ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Financial Statements and
Supplementary Financial Information

June 30, 2018 and 2017

(With Independent Auditors’ Report Thereon)

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
Associated Catholic Charities, Inc.:

We have audited the accompanying combined financial statements of Associated Catholic Charities, Inc. and affiliated organizations, which comprise the combined statements of financial position as of June 30, 2018 and 2017, the related combined statements of activities, changes in net assets, and cash flows for the years then ended, and the combined statement of program operating expenses for the year ended June 30, 2018, 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 U.S. generally accepted accounting principles; 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 auditors' 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 the entity's 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 the entity's 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 Associated Catholic Charities, Inc. and affiliated organizations as of June 30, 2018 and 2017, and the combined changes in their net assets and their cash flows for the years then ended, and their combined program expenses for the year ended June 30, 2018, in accordance with U.S. generally accepted accounting principles.

Other Matter – Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

KPMG LLP

October 29, 2018

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

June 30, 2018 and 2017

Assets		**2018**	**2017**
Cash and cash equivalents	$	3,632,536	4,919,854
Restricted cash		2,896,322	2,836,909
Accounts receivable, less allowance for doubtful accounts (2018 – $481,420; 2017 – $928,779)		15,778,681	15,697,645
Prepaid expenses and other assets		2,998,860	3,220,574
Investments, at fair value		81,986,086	74,417,000
Property and equipment:			
Land and improvements		19,419,222	19,381,650
Buildings		234,636,081	234,987,381
Equipment		24,239,027	23,490,276
Construction in progress		235,430	24,293
		278,529,760	277,883,600
Accumulated depreciation		(140,404,018)	(132,530,737)
		138,125,742	145,352,863
Total assets	$	245,418,227	246,444,845
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	5,910,455	5,890,957
Accrued salaries and benefits		6,831,932	7,130,459
Accrued interest		1,257,613	1,341,266
Borrowings under line of credit		2,329,000	—
Deferred revenue		1,146,471	1,210,750
Due to Archdiocese		3,817,053	5,514,382
Other liabilities		6,779,093	6,354,537
Capital advances		98,722,922	98,722,922
Mortgages and bonds payable		51,874,327	54,363,239
Total liabilities		178,668,866	180,528,512
Net assets:			
Unrestricted – controlling interest		10,584,162	12,113,516
Unrestricted – noncontrolling interest		9,438,833	10,535,696
Total unrestricted		20,022,995	22,649,212
Temporarily restricted		21,862,371	19,223,641
Permanently restricted		24,863,995	24,043,480
Total net assets		66,749,361	65,916,333
Total liabilities and net assets	$	245,418,227	246,444,845

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Activities

Years ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:								
Purchase of services by governmental agencies	$ 113,358,564	—	—	113,358,564	117,238,760	—	—	117,238,760
Purchase of services – other	1,858,136	—	—	1,858,136	1,988,213	—	—	1,988,213
Program service fees	7,754,054	—	—	7,754,054	8,089,300	—	—	8,089,300
Contributions, fundraising, and donated goods and services	11,670,942	2,846,293	—	14,517,235	11,506,390	4,375,326	—	15,881,716
Rental income	8,060,066	—	—	8,060,066	8,023,341	—	—	8,023,341
Other	330,994	—	—	330,994	361,381	—	—	361,381
Net assets released from restrictions	4,701,164	(4,701,164)	—	—	5,862,365	(5,862,365)	—	—
Total revenue	147,733,920	(1,854,871)	—	145,879,049	153,069,750	(1,487,039)	—	151,582,711
Program operating expenses:								
Family services	66,044,852	—	—	66,044,852	65,519,295	—	—	65,519,295
Community services	29,452,695	—	—	29,452,695	29,285,866	—	—	29,285,866
Senior services	42,717,955	—	—	42,717,955	47,959,555	—	—	47,959,555
Fundraising and awareness	3,100,526	—	—	3,100,526	3,053,486	—	—	3,053,486
Management and general	15,052,373	—	—	15,052,373	15,357,377	—	—	15,357,377
Total expenses	156,368,401	—	—	156,368,401	161,175,579	—	—	161,175,579
Total expenses in excess of total revenue	(8,634,481)	(1,854,871)	—	(10,489,352)	(8,105,829)	(1,487,039)	—	(9,592,868)
Nonoperating revenue (expense):								
Endowments and other gifts, including changes in donor's restrictions (note 8)	2,000,200	—	809,333	2,809,533	69,765	—	25,206	94,971
Investment income, net (including net unrealized gains: 2018 – $3,290,831; 2017 – $3,678,859)	3,014,522	4,728,171	11,182	7,753,875	3,070,340	4,490,359	11,570	7,572,269
Other, net	454,057	—	—	454,057	139,515	50,000	—	189,515
Net assets released from restrictions	234,570	(234,570)	—	—	198,897	(198,897)	—	—
Total nonoperating revenue	5,703,349	4,493,601	820,515	11,017,465	3,478,517	4,341,462	36,776	7,856,755
Change in net assets	(2,931,132)	2,638,730	820,515	528,113	(4,627,312)	2,854,423	36,776	(1,736,113)
Change in net assets – noncontrolling interest	(1,401,778)	—	—	(1,401,778)	(1,338,183)	—	—	(1,338,183)
Change in net assets – controlling interest	$ (1,529,354)	2,638,730	820,515	1,929,891	(3,289,129)	2,854,423	36,776	(397,930)

