities	102,404,588	11,097,279	169,845,434	2,178,363	2,137,717	51,051	(34,784)	441,849	14,760,556	335,922	130,621	(25,071,894)	278,276,702
NET ASSETS (DEFICIT)	66,718,624	15,752,191	(20,150,189)	(1,714,328)	(1,944,007)	(23,035)	34,784	(433,508)	4,448,603	1,346,777	1,682,439	-	65,718,351
TOTAL	$ 169,123,212	$ 26,849,470	$ 149,695,245	$ 464,035	$ 193,710	$ 28,016	$ -	$ 8,341	$ 19,209,159	$ 1,682,699	$ 1,813,060	$(25,071,894)	$ 343,995,053

See accompanying independent auditors' report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2018

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
REVENUE:													
Fees and grants from governmental agencies	$ 122,011,548	$ -	$ 13,077,663	$ 715,561	$ -	$ -	$ -	$ -	$ 7,296,025	$ -	$ 109,673	$ -	$ 143,210,470
Program service fees	11,039,257	66,599	5,468,056	411	-	19,500	-	2,910	5,125,116	8,827	733	(1,661,622)	20,069,787
Contributions	26,263,221	1,017	2,489	72,913	(259)	-	-	-	236,075	1,158,946	269,283	(158,344)	27,845,341
United Way	317,362	-	-	-	-	-	-	-	-	2,948	-	-	320,310
Other revenue	532,332	-	-	-	500,000	-	-	-	-	-	-	-	1,032,332
Investment income	5,401,065	240,234	-	-	-	-	-	-	14,920	80,747	-	-	5,736,966
Total revenue	165,564,785	307,850	18,548,208	788,885	499,741	19,500	-	2,910	12,672,136	1,251,468	379,689	(1,819,966)	198,215,206
EXPENSES:													
Salaries	64,288,334	21,404	3,191,733	453,495	-	-	-	1,226	6,803,410	384,508	192,783	-	75,336,893
Employee benefits/payroll taxes	20,349,735	13,655	1,412,557	180,584	-	-	-	(187)	1,660,598	115,038	44,071	-	23,776,051
Total salaries and related expenses	84,638,069	35,059	4,604,290	634,079	-	-	-	1,039	8,464,008	499,546	236,854	-	99,112,944
Food purchases	30,548,951	-	-	-	-	-	-	-	365,670	-	3,237	-	30,917,858
Specific assistance to individuals	12,306,667	-	-	2,818	-	-	-	-	(1,383)	8,622	6,348	-	12,323,072
Occupancy	8,833,173	7,734	3,814,003	66,089	-	13,438	-	1,311	429,920	68,599	29,035	(2,774)	13,260,528
Supplies	3,534,936	28	1,077,477	31,541	-	-	-	-	1,165,897	45,995	10,913	-	5,866,787
Professional fees and contract service payments	11,033,588	50,046	3,342,781	109,163	-	291	-	(212)	1,165,219	149,295	82,577	(328,204)	15,604,544
Telephone	1,651,795	8,354	187,054	37,571	-	-	-	3	38,917	15,787	5,168	-	1,944,649
Outside printing	586,577	50	800	-	-	-	-	-	4,362	14,029	1,484	-	607,302
Local transportation	1,620,441	1,728	75,282	2,357	-	-	-	-	8,366	6,901	1,194	-	1,716,269
Conferences, conventions, and meetings	2,063,577	422	1,356,680	274	-	-	-	-	19,443	932	3,126	(1,330,644)	2,113,810
Membership dues and subscriptions	226,370	5	28,698	949	-	-	-	-	30,763	108	435	-	287,328
Awards and grants	46,747	-	10,027	-	-	-	-	-	-	-	536	-	57,310
Interest and financing costs	154,324	186,640	396,723	-	-	-	-	-	47,269	-	-	-	784,956
Loss on disposal of land, building and equipment	10,061	-	-	-	-	-	-	-	-	-	-	-	10,061
Payments to affiliates	2,612	-	-	-	-	-	-	-	-	-	-	-	2,612
Distribution of in-kind gifts	1,265,520	-	-	-	-	-	-	-	-	158,344	-	(158,344)	1,265,520
Retirement benefit-related changes other than net periodic cost	(29,873,781)	-	-	-	-	-	-	-	-	-	-	-	(29,873,781)
Miscellaneous	1,214,300	25,702	37,142	451	38,946	-	-	441	99,663	13,599	542	-	1,430,786
Total expenses before depreciation and allocation of management and general expenses	129,863,927	315,768	14,930,957	885,292	38,946	13,729	-	2,582	11,838,114	981,757	381,449	(1,819,966)	157,432,555
Depreciation	2,357,530	8,298	3,200,584	1,051	-	6,537	-	-	720,726	45,258	46,744	-	6,386,728
Allocation of management and general expenses	(2,884,452)	28,029	1,565,893	76,416	-	1,753	-	230	1,086,413	88,835	36,883	-	-
Total expenses	129,337,005	352,095	19,697,434	962,759	38,946	22,019	-	2,812	13,645,253	1,115,850	465,076	(1,819,966)	163,819,283
CHANGE IN NET ASSETS (DEFICIT)	36,227,780	(44,245)	(1,149,226)	(173,874)	460,795	(2,519)	-	98	(973,117)	135,618	(85,387)	-	34,395,923
NET ASSETS (DEFICIT)—Beginning of year	30,490,844	15,786,436	(18,990,963)	(1,540,454)	(2,404,802)	(20,516)	34,784	(433,606)	5,421,720	1,211,159	1,767,826	-	31,322,428
REQUIRED DISTRIBUTION	-	10,000	(10,000)	-	-	-	-	-	-	-	-	-	-
NET ASSETS (DEFICIT)—End of year	$ 66,718,624	$ 15,752,191	$ (20,150,189)	$ (1,714,328)	$ (1,944,007)	$ (23,035)	$ 34,784	$ (433,508)	$ 4,448,603	$ 1,346,777	$ 1,682,439	$ -	$ 65,718,351

