Catholic Charities of the Archdiocese of Chicago

Combined Financial Statements as of and
for the Years Ended June 30, 2016 and 2015,
Supplementary Information as of and for the
Year Ended June 30, 2016, 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, 2016 and 2015, and the related combined statements of activities and changes in net (deficit) 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. 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, 2016 and 2015, and the combined changes in their net assets (deficit) and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our 2016 audit was conducted for the purpose of forming an opinion on the 2016 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 2016 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 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 2016 combined financial statements as a whole.

Deloitte & Touche LLP

December 19, 2016

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,921,391	$ 15,802,128
Program receivables—net of allowance for doubtful accounts—$537,920 and $411,573 in 2016 and 2015, respectively	26,449,259	27,862,453
Legacies and pledges receivable—net	1,486,631	1,553,183
United Way receivable	1,614,534	1,620,001
Prepaid and other assets	1,502,866	1,663,330
Due from affiliates—net	996,158	2,341,111
Total current assets	54,970,839	50,842,206
INVESTMENTS	77,575,150	77,646,033
INVESTMENT IN AFFILIATES	632,210	632,210
LOANS RECEIVABLE	5,434,850	5,434,850
LONG-TERM LEGACIES AND PLEDGES RECEIVABLE—Net	879,401	2,295,109
SPLIT-INTEREST TRUST AGREEMENTS	883,629	934,289
DEFERRED DEBT ISSUANCE COSTS	58,776	63,887
ASSETS WHOSE USE IS LIMITED	10,171,689	9,678,169
LAND, BUILDINGS, AND EQUIPMENT—Net	183,500,680	186,072,272
TOTAL	$ 334,107,224	$ 333,599,025

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
LIABILITIES AND NET (DEFICIT) ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued compensation	$ 10,712,721	$ 12,734,084
Interest payable	85,681	89,972
Due to governmental agencies	2,350,914	4,268,084
Current portion of deferred revenue and other liabilities	1,170,211	514,443
Current portion of gift annuities payable	368,424	379,406
Current portion of postretirement benefits liability	2,222,966	2,100,433
Contractual current portion of long-term debt	341,807	323,740
Total current liabilities	17,252,724	20,410,162
DEFERRED REVENUE	421,529	421,529
SECURITY DEPOSITS	719,061	639,897
GIFT ANNUITIES PAYABLE	1,701,177	1,828,339
OTHER LIABILITIES	592,814	
PENSION LIABILITY	106,316,000	75,784,171
POSTRETIREMENT BENEFITS LIABILITY	40,123,135	37,890,480
REFUNDABLE GRANT ADVANCES	154,894,908	154,894,908
LONG-TERM DEBT	21,262,836	21,604,744
Total liabilities	343,284,184	313,474,230
NET (DEFICIT) ASSETS:		
Unrestricted:		
Undesignated	(80,686,445)	(51,685,476)
Designated by the Board for endowment	46,658,330	46,556,339
Temporarily restricted	17,572,360	17,983,248
Permanently restricted	7,278,795	7,270,684
Total net (deficit) assets	(9,176,960)	20,124,795
TOTAL	$ 334,107,224	$ 333,599,025

See notes to combined financial statements. (Concluded)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIT) ASSETS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	$ 155,212,106	$ -	$ -	$ 155,212,106
Program service fees	18,023,103			18,023,103
Program-related contributions	2,941,354	2,206,074		5,147,428
Program-related in-kind donations	1,364,864			1,364,864
United Way pledges	473,997			473,997
Net assets released from restrictions	3,298,047	(3,298,047)		-
Total revenue	181,313,471	(1,091,973)	-	180,221,498
EXPENSES:				
Seniors	68,765,812			68,765,812
Children	20,471,661			20,471,661
Basic human needs	31,118,592			31,118,592
Families and individuals	66,550,113			66,550,113
Management and general	15,730,919			15,730,919
Fundraising	2,345,144			2,345,144
Total expenses	204,982,241	-	-	204,982,241
LOSS FROM PROGRAM OPERATIONS	(23,668,770)	(1,091,973)	-	(24,760,743)
SUPPORT:				
Contributions	9,717,262	31,072	58,771	9,807,105
Special events—net of special event expenses—$1,628,012	3,764,264			3,764,264
In-kind donations	62,325			62,325
Bequests	4,939,866	686,120		5,625,986
Net assets released from restrictions	112,130	(112,130)		-
Total support	18,595,847	605,062	58,771	19,259,680
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,782,891	57,848		1,840,739
Net realized gain (loss) on investments	72,479	(3,035)		69,444
Net unrealized (loss) gain on investments	(858,818)	113,039		(745,779)
Net assets released from restrictions	91,829	(91,829)		-
Change in fair value of split-interest trusts			(50,660)	(50,660)
Loss on sale of other assets	(130,746)			(130,746)
Inherent contributions	3,539,834			3,539,834
Other revenue	217,093			217,093
Total other revenue (expense)	4,714,562	76,023	(50,660)	4,739,925
(DECREASE) INCREASE IN NET (DEFICIT) ASSETS BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST, AND INTERAGENCY TRANSFER	(358,361)	(410,888)	8,111	(761,138)
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(27,419,870)			(27,419,870)
RESIDUAL RECEIPT RECAPTURE	(1,165,297)			(1,165,297)
INTERAGENCY TRANSFER	44,550			44,550
(DECREASE) INCREASE IN NET (DEFICIT) ASSETS	(28,898,978)	(410,888)	8,111	(29,301,755)
NET (DEFICIT) ASSETS—Beginning of year	(5,129,137)	17,983,248	7,270,684	20,124,795
NET (DEFICIT) ASSETS—End of year	$ (34,028,115)	$ 17,572,360	$ 7,278,795	$ (9,176,960)

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIT) ASSETS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Fees and grants from governmental agencies	$ 157,679,462	$ -	$ -	$ 157,679,462
Program service fees	17,498,993			17,498,993
Program-related contributions	1,607,111	2,298,090		3,905,201
Program-related in-kind donations	1,429,860			1,429,860
United Way pledges	379,928	3,198,211		3,578,139
Net assets released from restrictions	4,019,726	(4,019,726)		-
Total revenue	182,615,080	1,476,575	-	184,091,655
EXPENSES:				
Seniors	68,277,702			68,277,702
Children	22,554,441			22,554,441
Basic human needs	32,779,360			32,779,360
Families and individuals	71,235,809			71,235,809
Management and general	15,975,606			15,975,606
Fundraising	2,108,223			2,108,223
Total expenses	212,931,141	-	-	212,931,141
(LOSS) GAIN FROM PROGRAM OPERATIONS	(30,316,061)	1,476,575	-	(28,839,486)
SUPPORT:				
Contributions	5,911,552	10,150	132,525	6,054,227
Special events (net of special event expenses—$1,754,453)	3,626,120			3,626,120
In-kind donations	951,702			951,702
Bequests	3,808,424	301,590		4,110,014
Net assets released from restrictions	682,086	(682,086)		-
Total support	14,979,884	(370,346)	132,525	14,742,063
OTHER REVENUE (EXPENSE):				
Interest and dividends on investments	1,985,148	56,144		2,041,292
Net realized gain (loss) on investments	3,202,592	(2,486)	(14,828)	3,185,278
Net unrealized (loss) gain on investments	(2,684,252)	(37,151)	37,421	(2,683,982)
Net assets released from restrictions	84,630	(62,038)	(22,592)	-
Change in fair value of split-interest trusts			91,973	91,973
Gain on disposal of fixed assets	821,355			821,355
Loss on sale of other assets	(756,589)			(756,589)
Other revenue	214,239			214,239
Total other revenue (expense)	2,867,123	(45,531)	91,974	2,913,566
(DECREASE) INCREASE IN NET ASSETS BEFORE RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(12,469,054)	1,060,698	224,499	(11,183,857)
RETIREMENT BENEFIT CHANGES OTHER THAN NET PERIODIC COST	(6,475,105)			(6,475,105)
(DECREASE) INCREASE IN NET (DEFICIT) ASSETS	(18,944,159)	1,060,698	224,499	(17,658,962)
NET ASSETS—Beginning of year	13,815,022	16,922,550	7,046,185	37,783,757
NET (DEFICIT) ASSETS—End of year	$ (5,129,137)	$ 17,983,248	$ 7,270,684	$ 20,124,795