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Changes in Net Assets

Years ended June 30, 2018 and 2017

		Unrestricted controlling interest	Unrestricted noncontrolling interest	Total unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Net assets as of June 30, 2016	$	15,402,645	9,281,781	24,684,426	16,369,218	24,006,704	65,060,348
Change in net assets from activities		(3,289,129)	(1,338,183)	(4,627,312)	2,854,423	36,776	(1,736,113)
Partner contributions		—	2,592,098	2,592,098	—	—	2,592,098
Net assets as of June 30, 2017		12,113,516	10,535,696	22,649,212	19,223,641	24,043,480	65,916,333
Change in net assets from activities		(1,529,354)	(1,401,778)	(2,931,132)	2,638,730	820,515	528,113
Partner contributions		—	304,915	304,915	—	—	304,915
Net assets as of June 30, 2018	$	10,584,162	9,438,833	20,022,995	21,862,371	24,863,995	66,749,361

See accompanying notes to the combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	528,113	(1,736,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		8,627,929	9,039,738
Provision for bad debts		1,294,697	2,597,258
Change in fair value of interest rate swap and cap		(303,282)	(483,846)
Unrealized gain on investments, net		(3,290,831)	(3,678,859)
Realized gain on sale of investments, net		(2,895,391)	(2,617,507)
Deferred interest expense		88,078	299,244
Loss (gain) on disposal of property and equipment		(277,168)	136,768
Contributions restricted for long-term investment		(809,333)	(25,206)
Change in accounts receivable, net		(1,375,733)	2,084,296
Change in prepaid expenses and other assets		169,970	(388,973)
Change in accounts payable, accrued interest, and accrued salaries and benefits		(236,585)	(1,834,853)
Change in due to Archdiocese		(1,697,329)	(1,534,998)
Change in deferred revenue		(64,279)	443,806
Change in other liabilities		705,624	1,785,242
Net cash provided by operating activities		464,480	4,085,997
Cash flows from investing activities:			
Change in restricted cash		(59,413)	1,092,025
Purchase of property and equipment		(1,843,434)	(2,937,112)
Proceeds from the sale of property and equipment		799,000	508
Purchase of investments		(32,227,085)	(35,109,193)
Proceeds from sales and maturities of investments		30,842,502	37,438,681
Net cash (used in) provided by investing activities		(2,488,430)	484,909
Cash flows from financing activities:			
Change in contributions receivable		(7,247)	46,554
Contributions restricted for long-term investment		809,333	25,206
Change in debt issuance costs		—	25,617
Borrowings (repayments) under line of credit		2,329,000	(3,359,000)
Other debt proceeds		117,241	57,973
Other debt repayment		(2,816,610)	(2,321,203)
Capital contribution		304,915	2,592,098
Net cash provided by (used in) financing activities		736,632	(2,932,755)
(Decrease) increase in cash and cash equivalents		(1,287,318)	1,638,151
Cash and cash equivalents at beginning of year		4,919,854	3,281,703
Cash and cash equivalents at end of year	$	3,632,536	4,919,854
Supplemental disclosure of cash flow information:			
Purchase of fixed asset additions in accounts payable	$	281,423	283,423

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Program Operating Expenses

Year ended June 30, 2018 (with summary totals for 2017)

		Family services	Community services	Senior services	Fundraising and Awareness	Management and general	Total expenses June 30, 2018	Total expenses June 30, 2017
Salaries	$	39,681,024	13,881,762	15,238,839	1,353,661	8,877,858	79,033,144	79,331,512
Employee benefits and payroll taxes		11,517,247	4,232,993	4,070,442	398,633	2,258,780	22,478,095	23,251,666
Total employee compensation		51,198,271	18,114,755	19,309,281	1,752,294	11,136,638	101,511,239	102,583,178
Occupancy		4,302,393	3,979,388	6,879,018	148,646	1,172,565	16,482,010	15,895,502
Professional fees and contractual services		1,846,910	811,153	4,333,348	432,325	732,048	8,155,784	9,475,653
Food and other supplies		2,037,840	2,111,040	2,500,524	7,870	51,461	6,708,735	7,484,161
Transportation		1,067,214	170,090	165,850	13,017	36,267	1,452,438	1,543,174
Direct assistance		1,029,857	2,150,385	—	—	1,563	3,181,805	3,453,329
Postage, printing, and publications		103,874	70,397	130,997	406,110	45,453	756,831	757,474
Provision for bad debts		211,652	22,674	1,057,604	2,767	—	1,294,697	2,597,258
Interest expense		740,428	6,486	972,932	—	(211,913)	1,507,933	1,636,506
Depreciation		2,175,376	1,106,151	5,147,820	1,199	116,177	8,546,723	8,751,958
Other		1,331,037	910,176	2,220,581	336,298	1,972,114	6,770,206	6,997,386
Total program expenses	$	66,044,852	29,452,695	42,717,955	3,100,526	15,052,373	156,368,401	161,175,579
Total program expenses 2017	$	65,519,295	29,285,866	47,959,555	3,053,486	15,357,377	—	161,175,579