See accompanying independent auditors' report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
CASH FLOWS FROM OPERATING ACTIVITIES:													
Increases (decreases) in net assets (deficit)	$ 36,227,780	$ (44,245)	$(1,149,226)	$(173,874)	$ 460,795	$ (2,519)	$ -	$ 98	$(973,117)	$ 135,618	$ (85,387)	$ -	$ 34,395,923
Adjustments to reconcile increases (decreases) in net assets (deficit) to net cash provided by (used in) operating activities:													
Retirement benefit changes other than net periodic cost	(29,873,781)	-	-	-	-	-	-	-	-	-	-	-	(29,873,781)
Bad debt expense	816,541	-	-	-	-	-	-	-	-	-	-	-	816,541
Loss on the disposal of land, building and equipment	10,061	-	-	-	-	-	-	-	-	-	-	-	10,061
Depreciation	2,357,530	8,298	3,200,584	1,051	-	6,537	-	-	720,726	45,258	46,744	-	6,386,728
Amortization of deferred debt issuance costs	-	5,111	-	-	-	-	-	-	-	-	-	-	5,111
Net realized gain on investments	(245,270)	-	-	-	-	-	-	-	-	-	-	-	(245,270)
Net unrealized gain on investments	(3,546,158)	-	-	-	-	-	-	-	(10,188)	-	-	-	(3,556,346)
Change in fair value of split-interest trust agreements	(81,094)	-	-	-	-	-	-	-	-	-	-	-	(81,094)
Contributions restricted for permanent endowment	(88,297)	-	-	-	-	-	-	-	-	-	-	-	(88,297)
Contributed investments	(5,132,640)	-	-	-	-	-	-	-	-	-	-	-	(5,132,640)
Fair value of donated fixed assets	(150,000)	-	-	-	-	-	-	-	-	-	-	-	(150,000)
Actuarial gain on charitable gift annuities	(123,935)	-	-	-	-	-	-	-	-	-	-	-	(123,935)
Amortization of discount on note payable	73,684	-	-	-	-	-	-	-	-	-	-	-	73,684
Foregiveness of government advance	(421,529)	-	-	-	(500,000)	-	-	-	-	-	-	-	(921,529)
Loss on interest rate swap	-	107,575	-	-	-	-	-	-	-	-	-	-	107,575
Changes in operating accounts:													
Receivables	10,462,730	-	(2,603,799)	(92,798)	-	-	-	(2,774)	(20,860)	(120,720)	29,160	-	7,650,939
Prepaid and other assets	322,677	4,892	827	(13,911)	(19)	(41)	-	-	24,625	(5,264)	105	-	333,891
Due (to) from affiliates	(4,204,014)	(111,392)	2,198,903	236,683	55,173	(17,430)	-	(33,409)	303,053	82,163	152,963	-	(1,337,307)
Accounts payable and accrued compensation	999,473	5,439	87,161	14,584	5,751	7,058	-	(500)	246,957	6,112	(11,387)	-	1,360,648
Pension and postretirement benefits	(2,514,539)			-	-	-	-	-	-	-	-	-	(2,514,539)
Security deposits	-	-	4,930	-	-	-	-	-	2,880	(290)	-	-	7,520
Gift annuities payable	407,025	-	-	-	-	-	-	-	-	-	-	-	407,025
Other liabilities	(1,880,122)	12,124	(149,450)	-	-	-	-	-	(11,551)	(2,767)	(5,905)	-	(2,037,671)
Net cash provided by (used in) operating activities	3,416,122	(12,198)	1,589,930	(28,265)	21,700	(6,395)	-	(36,585)	282,525	140,110	126,293	-	5,493,237
CASH FLOWS FROM INVESTING ACTIVITIES:													
Land, buildings, and equipment purchased or constructed	(2,364,363)	(10,599)	(458,195)	-	-	-	-	-	(90,250)	-	(54,668)	-	(2,978,075)
Net purchases/sales of investments	(3,927,958)	-	-	-	-	-	-	-	(4,732)	-	-	-	(3,932,690)
Required minimum distribution from affiliate	-	10,000	-	-	-	-	-	-	-	-	-	(10,000)	-
Changes in assets whose use is limited	1,946	-	(753,953)	-	(17,068)	-	-	-	(99,751)	-	-	-	(868,826)
Net cash (used in) provided by investing activities	(6,290,375)	(599)	(1,212,148)	-	(17,068)	-	-	-	(194,733)	-	(54,668)	(10,000)	(7,779,591)