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	2016							
	Programs				Supporting Services			
	Senior Services	Children's Services	Basic Human Needs	Family and Individuals Services	Management and General	Fund-Raising	Total	2015 Total
EXPENSES:								
Salaries	$34,189,249	$ 9,568,742	$ 9,461,806	$14,270,637	$ 8,534,841	$ 1,134,084	$ 77,159,359	$ 76,570,535
Employee benefits and payroll taxes	13,213,494	4,509,842	4,169,099	6,804,913	3,520,534	436,489	32,654,371	32,563,777
Total salaries and related expenses	47,402,743	14,078,584	13,630,905	21,075,550	12,055,375	1,570,573	109,813,730	109,134,312
Food purchases	2,038,691	1,190,686	40,092	30,693,354		438	33,963,261	37,581,017
Specific assistance to individuals	267,455	763,838	12,241,062	1,191,121		738	14,464,214	14,839,764
Occupancy	3,553,104	889,442	1,166,412	5,355,534	1,222,547	153,102	12,340,141	15,519,462
Supplies	1,947,721	226,146	460,025	1,025,493	631,278	108,731	4,399,394	5,552,830
Professional fees and contract service payments	5,672,966	695,504	1,876,821	5,186,176	1,031,789	505,123	14,968,379	15,205,526
Telephone	694,785	178,121	275,876	459,263	296,769	88,032	1,992,846	2,040,337
Outside printing	72,866	8,899	46,820	58,143	73,877	177,810	438,415	457,772
Local transportation	916,168	237,250	514,737	491,600	44,892	19,123	2,223,770	2,419,685
Conferences, conventions, and meetings	150,569	29,684	75,202	120,843	157,400	1,224,516	1,758,214	2,079,548
Membership dues and subscriptions	89,738	8,863	8,753	35,115	93,346	3,852	239,667	239,732
Awards and grants	16,096	1,524	14	9,485	3,725		30,844	81,008
Interest and financing costs	572,562	35,039	12,981	27,761			648,343	616,978
Payments to affiliates	1,593	466	709	1,516			4,284	4,636
Distribution of in-kind gifts		1,352,635	74,554				1,427,189	1,429,860
Miscellaneous	730,733	117,172	235,866	372,273	120	115,972	1,572,136	1,455,068
Total expenses before depreciation	64,127,790	19,813,853	30,660,829	66,103,227	15,611,118	3,968,010	200,284,827	208,657,535
Depreciation	4,638,022	657,808	457,763	446,886	119,801	5,146	6,325,426	6,028,059
Total functional expenses	68,765,812	20,471,661	31,118,592	66,550,113	15,730,919	3,973,156	206,610,253	214,685,594
Less expenses related to special events						(1,628,012)	(1,628,012)	(1,754,453)
TOTAL EXPENSES	$68,765,812	$20,471,661	$31,118,592	$66,550,113	$15,730,919	$ 2,345,144	$204,982,241	$212,931,141

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	2015						
	Programs				Supporting Services		
	Senior Services	Children's Services	Basic Human Needs	Family and Individuals Services	Management and General	Fund-Raising	Total
EXPENSES:							
Salaries	$ 33,030,143	$ 10,222,472	$ 9,565,427	$ 14,136,641	$ 8,557,681	$ 1,058,171	$ 76,570,535
Employee benefits and payroll taxes	12,735,422	4,770,868	4,371,617	6,727,427	3,541,912	416,531	32,563,777
Total salaries and related expenses	45,765,565	14,993,340	13,937,044	20,864,068	12,099,593	1,474,702	109,134,312
Food purchases	1,819,041	1,342,090	158,316	34,261,570			37,581,017
Specific assistance to individuals	300,864	999,834	12,316,367	1,222,699			14,839,764
Occupancy	4,480,608	1,426,787	1,610,534	6,421,028	1,389,105	191,400	15,519,462
Supplies	2,420,041	376,636	709,337	1,349,869	594,687	102,260	5,552,830
Professional fees and contract service payments	5,902,883	651,303	2,263,886	5,094,393	912,710	380,351	15,205,526
Telephone	669,338	186,923	302,665	450,083	329,453	101,875	2,040,337
Outside printing	72,547	10,477	41,002	56,740	83,668	193,338	457,772
Local transportation	926,227	277,721	605,483	541,947	42,634	25,673	2,419,685
Conferences, conventions, and meetings	201,383	38,665	127,927	142,975	278,468	1,290,130	2,079,548
Membership dues and subscriptions	85,031	20,341	15,052	27,476	83,831	8,001	239,732
Awards and grants	27,337	31,468	50	10,198	11,955		81,008
Interest and financing costs	557,560	35,267	7,611	16,540			616,978
Payments to affiliates	1,624	537	780	1,695			4,636
Distribution of in-kind gifts		1,429,860					1,429,860
Miscellaneous	652,432	129,310	229,636	335,478	18,412	89,800	1,455,068
Total expenses before depreciation	63,882,481	21,950,559	32,325,690	70,796,759	15,844,516	3,857,530	208,657,535
Depreciation	4,395,221	603,882	453,670	439,050	131,090	5,146	6,028,059
Total functional expenses	68,277,702	22,554,441	32,779,360	71,235,809	15,975,606	3,862,676	214,685,594
Less expenses related to special events						(1,754,453)	(1,754,453)
TOTAL EXPENSES	$ 68,277,702	$ 22,554,441	$ 32,779,360	$ 71,235,809	$ 15,975,606	$ 2,108,223	$ 212,931,141

See notes to combined financial statements.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net (deficit) assets	$ (29,301,755)	$ (17,658,962)
Adjustments to reconcile decrease in net (deficit) assets to net cash provided by (used in) operating activities:		
Interagency transfer	(44,550)	
Retirement benefit changes other than net periodic cost	27,419,870	6,475,105
Net loss (gain) on disposal of fixed assets	130,746	(821,355)
Loss on sale of other assets		756,589
Depreciation	6,325,426	6,028,059
Residual receipt recapture	1,217,921	
Amortization of debt issuance costs	5,111	5,111
Net realized gain on investments	(69,444)	(3,185,278)
Net unrealized loss on investments	745,779	2,683,982
Change in fair value of split-interest trust agreements	50,660	(91,974)
Amortization of discount on note payable	83,523	
Contributions restricted for permanent endowment	(58,771)	(132,525)
Contributed investments	(690,887)	(359,282)
Inherent contributions	(3,539,834)	(951,702)
Changes in operating accounts:		
Receivables	1,550,713	(1,181,526)
Prepaid and other assets	183,752	43,809
Long-term receivable	1,415,708	(1,920,866)
Due from affiliates	1,344,953	(1,593)
Accounts payable and accrued compensation	(2,060,886)	1,466,898
Interest payable	(4,291)	50,498
Postretirement benefits and other liabilities	5,467,147	5,930,670
Due to governmental agencies	(1,917,170)	2,190,554
Deferred revenue and other liabilities	30,661	(13,402)
Security deposits	79,164	46,628
Gift annuities payable	(138,144)	(56,026)
Net cash provided by (used in) operating activities	8,225,402	(696,588)