See accompanying notes to combined financial statements.

(1) Organization and Significant Accounting Policies

The significant accounting principles and policies followed by Associated Catholic Charities, Inc. (ACC) and its affiliated organizations (collectively, Catholic Charities or the Organization) are summarized below:

(a) Organization

Catholic Charities is a nonprofit human services agency that provides services to children and families, the elderly, the disadvantaged, and people with developmental disabilities. Catholic Charities operates more than 80 programs in the city of Baltimore and throughout Maryland.

Catholic Charities' Mission: Inspired by the Gospel mandates to love, serve, and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need.

(b) Affiliated Organizations

The combined financial statements include all organizations operating under the auspices of Associated Catholic Charities, Inc., including Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., Basilica Place Limited Partnership, and BPL, Inc.

Pursuant to an Asset Purchase Agreement dated April 28, 2017, Catholic Charities Nursing, Inc. (formerly, ACC Greenhouse Residences, Inc.) sold its fixed assets at book value ($0.1 million) and transferred its operations to a third party effective August 1, 2017. Total revenue included in accompanying financial statements for the year ended June 30, 2017 was $5.3 million. As a result, Catholic Charities Nursing, Inc. has ceased operations.

All significant intercompany accounts and transactions have been eliminated. All of the combined organizations operate under the control of the Roman Catholic Archbishop of Baltimore (the Archdiocese).

(Continued)

(c) Basis of Presentation

Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes, primarily program services.

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as temporarily restricted until appropriated for expenditure. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions, which reflect reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(d) Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Cash Equivalents

Catholic Charities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except any such securities held by external investment managers are classified with the respective assets.

(f) Restricted Cash

Restricted cash represents cash held for various restricted purposes, including client funds, tenant security deposits, construction, and certain reserves for replacements.

(g) Allowance for Doubtful Accounts

Catholic Charities' policy is to write off all accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for amounts not yet written off, which are estimated to be uncollectible based upon specific review of accounts.

(h) Investments

Investments in mutual funds, U.S. government and agency obligations, corporate bonds, including asset-backed securities, and common stocks are reported at fair value, based primarily upon quoted market prices. Private investment funds are stated at estimated fair value based on the funds' net asset value (NAV), as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2018 and 2017, the Organization had no plans or intentions to sell the private investment funds at an amount different from NAV. Realized and unrealized gains and losses are reflected in the combined statements of activities. Investment transactions are recorded on a trade date basis.

(i) Concentration of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of investment risk include cash and cash equivalents, and investments in debt and equity securities. The Organization's investments are overseen by the Investment Committee of the board of directors in accordance with Catholic Charities' investment policy. Members of the Investment Committee are experienced in investment and financial management. Though the market value of investments is subject to market fluctuations, Catholic Charities believes that its investment policy is prudent for the long-term welfare of the Organization. Based on the Organization's ability to access cash and other short-term investments, Catholic Charities does not anticipate having to sell these investments in the foreseeable future except for regular draws needed to support the Organization's annual operating needs.

Revenue from federal, state, and local governments represents a significant portion of the Organization's total revenue. Changes in federal and state funding mechanisms, changes in regulatory requirements, and related government budgetary constraints could have an adverse effect on Catholic Charities.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the government entities and organizations from whom the amounts are due.

(j) Property and Equipment

Property and equipment include assets intended for ongoing use in operations and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 25 to 40 years for buildings and improvements and 3 to 20 years for equipment. Maintenance and repairs are charged to expense as incurred.

(k) Purchase of Services by Governmental Agencies

Purchase of services revenue is recognized on the accrual basis of accounting, as services are rendered, in accordance with the contractual terms of the purchase of service agreements with governmental agencies. Cash received in advance is deferred until earned. Services provided by Catholic Charities under these agreements consist primarily of the operation of residential care facilities to provide the basic care, health, social service, and special education needs of physically handicapped and developmentally disabled children and adults and intensive diagnostic, stabilization, and treatment services to children with severe emotional behavioral challenges. In addition, Catholic Charities operates extended-care facilities, nursing homes, low-income senior housing communities, and early education, child development, and intervention services for low-income children and their families.