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing			St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
				Homelessness Prevention Call Center	Cooke's Manor, LLC	Other							
CASH FLOWS FROM FINANCING ACTIVITIES:													
Repayments of long-term debt	$ (707,479)	$ -	$ (162,387)	$ -	$ (1,200)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (871,066)
Repayments of capital lease obligations	(335,709)	-	-	-	-	-	-	-	-	-	-	-	(335,709)
Required minimum distribution to affiliate	-	-	(10,000)	-	-	-	-	-	-	-	-	10,000	-
Contributions restricted for permanent endowment	88,297	-	-	-	-	-	-	-	-	-	-	-	88,297
Net cash used in financing activities	(954,891)	-	(172,387)	-	(1,200)	-	-	-	-	-	-	10,000	(1,118,478)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,829,144)	(12,797)	205,395	(28,265)	3,432	(6,395)	-	(36,585)	87,792	140,110	71,625	-	(3,404,832)
CASH AND CASH EQUIVALENTS—Beginning of year	23,408,475	33,412	904,108	100,366	2,111	(31,743)	-	42,152	9,148	162,392	125,299	-	24,755,720
CASH AND CASH EQUIVALENTS—End of year	$ 19,579,331	$ 20,615	$ 1,109,503	$ 72,101	$ 5,543	$ (38,138)	$ -	$ 5,567	$ 96,940	$ 302,502	$ 196,924	$ -	$ 21,350,888
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:													
Cash paid for interest	$ 152,920	$ 174,517	$ 397,848	$ -	$ -	$ -	$ -	$ -	$ 47,269	$ -	$ -	$ -	$ 772,554
Contributed investments	$ 5,132,640	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,132,640
Accounts payable for fixed asset additions	$ 313,503	$ 158	$ 202,424	$ -	$ -	$ -	$ -	$ -	$ 22,490	$ -	$ -	$ -	$ 538,575
Fair value of donated fixed assets	$ 150,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,000
Fixed assets acquired with capital lease obligations	$ 289,179	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 289,179

See accompanying independent auditors' report.

(Concluded)