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Land, buildings, and equipment purchased or constructed	$ (2,116,890)	$ (11,380,393)
Purchases of investments	(15,572,244)	(20,632,983)
Proceeds from sale of investments	15,657,679	24,739,755
Proceeds from sale of fixed assets	3,942	1,535,655
Proceeds from sale of other assets		247,328
Assets transferred—Affiliate	44,550	
Cash acquired in acquisition of other entities	537,783	
Change in assets whose use is limited	687,634	(931,188)
Net cash used in investing activities	(757,546)	(6,421,826)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Refundable grant advances		8,692,515
Repayments of long-term debt	(407,364)	(221,798)
Proceeds from new loans		75,986
Contributions restricted for permanent endowment	58,771	132,525
Net cash (used in) provided by financing activities	(348,593)	8,679,228
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,119,263	1,560,814
CASH AND CASH EQUIVALENTS—Beginning of year	15,802,128	14,241,314
CASH AND CASH EQUIVALENTS—End of year	$ 22,921,391	$ 15,802,128
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 652,634	$ 566,480
Contributed investments	$ 690,887	$ 359,282
Accounts payable for fixed asset additions	$ 152,523	$ 271,386
Inherent contributions	$ 3,539,834	$ 951,702

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 four primary service areas. Senior Services provides in-home or personal care and residential and health care facilities. Children's Services provides early childhood education, counseling, adoption, and maternity services; protects children from abuse and neglect; and assists with obtaining health care. Basic Human Needs Services includes emergency shelter, food, and clothing. Family and Individuals Services help address unemployment, poverty, inadequate housing, illness, addiction, physical limitations, nutritional needs, and domestic violence.

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 four other legal tax-exempt entities: Options for Housing, Inc.; Holy Family Villa; Cooke's Manor LLC; and Catholic Charities Housing Development Corporation (CCHDC). In addition, included in the combined financial statements are two legal for profit entities: Veterans Independent Painting L3C and Crisp!Mobile Grocery L3C. On July 1, 2015, Catholic Charities obtained control of House of the Good Shepherd of Chicago ("House of the Good Shepherd") and on January 1, 2016, Catholic Charities obtained control of The Peace Corner, Incorporated ("Peace Corner"). The combined financial statements include these two entities from the date Catholic Charites obtained control. See note 17 for a discussion of these acquisitions. 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 conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 represent money market bank accounts. Balances on deposit 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 that 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 $14,599,916 and $14,773,866 as of June 30, 2016 and 2015, 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 (deficit) 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 that are available as of June 30, 2016 and 2015, are for the following purposes:

	2016	2015
Purchase of land, building, and equipment	$ 6,574,847	$ 5,888,727
Program operations and support	8,707,225	9,900,256
Time-restricted contributions	1,090,509	1,080,601
Program-restricted contributions from donor-restricted endowment funds	1,199,779	1,113,664
Total temporarily restricted net assets	$17,572,360	$17,983,248

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.

	2016	2015
Donor-restricted endowment funds primarily for program operations	$6,395,166	$6,336,395
Split-interest trust agreements	883,629	934,289
Total permanently restricted net assets	$7,278,795	$7,270,684

Refundable Grant Advances—Development and construction are being or 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. If all requirements continue to be met, the grant advances will be considered earned between 40 and 55 years after such advance or an earlier date if approved by HUD. The refundable grant advances are collateralized by the Residences' property and equipment associated with the advance.

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 generally recorded at their fair market 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 Catholic Charities combined statement of activities and changes in net (deficit) 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 that are social enterprise entities subject to corporate income taxes.

Accounting Standards Updates—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU No. 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 No. 2014-09 is now effective for Catholic Charities beginning on July 1, 2018. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09. Catholic Charities has not yet determined the impact adoption of this ASU will have on their combined financial statements.

On May 1, 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU No. 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 No. 2015-07 is effective for the Catholic Charities beginning on July 1, 2017. The adoption of ASU No. 2015-07 is not expected to have a material impact on the Catholic Charites' combined financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs are not affected by the amendments in this update. ASU No.2015-03 is effective for Catholic Charities beginning July 1, 2016. The adoption of ASU No. 2015-03 is not expected to have a material impact on the Catholic Charites' combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 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 affective 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 No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 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 No. 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.

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 $17,387,888 and $17,396,680 at June 30, 2016 and 2015, respectively.

The components of total investment return as of June 30, 2016 and 2015, are as follows:

	2016	**2015**
Interest and dividends	$ 1,840,739	$ 2,041,292
Net realized gain	69,444	3,185,278
Net unrealized loss	(745,779)	(2,683,982)
Total	$ 1,164,404	$ 2,542,588

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, 2016 and 2015, is as follows:

	2016	**2015**
Short-term investments	$ 1,128,166	$ 685,570
Equity securities	2,721,922	3,931,382
Mutual funds—equity strategy	15,974,386	16,725,517
Mutual funds—fixed-income strategy	8,344,274	11,261,123
Fixed income securities	21,445,733	20,157,496
Commingled fund	16,074,248	16,882,458
Subtotal	65,688,729	69,643,546
Alternative investments:		
Marketable alternative equity	5,691,887	2,449,841
Real estate	4,892,898	4,360,148
Private equity	1,301,636	1,192,498
Total alternative investments	11,886,421	8,002,487
Total	$ 77,575,150	$ 77,646,033

4. LAND, BUILDINGS, AND EQUIPMENT

Major classes of property and equipment as of June 30, 2016 and 2015, are as follows:

	2016	**2015**
Land and land improvements	$ 13,146,629	$ 13,050,414
Buildings and building improvements	224,345,569	221,417,793
Equipment, furniture, and fixtures	12,492,787	12,291,464
Construction in progress	761,611	825,608
Total land, buildings, and equipment	250,746,596	247,585,279
Less accumulated depreciation	(67,245,916)	(61,513,007)
Land, buildings, and equipment—net	$ 183,500,680	$ 186,072,272

Catholic Charities recorded depreciation expense of $6,325,426 and $6,028,059 for the years ended June 30, 2016 and 2015, respectively.

5. LONG-TERM DEBT

Long-term debt as of June 30, 2016 and 2015, consisted of the following:

	2016	2015
CCHDC:		
Illinois Finance Authority—revenue refunding bond: Series 2014, loan payable to Wintrust Bank, due January 1, 2028, interest rate adjusted monthly, weighted-average interest rate 1.19% in 2016	$ 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, due in monthly installments through July 1, 2023, interest rate 4.30%	578,938	647,394
Catholic Charities note payable to Sisters of Saint Casimir, due in annual installments through December 1, 2034, interest free	3,800,000	4,000,000
Roseland Manor mortgage payable to HUD, due in monthly installments through 2032, interest rate 8.375%	2,410,487	2,481,374
Hayes Manor mortgage payable to HUD, due in monthly installments through 2033, interest rate 8.375%	2,561,028	2,626,549
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	274,226	275,526
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	737,800	739,000
	22,472,822	22,880,186
Less discount of interest free note payable	(868,179)	(951,702)
	21,604,643	21,928,484
Less contractual current portion	(422,139)	(406,263)
Current portion of discount of interest free note payable	80,332	82,523
	(341,807)	(323,740)
Total	$ 21,262,836	$ 21,604,744

Debt—During fiscal year 2015, Catholic Charities purchased the Saint Casimir Motherhouse and in exchange entered into a loan agreement with the Sisters of Saint Casimir. The terms of the loan require Catholic Charities to make $200,000 equal payments over 20 years at zero percent interest. The total payments were discounted using a 2.74% interest rate. The discounted value of the total sum payments is $2,931,821 and $3,048,298 at June 30, 2016 and 2015, respectively.