The Organization operates a residential treatment center whereby services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. The Organization bills and receives an interim per diem rate during the year, which generally differs from the target rate cost basis for which revenue is recognized. The Organization ultimately settles final payment based upon an audited cost report filing of the residential treatment center's operating expenses.

(l) Program Service Fees

Program service fees are charged primarily to facility residents and program participants for the cost of care and services rendered that are not funded by a governmental agency assistance program or collected from third-party payors pursuant to the cost reimbursement methodology in effect for eligible participants.

(m) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, giving consideration to estimated future cash flows and a risk adjusted interest rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of credit worthiness of the donors and past collection experience.

(n) Donated Goods and Services

Donated goods and certain contributions of services are recorded at their estimated fair values on the date of contribution. Contributions of services are recognized as revenue if the services received create or enhance nonfinancial assets or are performed by individuals requiring specialized skills. Revenue and expenses from donated goods and services recognized in 2018 and 2017 were $1.9 million and $1.7 million, respectively. Catholic Charities receives a significant amount of volunteer services, which do not meet the above criteria for recognition in the combined financial statements. Accordingly, the value of these services has not been recorded in the accompanying combined financial statements.

(o) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable gift annuity agreements. Assets held under these agreements are included in investments and are recorded at fair value. Liabilities are recorded for the present value of the estimated future payments to be made to the donors or beneficiaries. As of June 30, 2018 and 2017, assets under the charitable annuity agreements were \$1.3 million and \$1.1 million, respectively, and the related liabilities as of June 30, 2018 were \$0.9 million, and \$0.8 million in 2017.

(p) Capital Advances

Capital advances from the U.S. Department of Housing and Urban Development (HUD) to finance rental housing projects are considered liabilities until the period of compliance, generally 40 years, has expired. These advances do not bear interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households.

(q) Rental Income

Rental payments received from residents of the Organization's low-income senior housing communities are recognized as revenue in the month earned. Prepayments by residents are deferred and applied to subsequent months. Substantially all residents qualify for resident housing assistance funds under Section 8 of the National Housing Act as administered by HUD or qualify for government-funded rent subsidy payments. Resident housing assistance funds that are recorded in purchase of services by governmental agencies aggregated \$10.9 million and \$10.6 million in 2018 and 2017, respectively.

(r) Nonoperating Revenue (Expense)

Nonoperating revenue (expense) primarily consists of contributions for endowment and donor advised funds, capital, and capital grants, as well as investment income (net of investment expenses), including realized and unrealized gains and losses.

(s) Income Taxes

As an affiliate of the Archdiocese, Catholic Charities and its affiliated organizations, except as set forth below, are included in the Official Catholic Directory and thus are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements.

St. Mark's Housing, Inc., Hollins Ferry Road Apartments, Inc., Belair Senior Housing, Inc., Village Crossroads Senior Housing, Inc., and BPL, Inc. are for-profit corporations subject to federal income taxes under the Internal Revenue Code. St. Mark's L/P, Hollins Ferry Senior Housing L/P, Belair L/P, Village Crossroads Senior Housing L/P, and Basilica Place L/P are limited partnerships. No provision for income taxes was required in 2018 or 2017.

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(t) Interest Rate Swaps and Cap Agreement

Catholic Charities is a party to interest rate swap and cap agreements to protect against interest rate risks associated with its variable rate Maryland Industrial Development Financing Authority (MIDFA) Bonds, Series 2013. The fair value of these agreements is recorded as an asset or a liability in the combined statements of financial position. The gain or loss resulting from changes in fair value of these instruments is recognized as interest expense in the combined statements of activities.

(u) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

(v) Noncontrolling Interests

Noncontrolling interests are reported within unrestricted net assets on the combined statements of financial position and represent Catholic Charities' noncontrolling interest in three low-income senior housing partnerships. During the fiscal years ended June 30, 2018 and 2017, the limited partner in the Basilica Place Limited Partnership and the Village Crossroads Senior Housing Limited Partnership made equity contributions aggregating $0.3 million and $2.6 million, respectively.

(w) Related Parties

Members of the Organization's board of directors may, from time to time, be associated, either directly or indirectly, with companies doing business with Catholic Charities, particularly in the areas of banking and investment services. When such relationships exist, measures are taken to mitigate any actual or perceived conflicts, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration.

(x) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* The primary changes, which will affect the look and feel of most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is evaluating the impact of the new standard on its combined financial statements.

(Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Under the new provision, all lessees will report on the balance sheet a right-of-use asset and a liability for the obligation to make payments with the exception of those leases with a term of 12 months or less. The new provision will be effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is evaluating the expected impact of this standard on its combined financial statements.