Future maturities of long-term debt as of June 30, 2016, are as follows:

Years Ending June 30	
2017	$ 422,139
2018	438,179
2019	455,480
2020	474,146
2021	494,289
Thereafter	20,188,589
Total	$ 22,472,822

Debt Covenants—Catholic Charities was in compliance with all financial debt covenants at June 30, 2016.

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 $10,364 and $5,253 at June 30, 2016 and 2015, respectively.

Unsecured Line of Credit—Catholic Charities maintains unsecured lines of credit with two banks for its working capital requirements. Borrowings against the lines of credit are presented in the combined statements of financial position as short-term debt. The lines of credit permit a maximum amount of $15,000,000 outstanding at one time, of which $0 was outstanding at June 30, 2016 and 2015. For one of the lines of credit, the interest rate is the either the reference rate as defined by the bank or the London InterBank Offered Rate (LIBOR). 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 3.5% at June 30, 2016). For borrowings that will be held for more than one month, the interest rate is LIBOR, plus 1.0% (the LIBOR was 1.33% at June 30, 2016) or the bank offered rate.

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 $5,636,292 and $8,132,605 was incurred for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments as of June 30, 2016, are as follows:

Years Ending June 30	
2017	$ 5,508,893
2018	3,498,349
2019	2,414,896
2020	726,257
2021	573,279
Thereafter	7,484,300
Total	$ 20,205,974

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 of $0 and $8,466,228 during the years ended June 30, 2016 and 2015.

In addition, Catholic Charities received certain Affordable Housing Project Loans of $0 and $226,287 during the years ended June 30, 2016 and 2015.

Total advances as of June 30, 2016 and 2015, are as follows:

Project	Advance 2016	Advance 2015	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	9,981,885	9,981,885	Various through 2060
Total refundable grant advances	$154,894,908	$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, 2016, the assumptions used reflect revised 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.

Effective July 1, 2016, the plan was amended and no employees hired after June 30, 2016 will be eligible to participate in the plan. The impact of this change on the pension obligation has not 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.

The postretirement benefit liability of $42,346,101 and $39,990,913 at June 30, 2016 and 2015, respectively, includes an unrecognized prior-service gain of $232,525 and $428,545, respectively, due to the modification of the benefit policy in 2002 and subsequent reversal, on April 1, 2009, of 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, 2016 and 2015, 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 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. The eligibility guidelines are based on one year of service and employees who work at least 20 hours per week. 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. Total employer contribution expense for the years ended June 30, 2016 and 2015, was $719,783 and $813,517, 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, 2016 and 2015, is as follows:

	Pension Benefits		**Postretirement Benefits**	
	2016	**2015**	**2016**	**2015**
Change in benefit obligation:				
Benefit obligation— beginning of year	$ 151,951,486	$ 137,268,069	$ 39,990,913	$ 39,237,551
Service cost	6,449,028	6,177,585	554,776	699,395
Interest cost	6,837,367	6,423,229	1,502,625	1,582,796
Actuarial losses	24,283,604	6,580,647	1,737,712	273,094
Benefits paid	(4,960,246)	(4,498,044)	(2,170,056)	(2,139,727)
Medicare Part D subsidy			100,934	103,795
Participant contributions			331,888	234,009
Special termination benefits			297,309	
Plan amendments	(1,436,834)			
Benefit obligation— end of year	183,124,405	151,951,486	42,346,101	39,990,913
Change in plan assets:				
Fair value of plan assets— beginning of year	76,167,315	73,136,311	-	-
Actual return on plan assets	1,031,810	3,178,226	1,737,234	1,801,923
Employer contributions	4,569,526	4,350,822	(2,170,056)	(2,139,727)
Benefits paid	(4,960,246)	(4,498,044)		
Settlements			100,934	103,795
Medicare Part D subsidy			331,888	234,009
Fair value of plan assets— end of year	76,808,405	76,167,315	-	-
Funded status—end of year	(106,316,000)	(75,784,171)	(42,346,101)	(39,990,913)
Net accrued benefit cost	$ (106,316,000)	$ (75,784,171)	$ (42,346,101)	$ (39,990,913)
Amounts recognized in the combined statements of financial position—accrued liability	$ (106,316,000)	$ (75,784,171)	$ (42,346,101)	$ (39,990,913)

The components of net periodic benefit cost for the years ended June 30, 2016 and 2015, are as follows:

	Pension Benefits		Postretirement Benefits	
	2016	**2015**	**2016**	**2015**
Components of net periodic benefit cost:				
Service cost	$ 6,449,028	$ 6,177,585	$ 554,776	$ 699,395
Interest cost	6,837,367	6,423,229	1,502,625	1,582,796
Expected return on plan assets	(6,094,510)	(5,855,258)		
Amortization of unrecognized net loss	2,602,155	3,053,872	162,541	539,180
Amortization of unrecognized prior service (credit)	(341,364)	(341,364)	(196,020)	(196,020)
Special termination benefits			297,309	
Total net periodic benefit cost	$ 9,452,676	$ 9,458,064	$ 2,321,231	$ 2,625,351

The pension plan and postretirement benefit policy 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, 2016 and 2015, are as follows:

	Pension Benefits		Postretirement Benefits	
	2016	**2015**	**2016**	**2015**
Unrecognized actuarial loss	$ 67,214,147	$ 40,469,998	$ 9,470,489	$ 7,895,318
Unrecognized prior service credit	(2,931,170)	(1,835,700)	(232,525)	(428,545)
Total accumulated in unrestricted net assets	$ 64,282,977	$ 38,634,298	$ 9,237,964	$ 7,466,773

An estimated $489,566 in prior service credit and $5,044,113 in net actuarial loss will be included as components of periodic pension expense in 2017. An estimated $196,020 in prior service credit and $467,928 in net actuarial loss will be included as components of periodic postretirement expense in 2017.

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 2016 and 2015, are as follows:

	Pension Benefits		Postretirement Benefits	
	2016	**2015**	**2016**	**2015**
Actuarial loss arising during the period	$ 27,909,470	$ 9,257,679	$ 1,737,712	$ 273,094
Reclassification adjustment for recognition of prior service (credit)	(2,260,791)	(2,712,508)	33,479	(343,160)
Total recognized as a separate decrease (increase) to net assets	$ 25,648,679	$ 6,545,171	$ 1,771,191	$ (70,066)

Actuarial assumptions for the pension and postretirement benefits as of June 30, 2016 and 2015, are as follows:

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions:				
Discount rate—benefit obligation	3.53 %	4.38 %	3.18 %	4.11 %
Discount rate—benefit cost	4.38	4.25	3.18	3.97
Expected return on plan assets	8.00	8.00		
Rate of compensation increase	0.00–3.50	0.00–3.50		

For measurement purposes, a 8.5% gross health care trend rate was used for the 2016 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2023, and beyond.

For measurement purposes, a 8% gross health care trend rate was used for the 2015 disclosures. Trend rates were assumed to decrease gradually to 5% for the year ending June 30, 2018, and beyond.

For the year ending June 30, 2017, Catholic Charities expects to contribute $5,094,655 to its pension plan and to pay $2,222,966 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, 2016, as follows:

Years Ending June 30	Pension Benefits	Postretirement Benefits
2017	$ 10,573,235	$ 2,222,966
2018	5,940,557	2,288,088
2019	6,106,412	2,312,411
2020	6,273,189	2,346,662
2021	6,486,669	2,374,302
2022–2026	34,457,917	11,779,120

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 37.5% domestic equity securities or mutual funds, 15% international equity mutual funds, 17.5% fixed income securities or mutual funds, 12% hedge fund of funds, 10% commercial real estate, 5% low volatility global core equity and 3% 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.

Commingled funds are unregistered investment funds with a daily NAV that invests in large-cap and small-cap companies located in the United States. The commingled funds allow investors to sell their interests with a one-day notice. Such commingled funds are categorized in Level 2 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 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 reference 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 hedge fund of funds. Marketable alternative equity investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after June 30, 2016. These marketable alternative equity investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate alternative investments are comprised of investments in diversified real estate funds. Real estate alternative investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after June 30, 2016. These real estate alternative investments cannot be redeemed within the "near term" and are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

The following fair value hierarchy table presents information about Catholic Charities' pension plan investments measured at fair value as of June 30, 2016 and 2015:

	2016	**2015**
Level 1—quoted prices in active markets for identical securities:		
Short-term investments	$ 1,275,226	$ 1,737,184
Domestic equity securities	13,417,636	14,276,156
Mutual funds - international strategy	10,840,871	10,493,468
Mutual funds - domestic fixed income strategy	2,341,049	5,126,676
Subtotal	27,874,782	31,633,484
Level 2—significant other observable inputs:		
Fixed income securities:		
U.S. Treasuries	1,978,296	476,404
U.S. government agencies	4,624,929	3,745,391
Corporate	2,549,370	2,127,874
Commingled fund	18,404,601	19,047,700
Subtotal	27,557,196	25,397,369
Level 3—significant unobservable inputs:		
Alternative investments:		
Marketable alternative equity	11,727,761	10,417,990
Real estate	9,648,666	8,718,472
Subtotal	21,376,427	19,136,462
Total fair value of plan assets	$ 76,808,405	$ 76,167,315

The table below presents the reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and presents changes in unrealized gains or losses recorded in change in net assets for the years ended June 30, 2016 and 2015, for Level 3 assets and liabilities.

	2016	**2015**
Balance as of July 1	$ 19,136,462	$ 17,419,812
Purchases	6,775,524	920,582
Sales	(4,780,391)	(257,129)
Realized and unrealized gains—net	244,832	1,053,197
Balance as of June 30	$ 21,376,427	$ 19,136,462
The amount of total gains for the year included in changes in net assets attributable to the change in unrealized gains relating to assets still held at June 30	$ 244,832	$ 1,053,197

9. ENDOWMENT NET ASSETS

Catholic Charities endowment net assets consist of approximately 41 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, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (28,363)	$ 2,290,288	$ 6,395,166	$ 8,657,091
Split-interest trust agreements			883,629	883,629
Board-designated endowment funds	46,686,693			46,686,693
Total endowment funds	$ 46,658,330	$ 2,290,288	$ 7,278,795	$ 56,227,413

Endowment net asset composition by type of fund as of June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (125,497)	$ 2,194,265	$ 6,336,395	$ 8,405,163
Split-interest trust agreements			934,289	934,289
Board-designated endowment funds	46,681,836			46,681,836
Total endowment funds	$ 46,556,339	$ 2,194,265	$ 7,270,684	$ 56,021,288

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 46,556,339	$ 2,194,265	$ 7,270,684	$ 56,021,288
Investment return:				
Dividend and interest income	1,080,834	57,848	164,509	1,303,191
Realized and unrealized (losses) gains—net	(278,699)	110,004	(86,883)	(255,578)
Total investment return	802,135	167,852	77,626	1,047,613
Contributions	1,186,638	20,000	58,771	1,265,409
Appropriation of endowment assets for expenditures	(1,886,782)	(91,829)	(128,286)	(2,106,897)
Endowment net assets—end of year	$ 46,658,330	$ 2,290,288	$ 7,278,795	$ 56,227,413

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets— beginning of year	$45,756,108	$2,229,796	$7,046,185	$55,032,089
Investment return:				
Dividend and interest income	884,898	56,144		941,042
Realized and unrealized gains (losses)—net	687,000	(39,637)	114,566	761,929
Total investment return	1,571,898	16,507	114,566	1,702,971
Contributions	357,611	10,000	132,525	500,136
Appropriation of endowment assets for expenditures	(1,129,278)	(62,038)	(22,592)	(1,213,908)
Endowment net assets—end of year	$46,556,339	$2,194,265	$7,270,684	$56,021,288

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 $28,363 and $125,497 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted net assets during fiscal 2016 and 2015.

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.

In addition, investments that Catholic Charities are able to fully redeem at the NAV at the statement of financial position date, or in the "near term," have been classified as Level 2 investments. Investments that cannot be fully redeemed at the NAV in the "near term" have been classified as Level 3 investments. Investments that are not able to be redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after the statement of financial position date.

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.

Assets Measured at Fair Value—Assets measured at fair value on a recurring basis as of June 30, 2016, are as follows:

	Level 1	Level 2	Level 3	Total	Redemption Frequency	Redemption Notice Period
Short-term investments	$ 1,128,166	$ -	$ -	$ 1,128,166	Daily	1 day
Equity securities	2,721,922			2,721,922	Daily	1 day
Mutual funds—equity strategy	15,974,386			15,974,386	Daily	1 day
Mutual funds—fixed income strategy	8,344,274			8,344,274	Daily	1 day
Fixed income securities:						
U.S. Treasuries		4,948,566		4,948,566	Daily	1 day
U.S. government agencies		9,240,877		9,240,877	Daily	1 day
Corporate		7,256,290		7,256,290	Daily	1 day
Commingled fund		16,074,248		16,074,248	Daily	1 day
Subtotal	28,168,748	37,519,981	-	65,688,729		
Alternative investments:						
Marketable alternative equity			5,691,887	5,691,887	Quarterly	>90 days
Real estate			4,892,898	4,892,898	Quarterly	>90 days
Private equity			1,301,636	1,301,636	Quarterly	>90 days
Total alternative investments	-	-	11,886,421	11,886,421		
Split-interest trust agreements			883,629	883,629		
Total	$28,168,748	$37,519,981	$12,770,050	$78,458,779		

Assets measured at fair value on a recurring basis as of June 30, 2015, are as follows:

	Level 1	Level 2	Level 3	Total	Redemption Frequency	Redemption Notice Period
Short-term investments	$ 685,570	$ -	$ -	$ 685,570	Daily	1 day
Equity securities	3,931,382			3,931,382	Daily	1 day
Mutual funds—equity strategy	16,725,517			16,725,517	Daily	1 day
Mutual funds—fixed income strategy	11,261,123			11,261,123	Daily	1 day
Fixed income securities:						
U.S. Treasuries		10,019,417		10,019,417	Daily	1 day
U.S. government agencies		3,362,722		3,362,722	Daily	1 day
Corporate		6,775,357		6,775,357	Daily	1 day
Commingled fund		16,882,458		16,882,458	Daily	1 day
Subtotal	32,603,592	37,039,954	-	69,643,546		
Alternative investments:						
Marketable alternative equity			2,449,841	2,449,841	Quarterly	>90 days
Real estate			4,360,148	4,360,148	Quarterly	>90 days
Private equity			1,192,498	1,192,498	Quarterly	>90 days
Total alternative investments	-	-	8,002,487	8,002,487		
Split-interest trust agreements			934,289	934,289		
Total	$32,603,592	$37,039,954	$ 8,936,776	$78,580,322		

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, 2016 and 2015, for Level 3 assets is as follows:

	2016	**2015**
Balance—July 1	$ 8,002,487	$ 5,604,171
Purchases	4,268,654	2,461,149
Sales	(385,675)	(368,824)
Realized and unrealized gains—net	955	305,991
Balance—June 30	$ 11,886,421	$ 8,002,487
The amount of total gains or losses for the year included in changes in net assets attributable to the change in unrealized gains relating to assets still held at June 30	$ 955	$ 305,991

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. ASC 820, *Fair Value* also requires disclosure to assist in understanding the nature and risk of investments by major category for those investments that calculate an NAV.