In May 2014, the FASB amended Accounting Standards Codification (ASC) *(Topic 605), Revenue Recognition,* and created ASC *(Topic 606) Revenue from Contracts with Customers,* as amended. The ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner that reflects the consideration to which the entity expects to be entitled for goods or services. The new requirements may be implemented either retrospectively for all periods presented (i.e., the full retrospective approach), or retrospectively with a cumulative-effect adjustment at the date of the initial application (i.e., the modified retrospective approach). In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities,* or as exchange (reciprocal) transactions subject to other guidance and in determining whether a contribution is conditional. This ASU should be applied on a modified prospective basis with retrospective application permitted. The guidance will be applicable in fiscal years beginning after December 15, 2018. The Organization is evaluating the expected impact of the aforementioned standards and related emerging guidance on its combined financial statements.

(2) Investments

Investments consist of the following as of June 30, 2018 and 2017:

		2018	2017
Certificates of deposit and cash	$	6,803,500	7,070,775
Mutual funds		24,138,887	20,875,323
U.S. government and agency obligations		10,093,151	9,660,904
Corporate bonds		4,847,439	4,861,504
Common stocks		34,093,321	30,114,787
Asset backed securities		843,471	815,753
Private investment funds		1,166,317	1,017,954
	$	81,986,086	74,417,000

(3) Borrowings under Line of Credit

Catholic Charities has a line-of-credit agreement that provides for borrowings up to $20 million. Borrowings under the bank line bear interest, payable monthly, at 125 basis points over the 30-day LIBOR. As security for the line of credit, Catholic Charities granted the bank a security interest in certain revenue, cash receipts, and certain real and personal property, all as defined in the agreement. The outstanding balance on the line of credit, which expires May 31, 2019, but can be extended at the sole discretion of the lender, was $2.3 million and $0 million as of June 30, 2018 and 2017, respectively.

Interest paid on line-of-credit borrowings was $26,678 and $46,641 in fiscal years 2018 and 2017, respectively.

As of June 30, 2018 and 2017, Catholic Charities had outstanding irrevocable letters of credit of $1.1 million issued primarily to the State as security for self-funded unemployment insurance programs and to secure certain HUD and other development projects.

(4) Capital Advances

Capital advances from HUD are used to assist in financing rental housing projects. These advances bear no interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households for a period of 40 years, after which the advances shall be deemed to be forgiven. Upon default, however, the entire principal sum and interest per annum at a rate ranging from 3.0% to 8.375% would become due and payable. Capital advances aggregated $98.7 million as of June 30, 2018 and 2017.

(5) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2018 and 2017:

	2018	2017
ACC MIDFA Bonds, Series 2013	$ 13,380,417	14,550,417
HUD 202 Projects – Mortgages	25,468,757	26,187,747
Other mortgages	13,025,153	13,625,075
	$ 51,874,327	54,363,239

(a) ACC MIDFA Bonds, Series 2013

In June 2013, Catholic Charities issued Economic Development Refunding Revenue Bonds through the MIDFA, in the amount of $19.1 million (Series 2013 Bonds). The bonds, which mature in 2035, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MEDCO Bonds Series 1999, 2002, and 2004 Issues, its MIDFA Bonds Series 2009 Issue, and Jenkins Memorial Nursing Home's MEDCO Bonds Series 1997 Issue. At June 2023, the bank has the right to put the bonds back to Catholic Charities in an amount equal to the then remaining principal balance. Jenkins Memorial Nursing Home, Inc. is a limited guarantor under the bank loan.

The Series 2013 Bonds are repayable in monthly principal installments, beginning in July 2013 of $92,000, increasing annually to monthly payments of $110,000 in July of 2022, then decreasing to the final payment of $51,000 in June 2035. Interest is payable monthly at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76% multiplied by a Margin Rate Factor (the Factor) as defined in the Indenture. As a result of the Federal Tax Cuts and Jobs Act of 2017, the Factor increased from 1.0X to 1.215X effective January 1, 2018. Outstanding borrowings under the agreement are secured by certain revenue and cash receipts and certain real and personal property, all as defined in the agreement. Catholic Charities must satisfy certain financial covenants as long as the bonds are outstanding. As of June 30, 2018, Catholic Charities was in compliance with the financial covenants.