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 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.

Commingled funds are an unregistered investment fund with a daily NAV that invests in large-cap and small-cap companies located in the United States. The commingled funds allow investors to sell their interests with a one-day notice. Such commingled funds are categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in fund of funds and hedge funds. Marketable alternative equity investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after the statement of financial position date. These marketable alternative equity investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These Level 3 investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management. Marketable alternative equity investments that can be redeemed within the "near term" are categorized in Level 2 of the fair value hierarchy. These Level 2 investments are composed of funds whose underlying securities are primarily valued based on quoted prices from an exchange.

Fixed income alternative investments are composed of hedge funds that invest in bonds. Fixed income alternative investments whose underlying assets are composed of securities that are valued based on observable transactions are generally categorized in Level 2 of the fair value hierarchy. Fixed income alternative investments whose underlying assets are not observable or whose value for underlying assets is determined using unobservable inputs are categorized as Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Real estate alternative investments are comprised of investments in diversified real estate funds. Real estate alternative investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at its NAV within 90 days after the statement of financial position date. These real estate alternative investments cannot be redeemed within the "near term" and are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Private equity investments are comprised of investments in limited partnerships and private equity funds. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management. Private equity investments are categorized in Level 3 of the fair value hierarchy.

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, 2016 and 2015, are as follows:

	2016				
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Lockup or Gate**
Commingled fund	$ 16,074,248	$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	5,691,887		Quarterly	>90 days	n/a
Real estate	4,892,898		Quarterly	>90 days	2–6 years
Private equity	1,301,636	3,698,364	Quarterly	>90 days	3–5 years
Total	$ 27,960,669	$ 3,698,364			

	2015				
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Lockup or Gate**
Commingled fund	$ 16,882,458	$ -	Daily	1 day	n/a
Alternative investments:					
Marketable alternative equity	2,449,841		Quarterly	>90 days	n/a
Real estate	4,360,148		Quarterly	>90 days	2–6 years
Private equity	1,192,498	3,807,502	Quarterly	>90 days	3–5 years
Total	$ 24,884,945	$ 3,807,502			

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of current assets, trusteed funds, current liabilities, and other liabilities approximate their fair value, as they are short term in nature. The carrying value of debt and gift annuities payable approximates its fair value as of June 30, 2016 and 2015.

12. NONCASH ASSISTANCE

During the years ended June 30, 2016 and 2015, Catholic Charities received certain food commodities with a value of approximately $3,866,990 and $4,133,263, 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 in-kind donations of gifts in the amount of $1,364,865 and $1,429,860 during the years ended June 30, 2016 and 2015, respectively, which it distributed to the families it serves.

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 78% of total revenues and support for the years ended June 30, 2016 and 2015.

Major Funder—Catholic Charities' largest government funder is the State of Illinois, who accounted for approximately 69% and 71% of the fees and grants from government agencies for the years ended June 30, 2016 and 2015, respectively. 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 19% and 29% of the total amount of fees and grants from government agencies for the years ended June 30, 2016 and 2015, 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 72% and 67% of Catholic Charities' program receivables at June 30, 2016 and 2015, 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 financial condition of Catholic Charities.

Catholic Charities is obligated to fund capital calls up to $5,000,000 in total to two of its alternative investments. As of June 30, 2016, Catholic Charities has a remaining commitment to fund $3,698,364 of the obligated $5,000,000. The fair value of this investment is $1,301,636 and $1,192,498 and is presented as investments in the combined statements of financial position as of June 30, 2016 and 2015, respectively.

15. TRANSACTIONS WITH RELATED PARTIES

Catholic Charities provides certain goods and services to various affiliated entities. A summary of the amounts due from (to) related parties, as of June 30, 2016 and 2015, is as follows:

	2016	2015
Due from Archdiocesan Pastoral Center	$ -	$ 12,919
Due from (to):		
Misericordia Home		1,271,183
Maryville Academy	(2,164)	(2,341)
Little Sisters of the Poor	(2,121)	(2,295)
St. Leo Residence LLC	1,000,443	1,061,645
Cortland Manor LLC	2,527,294	2,240,085
Total due from affiliates	3,523,452	4,581,196
Less allowance for doubtful accounts	(2,527,294)	(2,240,085)
Total due from affiliates—net	$ 996,158	$ 2,341,111

Catholic Charities provides assistance to Misericordia Home by facilitating the payment process for major construction projects on Misericordia's campus. As of June 30, 2016 and 2015, there was a receivable related to a construction project for Misericordia in the amount of $0 and $1,271,183, respectively.

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. The building was completed in August 2006. 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, 2016 and 2015, CCHDC provided funding of $526,476 in exchange for an equity ownership of 0.01% 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, 2016 and 2015, CCHDC and Catholic Charities provided operating funding of $369,606 and $308,890, respectively, and received reimbursement of $430,808 and $414,575, respectively. As of June 30, 2016 and 2015, the net due from St Leo LLC was $1,000,443 and $1,061,645, respectively. This amount has been 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. The building was completed in July 2003. 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, 2016 and 2015, CCHDC has provided funding to the Cortland Manor LLC of $105,734 in exchange for an equity ownership of 0.01% 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, 2016 and 2015, Catholic Charities provided operating funding of $767,209 and $817,211, respectively, and received reimbursement of $480,000 and $575,000, respectively. As of June 30, 2016 and 2015, the net due from Cortland Manor LLC was $2,527,294 and $2,240,085, respectively. As of June 30, 2016 and 2015, this receivable includes a reserve for doubtful accounts of $2,527,294 and $2,240,085, respectively. The net amount has been 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 prior written approval from HUD. In 2016, Catholic Charities received instruction from HUD that any residual receipts generated which are in excess of $250 per unit will be required to be repaid to HUD. The amount expected to be repaid to HUD is $1,217,921 as of June 30, 2016. Prior to receiving this instruction, residual receipts were included in net assets. As of June 30, 2016, a residual receipts payable was established. Residual receipt recapture expense of $1,165,297 was recognized in fiscal year 2016 relating to residual receipts generated in prior years. Residual receipts recapture expense generated during fiscal year 2016, $52,624, is reflected as an adjustment to Fees and grants from governmental agencies.

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

Years Ending June 30	
2017	$ 625,107
2018	109,934
2019	4,930
2020	-
2021	306,092
Thereafter	171,858
	$ 1,217,921

17. ACQUISITIONS

Effective July 1, 2015, Catholic Charities entered into a transfer agreement with the Sisters of the Good Shepherd Province of Mid-North America to assume sponsorship and obtain control of the House of the Good Shepherd and its assets and liabilities. No consideration was paid for the acquisition. House of the Good Shepherd is a domestic violence shelter for women and children. The fair value of the net assets acquired on July 1, 2015 was

$1,622,449. As no consideration was paid for the acquisition, an inherent contribution of $1,622,449 was recorded in the Statement of Activities and Changes in Net (Deficit) Assets. The results of the operations beginning July 1, 2015 for House of the Good Shepherd are included in the combined financial statements of Catholic Charities.

Effective January 1, 2016, Catholic Charities entered into a transfer agreement with the Comboni Missionaries of the Heart of Jesus, Inc. to assume sponsorship and obtain control of Peace Corner and its assets and liabilities. No consideration was paid for the acquisition. Peace Corner operates a youth center which provides a safe haven for youth in a neighborhood usually characterized by violence and crime. The fair value of the net assets acquired on January 1, 2016 was $1,917,385. As no consideration was paid for the acquisition, an inherent contribution of $1,917,385 was recorded in the Statement of Activities and Changes in Net (Deficit) Assets. The results of the operations of Peace Corner beginning January 1, 2016 are included in the combined financial statements of Catholic Charities.

18. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through December 19, 2016, which is the date the combined financial statements were available to be issued and concluded no subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

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SUPPLEMENTAL INFORMATION

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

	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	$ 21,044,997	$ 98,196	$ 1,004,049	$ 43,114	$ 28,963	$(20,211)	$ -	$ 69,603	$ 47,939	$ 346,780	$ 257,961	$ -	$ 22,921,391
Receivables—net	27,975,738		169,243	106,456	45,025			3,379	1,095,896	92,187	62,500		29,550,424
Prepaid and other assets	1,309,321	93,732	52,397	1,986	1,886	659		541	22,462	19,584	298		1,502,866
Due from affiliates—net	1,224,672	17,532,249								910,324		(18,671,087)	996,158
Total current assets	51,554,728	17,724,177	1,225,689	151,556	75,874	(19,552)	-	73,523	1,166,297	1,368,875	320,759	(18,671,087)	54,970,839
INVESTMENTS	77,413,655	632,210							161,495				78,207,360
LONG-TERM RECEIVABLES	879,401	8,029,028										(2,594,178)	6,314,251
OTHER NONCURRENT ASSETS	935,740	58,776	9,951,806		156,207				11,565				11,114,094
LAND, BUILDINGS, AND EQUIPMENT—Net	21,601,365	331,476	140,318,350	5,866	1,377,346	78,511			17,969,592	188,874	1,629,300		183,500,680
TOTAL	$152,384,889	$26,775,667	$151,495,845	$ 157,422	$1,609,427	$ 58,959	$ -	$ 73,523	$19,308,949	$1,557,749	$1,950,059	$ (21,265,265)	$334,107,224
LIABILITIES AND NET (DEFICIT) ASSETS													
CURRENT LIABILITIES:													
Accounts payable and accrued compensation	$ 8,792,010	$ 39,390	$ 1,210,625	$ 11,378	$ 6,204	$ 1,006	$ -	$ 6,413	$ 585,135	$ 53,988	$ 6,572	$ -	$ 10,712,721
Interest payable	191,126		149,481		1,200								341,807
Due to governmental agencies	2,350,914												2,350,914
Due to affiliates—net			5,526,055	1,344,884	1,326,154	74,744	(34,654)	493,866	12,564,620	187,889	(218,293)	(21,265,265)	
Current portion of other liabilities	896,103		625,107						17,425				1,538,635
Contractual current portion of long-term debt	40,167	10,818	34,696										85,681
Total current liabilities	12,270,320	50,208	7,545,964	1,356,262	1,333,558	75,750	(34,654)	500,279	13,167,180	241,877	(211,721)	(21,265,265)	15,029,758
OTHER NONCURRENT LIABILITIES	2,136,503		1,013,246			3,782			279,090	1,960			3,434,581
RETIREMENT BENEFITS LIABILITIES (CURRENT AND NONCURRENT)	148,662,101												148,662,101
REFUNDABLE GRANT ADVANCES		934,629	153,460,279		500,000								154,894,908
LONG-TERM DEBT—Less current portion	3,319,633	10,070,000	7,136,603		736,600								21,262,836
Total liabilities	166,388,557	11,054,837	169,156,092	1,356,262	2,570,158	79,532	(34,654)	500,279	13,446,270	243,837	(211,721)	(21,265,265)	343,284,184
NET (DEFICIT) ASSETS	(14,003,668)	15,720,830	(17,660,247)	(1,198,840)	(960,731)	(20,573)	34,654	(426,756)	5,862,679	1,313,912	2,161,780		(9,176,960)
TOTAL	$152,384,889	$26,775,667	$151,495,845	$ 157,422	$1,609,427	$ 58,959	$ -	$ 73,523	$19,308,949	$1,557,749	$1,950,059	$ (21,265,265)	$334,107,224

See accompanying Independent Auditors' Report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIT) ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

				Options for Housing									
	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Homelessness Prevention Call Center	Cooke's Manor, LLC	Other	St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
REVENUE:													
Fees and grants from governmental agencies	$135,040,937	$ -	$ 12,273,409	$ 471,020	$ 475,461	$ -	$ -	$ -	$ 6,951,279	$ -	$ -	$ -	$155,212,106
Program service fees	8,790,924	62,975	5,043,019		35,414	18,961		269,476	5,604,479	8,371	3,620	(1,814,136)	18,023,103
Contributions	25,659,840		200	159,996	47,980				275,908	855,858	400,203		27,399,985
United Way	444,362	153		16,916	9,996					2,569			473,996
Other revenue	67,171							(31,484)					35,687
Inherent contributions										1,622,449	1,917,385		3,539,834
Investment income	722,024	271,167			158,299				74	12,840			1,164,404
Total revenue	170,725,258	334,295	17,316,628	647,932	727,150	18,961	-	237,992	12,831,740	2,502,087	2,321,208	(1,814,136)	205,849,115
EXPENSES:													
Salaries	67,202,501	17,678	3,421,150	360,547	338,439			121,410	5,114,915	539,784	42,935		77,159,359
Employee benefits/payroll taxes	28,677,237	7,914	1,719,525	174,864	123,436		(922)	39,218	1,724,391	162,404	26,304		32,654,371
Total salaries and related expenses	95,879,738	25,592	5,140,675	535,411	461,875	-	(922)	160,628	6,839,306	702,188	69,239	-	109,813,730
Food purchases	33,602,322			94	3,831			169,278	364,288	700		(177,252)	33,963,261
Specific assistance to individuals	14,466,651				99				(3,831)	759	536		14,464,214
Occupancy	8,359,708	24,835	3,288,968	49,815	84,613	12,003		17,399	467,033	70,816	15,999	(51,048)	12,340,141
Supplies	2,967,011	84	500,502	2,932	37,693	14		2,875	857,218	20,498	10,567		4,399,394
Professional fees and contract service payments	9,907,612	33,431	2,856,157	75,613	192,224	302		7,716	2,060,652	141,625	21,151	(328,104)	14,968,379
Telephone	1,712,830	2,668	184,560	21,766	8,323			5,712	37,044	15,837	4,106		1,992,846
Outside printing	423,824	100	536		50				4,764	9,141			438,415
Local transportation	2,116,278	(100)	48,316	958	5,490			17,315	28,619	4,853	2,041		2,223,770
Conferences, conventions, and meetings	1,678,307	44	1,284,028	360	30,826			100	20,201	918	1,162	(1,257,732)	1,758,214
Membership dues and subscriptions	170,819		42,364	597	573			1,223	23,927		164		239,667
Awards and grants	30,830			14									30,844
Interest and financing costs	104,953	91,397	421,674						30,319				648,343
Payments to affiliates	4,284												4,284
Distribution of in-kind gifts	1,339,421									87,768			1,427,189
Retirement benefit-related changes other than net periodic cost	27,419,870												27,419,870
Miscellaneous	1,215,154	20,647	1,202,885	251	371			1,930	292,100	3,351	744		2,737,433
Total expenses before depreciation and allocation of management and general expenses	201,399,612	198,698	14,970,665	687,811	825,968	12,319	(922)	384,176	11,021,640	1,058,454	125,709	(1,814,136)	228,869,994
Depreciation	2,251,019	8,298	3,193,150	1,051	78,151	6,537		6,487	708,412	48,135	24,186		6,325,426
Allocation of management and general expenses	(2,619,531)	18,520	1,389,977	56,380	73,995	1,597		33,239	954,704	81,586	9,533		
Total expenses	201,031,100	225,516	19,553,792	745,242	978,114	20,453	(922)	423,902	12,684,756	1,188,175	159,428	(1,814,136)	235,195,420
CHANGE IN NET (DEFICIT) ASSETS	(30,305,842)	108,779	(2,237,164)	(97,310)	(250,964)	(1,492)	922	(185,910)	146,984	1,313,912	2,161,780	-	(29,346,305)
NET ASSETS (DEFICIT)—Beginning of year	16,257,624	15,612,051	(15,423,083)	(1,101,530)	(709,767)	(19,081)	33,732	(240,846)	5,715,695				20,124,795
INTERAGENCY TRANSFER	44,550												44,550
NET (DEFICIT) ASSETS—End of year	$ (14,048,218)	$15,720,830	$ (17,660,247)	$ (1,198,840)	$(960,731)	$(20,573)	$34,654	$(426,756)	$ 5,862,679	$1,313,912	$2,161,780	$ -	$ (9,221,510)