(b) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2018 and 2017:

		2018	2017
Various mortgages payable to/insured by HUD bearing interest at fixed rates ranging from 3.280% to 9.250%. These mortgages require monthly principal and interest payments of approximately $204,000 with the installment on the final mortgage due in 2050. All of the property and equipment of the HUD 202 Projects is subject to lien under the mortgage agreements.	$	16,720,309	17,549,457
Various mortgages payable to the Community Development Administration, a division of the Department of Housing and Community Development of the State of Maryland, Baltimore County, Harford County, and Arundel Community Development Services, bear interest at fixed rates ranging from 0% to 4.5%. Upon default, however, the interest rate on certain of these mortgages will increase to 8.0%. These mortgages are subordinated to the related mortgages payable to HUD. The mortgage principal and accrued interest are due on the same day as the last monthly installment due on the related HUD mortgages or, in the case of capital advances, after 40 years. Also included are approximately $480,000 of advances from Maryland Affordable Housing Trust and Federal Home Loan Bank in both fiscal years 2018 and 2017. These advances bear no interest and repayment is not required so long as the project remains available to very low income seniors for 15 years.		8,748,448	8,638,290
	$	25,468,757	26,187,747

(c) Other Mortgages

Other mortgages consist of various mortgages payable to HUD, the Department of Housing and Community Development of the State of Maryland, Baltimore City, and various banks for the construction, purchase, and/or renovation of various program facilities. Monthly principal and interest payments are approximately $35,000 for terms of 30 to 40 years with fixed interest rates ranging from

0% to 8%. Other mortgages as of June 30, 2018 and 2017 are $13,025,153 and $13,625,075, respectively.

(d) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2018 is as follows:

Fiscal year:		
2019	$	2,262,505
2020		1,846,958
2021		1,882,817
2022		1,946,334
2023		1,989,563
Thereafter		41,946,150
	$	51,874,327

Deferred interest is not paid unless noncompliance occurs with HUD mortgages as described above.

(e) Interest Rate Swap and Cap Agreements

In June 2013, the Organization entered into an interest rate swap agreement with an original notional amount of $14.3 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization paid through February 2018 a fixed rate of 3.3% and received variable interest payments of 72% of the sum of one-month LIBOR plus 1.76%. Effective March 1, 2018, the swap agreement was amended so that Catholic Charities will pay thereafter a fixed rate of 2.47% and will receive variable interest payments of 87.5% of one-month LIBOR. The fair value of this swap agreement included in other liabilities at June 30, 2018 and 2017 was $43,748 and $347,866, respectively.

In June 2013, Catholic Charities also entered into an interest rate cap agreement. The agreement has an original notional amount of $4.8 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization receives from the bank an amount equal to the excess interest expense (at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%) above 5.0%. The fair value of this agreement at June 30, 2018 and 2017 was an asset of $2,068 and $2,904, respectively. In connection with the agreement, Catholic Charities paid an up-front premium of $86,200, which is deferred and is being amortized over the life of the cap agreement.

(f) Interest Paid

Catholic Charities paid interest related to these mortgages and bonds payable of approximately $1.7 million and $1.5 million in fiscal years 2018 and 2017, respectively.

(6) Fair Value Measurements

The following tables present the Organization's fair value measurements for its financial assets/liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash, cash equivalents, and restricted cash	$ 6,528,858	—	—	6,528,858
Investments:				
Certificates of deposit and cash	6,803,500	—	—	6,803,500
Mutual funds	24,138,887	—	—	24,138,887
U.S. government and agency obligations	7,006,750	3,086,401	—	10,093,151
Corporate bonds	—	4,804,267	43,172	4,847,439
Common stocks	33,966,039	127,282	—	34,093,321
Asset backed securities	—	843,471	—	843,471
Private investment funds	—	—	1,166,317	1,166,317
Total fair value of investments	71,915,176	8,861,421	1,209,489	81,986,086
Liabilities:				
Interest rate swap and cap agreements	—	(41,680)	—	(41,680)
Total fair value of financial assets, net of liabilities	$ 78,444,034	8,819,741	1,209,489	88,473,264

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash, cash equivalents, and restricted cash	$ 7,756,763	—	—	7,756,763
Investments:				
Certificates of deposit and cash	7,070,775	—	—	7,070,775
Mutual funds	20,875,323	—	—	20,875,323
U.S. government and agency obligations	6,815,207	2,845,697	—	9,660,904
Corporate bonds	—	4,861,504	—	4,861,504
Common stocks	30,114,787	—	—	30,114,787
Asset backed securities	—	815,753	—	815,753
Private investment funds	—	—	1,017,954	1,017,954
Total fair value of investments	64,876,092	8,522,954	1,017,954	74,417,000
Liabilities:				
Interest rate swap and cap agreements	—	(344,962)	—	(344,962)
Total fair value of financial assets, net of liabilities	$ 72,632,855	8,177,992	1,017,954	81,828,801

There were no significant transfers between levels for the years ended June 30, 2018 or 2017.

The Organization's Level 2 investments and liabilities consist of corporate bonds, government-sponsored debt securities, and interest rate swap and cap agreements, which do not have directly observable quoted prices in active markets, but are valued based upon broker quotes for similar securities in active markets.

Catholic Charities' Level 3 investments consist of several private investment funds, which have little or no observable market. As of June 30, 2018, the Organization has remaining unfunded commitments totaling $2.1 million for these funds.