See accompanying Independent Auditors' Report.

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Catholic Charities of the Archdiocese of Chicago	Catholic Charities Housing Development Corporation	Federally Assisted Residences	Options for Housing: Homelessness Prevention Call Center	Options for Housing: Cooke's Manor, LLC	Options for Housing: Other	St. Joseph Carondelet	Social Enterprise Initiatives	Holy Family Villa	House of the Good Shepherd	Peace Corner	Eliminating Entries	Total
CASH FLOWS FROM OPERATING ACTIVITIES:													
(Decreases) increases in net assets	$ (30,261,292)	$ 108,779	$ (2,237,164)	$(97,310)	$(250,964)	$ (1,492)	$ 922	$(185,910)	$ 146,984	$ 1,313,912	$ 2,161,780	$ -	$ (29,301,755)
Adjustments to reconcile increases (decreases) in net assets to net cash provided by (used in) operating activities:													
Retirement benefit changes other than net periodic cost	27,419,870												27,419,870
Net gain on disposal of fixed assets	99,263							31,483					130,746
Depreciation	2,251,019	8,298	3,193,150	1,051	78,151	6,537		6,487	708,412	48,135	24,186		6,325,426
Residual receipt recapture			1,217,921										1,217,921
Amortization of deferred debt issuance costs		5,111											5,111
Net realized gain on investments	(69,444)												(69,444)
Net unrealized loss on investments	741,213								4,566				745,779
Change in fair value of split-interest trust agreements	50,660												50,660
Contributions restricted for permanent endowment	(58,771)												(58,771)
Contributed investments	(690,887)												(690,887)
Inherent contributions										(1,622,449)	(1,917,385)		(3,539,834)
Interagency transfer	(44,550)												(44,550)
Amortization of discount on note payable	83,523												83,523
Changes in operating accounts:													
Receivables	1,870,598	(1,200)	789,471	43,704	3,538			28,666	344,501	(92,187)	3,000	(23,670)	2,966,421
Prepaid and other assets	196,624	4,497	(17,044)	(68)	(331)	330		14,166	(17,828)	3,704	(298)		183,752
Due (to) from affiliates	3,039,902	(481,936)	(775,993)	40,092	168,686	(11,285)	(922)	77,731	(1,167,930)	458,719	(218,293)	216,182	1,344,953
Accounts payable and accrued compensation	(1,950,524)	16,649	(91,555)	6,296	(4,550)	241		(19,052)	55,765	(101,138)	3,312	23,670	(2,060,886)
Pension and postretirement benefits	5,467,147												5,467,147
Security deposits			12,845			2			64,357	1,960			79,164
Gift annuities payable	(138,144)												(138,144)
Other liabilities	(1,840,630)	1,737	(953)					(3,025)	(47,929)				(1,890,800)
Net cash provided by (used in) operating activities	6,165,577	(338,065)	2,090,678	(6,235)	(5,470)	(5,667)	-	(49,454)	90,898	10,656	56,302	216,182	8,225,402
CASH FLOWS FROM INVESTING ACTIVITIES:													
Land, buildings, and equipment purchased or constructed	(894,226)	(3,963)	(1,115,160)						(103,541)				(2,116,890)
Net purchases/sales of investments	90,077								(4,642)				85,435
Cash in loan receivable		216,182										(216,182)	
Assets transferred—affiliate	44,550												44,550
Proceeds from sale of fixed assets	3,942												3,942
Cash transferred from acquisition of other entities										336,124	201,659		537,783
Changes in assets whose use is limited	1,195,133		(505,227)		(7,268)				4,996				687,634
Net cash provided by (used in) investing activities	439,476	212,219	(1,620,387)	-	(7,268)	-	-	-	(103,187)	336,124	201,659	(216,182)	(757,546)

(Continued)

CATHOLIC CHARITIES OF THE ARCHDIOCESE OF CHICAGO

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	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	$ (268,456)	$ -	$ (137,708)	$ -	$ (1,200)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (407,364)
Contributions restricted for permanent endowment	58,771												58,771
Net cash (used in) provided by financing activities	(209,685)	-	(137,708)	-	(1,200)	-	-	-	-	-	-	-	(348,593)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,395,368	(125,846)	332,583	(6,235)	(13,938)	(5,667)		(49,454)	(12,289)	346,780	257,961	-	7,119,263
CASH AND CASH EQUIVALENTS—Beginning of year	14,649,629	224,042	671,466	49,349	42,901	(14,544)		119,057	60,228				15,802,128
CASH AND CASH EQUIVALENTS—End of year	$ 21,044,997	$ 98,196	$ 1,004,049	$ 43,114	$ 28,963	$(20,211)	$ -	$ 69,603	$ 47,939	$ 346,780	$ 257,961	$ -	$ 22,921,391
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:													
Cash paid for interest	$ 110,028	$ 89,660	$ 422,627	$ -	$ -	$ -	$ -	$ -	$ 30,319	$ -	$ -	$ -	$ 652,634
Contributed investments	$ 690,887	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 690,887
Accounts payable for fixed asset additions	$ 10,687	$ -	$ 98,174	$ -	$ -	$ -	$ -	$ -	$ 43,662	$ -	$ -	$ -	$ 152,523
Inherent Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,622,449	$ 1,917,385	$ -	$ 3,539,834

(Concluded)

See accompanying Independent Auditors' Report.