(7) Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2018 and 2017:

	2018	**2017**
Contributions restricted for programs	$ 1,838,753	2,053,026
Endowment returns	19,931,068	17,074,111
Estates, trusts, and other net assets	92,550	96,504
Total	$ 21,862,371	19,223,641

Permanently restricted net assets consist of the following as of June 30, 2018 and 2017:

		2018	2017
Donor-restricted endowment funds	$	24,628,290	23,872,105
Estates and trusts		235,705	171,375
Total	$	24,863,995	24,043,480

(8) Endowments

Catholic Charities' endowment funds consist of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The endowments were established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds include $5.4 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2018.

Catholic Charities has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and prudence. Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board of directors in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds; (2) the mission of Catholic Charities and the purpose of donor-restricted endowment funds; (3) general economic conditions; (4) the possible effects of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Catholic Charities; and (7) the investment policies of Catholic Charities.

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To maximize investment performance, endowment assets are pooled with other Catholic Charities' investments and are invested in accordance with the Organization's investment policy. The investment policy objectives include the long-term preservation of real purchasing power of the endowment assets, net of inflation and investment management costs, sufficient to fund the annual spending requirements discussed below, while limiting exposure to risk of loss. To satisfy its long-term 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). Catholic Charities targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

Catholic Charities annually appropriates a portion of its endowment funds for expenditure in the upcoming fiscal year. The amount appropriated is generally 5% to 6% of the trailing 12-quarter average balance of funds designated or restricted for such purposes. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. In all cases, appropriated amounts are subject to the intent of donors expressed in the gift instruments and the prudent spending requirements of MUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

		2018			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	19,931,068	24,628,290	44,559,358
Board-designated endowment funds		13,417,649	—	—	13,417,649
Total funds	$	13,417,649	19,931,068	24,628,290	57,977,007

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	17,074,111	23,872,105	40,946,216
Board-designated endowment funds		12,626,747	—	—	12,626,747
Total funds	$	12,626,747	17,074,111	23,872,105	53,572,963

(Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets as of June 30, 2016	$	11,908,840	14,272,380	23,846,899	50,028,119
Investment return:					
Investment income		211,638	753,980	—	965,618
Net appreciation (realized and unrealized)		1,124,080	3,671,262	—	4,795,342
Total investment return		1,335,718	4,425,242	—	5,760,960
Contributions		150	—	25,206	25,356
Appropriation of endowment assets for expenditure		(617,961)	(1,623,511)	—	(2,241,472)
Net assets as of June 30, 2017		12,626,747	17,074,111	23,872,105	53,572,963
Investment return:					
Investment income		234,868	975,849	—	1,210,717
Net appreciation (realized and unrealized)		1,137,701	3,698,122	—	4,835,823
Total investment return		1,372,569	4,673,971	—	6,046,540
Contributions		50,200	—	756,185	806,385
Appropriation of endowment assets for expenditure		(631,867)	(1,817,014)	—	(2,448,881)
Net assets as of June 30, 2018	$	13,417,649	19,931,068	24,628,290	57,977,007

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires Catholic Charities to retain as a fund of perpetual duration. These shortfalls result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Organization. There were no significant shortfalls of this nature as of June 30, 2018 or 2017.

(Continued)

(9) Retirement Plans

Certain employees of Catholic Charities participate in the Retirement Plan for Lay Employees of the Archdiocese of Baltimore with other affiliated organizations of the Archdiocese, which is a single-employer plan under common control. Effective July 1, 2011, the Archdiocese froze participation in and benefits accumulation of its plan. Accordingly, no Catholic Charities' employees hired subsequent to that date will become participants and benefits accumulated as of July 1, 2011 are frozen. Benefits were based on age, years of service, and level of compensation.

Pension-related expense, which was $1.0 million in 2018 and $1.2 million in 2017, is determined and allocated by the Archdiocese to Catholic Charities and is the amount that Catholic Charities is to remit to the Archdiocese. Annual cash payments, which are also determined by and made to the Archdiocese for remittance to the plan, were $2.7 million in 2018 and 2017. The net amount due to the Archdiocese as of June 30, 2018 and 2017 is $3.8 million and $5.5 million, respectively.

Participating employers, including Catholic Charities, are responsible for continued funding of the plan for their proportional participation as well as any nonperformance of other affiliated employers, if any. Risks of participation in the plan include the following: (a) assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers; and (b) if a participating employer withdraws from the plan, the unfunded obligation of the plan may be borne by the remaining participating employers. As of June 30, 2018, the plan was less than 65% funded.

Effective July 1, 2011, Catholic Charities adopted its own 403(b) employee retirement plan, which permits participants to defer a percentage of their salary, on a pretax basis, and allows Catholic Charities to make discretionary contributions, based on participants' eligible compensation. Employer contributions are subject to vesting requirements. Expense incurred for the 403(b) retirement plan was $2.0 million and $2.3 million for fiscal years 2018 and 2017, respectively.

(10) Leases

Catholic Charities has entered into commitments to lease certain office and program space. The lease terms expire at various dates through June 2022. The following is a schedule of future minimum lease payments required under the operating leases that have remaining lease terms in excess of one year as of June 30, 2018:

Fiscal year:		
2019	$	2,349,768
2020		1,741,183
2021		883,799
2022		358,770
2023		306,407
Thereafter		204,912
	$	5,844,839

The minimum rentals above do not include additional payments for insurance, property taxes, and maintenance costs that may be due as provided for in the lease agreements. Rent expense was approximately $2.2 million and $2.1 million for fiscal years 2018 and 2017, respectively.

Catholic Charities leases office space from the Archdiocese. Rent paid to the Archdiocese was approximately $151,000 and $146,000 for fiscal years 2018 and 2017, respectively.

(11) Legal and Regulatory Contingencies

Catholic Charities is engaged in various legal proceedings arising out of and incidental to its businesses. After reviewing developments with legal counsel, management is of the opinion that these legal proceedings will not have a material adverse effect on the combined financial position of Catholic Charities.

Amounts received and expended by the Organization under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the combined financial position of the Organization.

(12) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2018 and through October 29, 2018 and determined that no adjustments or disclosures to the combined financial statements were required, except as follows:

Pursuant to an Affiliation Agreement between ACC and Irvington My Brother’s Keeper, Inc. (My Brother’s Keeper or MBK), My Brother’s Keeper became an affiliate of ACC effective July 1, 2018 and will be operated as a program of Catholic Charities. My Brother’s Keeper is a tax-exempt, non-profit, non-stock Maryland corporation which owns and operates a hospitality center providing food, referral and other services to those in need in the Irvington community of Baltimore, Maryland. The affiliation was effected by replacing MBK’s Board of Directors with an ACC-controlled board as of the effective date. No consideration was exchanged.

SUPPLEMENTARY FINANCIAL INFORMATION

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Supplemental Combining Statement of Financial Position

June 30, 2018

Assets		ACC (A)	Senior Communities (B)	Eliminations (C)	Combined
Cash and cash equivalents	$	1,384,866	2,247,670	—	3,632,536
Restricted cash		1,301,110	1,595,212	—	2,896,322
Accounts receivable, less allowance for doubtful accounts		13,247,761	2,530,920	—	15,778,681
Prepaid expenses and other assets		2,059,078	939,782	—	2,998,860
Investments, at fair value		77,026,204	4,959,882	—	81,986,086
Property and equipment, net		45,933,244	98,963,683	(6,771,185)	138,125,742
Intercompany		10,556,958	(10,556,958)	—	—
Total assets	$	151,509,221	100,680,191	(6,771,185)	245,418,227
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$	4,731,285	1,179,170	—	5,910,455
Accrued salaries and benefits		6,729,195	102,737	—	6,831,932
Accrued interest		756,251	501,362	—	1,257,613
Borrowings under line of credit		2,329,000	—	—	2,329,000
Deferred revenue		1,079,028	67,443	—	1,146,471
Due to Archdiocese		3,817,053	—	—	3,817,053
Other liabilities		6,000,212	778,881	—	6,779,093
Capital advances		5,980,900	92,742,022	—	98,722,922
Mortgages and bonds payable		19,624,689	32,249,638	—	51,874,327
Total liabilities		51,047,613	127,621,253	—	178,668,866
Net assets (deficits):					
Unrestricted – controlling interest		53,735,242	(36,379,895)	(6,771,185)	10,584,162
Unrestricted – noncontrolling interest		—	9,438,833	—	9,438,833
Total unrestricted		53,735,242	(26,941,062)	(6,771,185)	20,022,995
Temporarily restricted		21,862,371	—	—	21,862,371
Permanently restricted		24,863,995	—	—	24,863,995
Total net assets		100,461,608	(26,941,062)	(6,771,185)	66,749,361
Total liabilities and net assets	$	151,509,221	100,680,191	(6,771,185)	245,418,227

See accompanying notes to independent auditors' report.

Note: The combining statement of financial position is included to separately present the assets, liabilities, and net assets of the Organization's low-income senior housing communities, which include a substantial investment in property and equipment, financed primarily with mortgages, and capital advances from the United States Department of Housing and Urban Development (HUD) (Senior Communities). The Senior Communities' net deficits relate primarily to depreciation of property and equipment, which is not currently funded by HUD.

(A) Comprising Associated Catholic Charities, Inc., and certain of its affiliated organizations, as follows: Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., and Esperanza Center Health Services, Inc.

(B) Comprising the Organization's low-income senior communities, as follows: Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., Basilica Place Limited Partnership, and BPL, Inc.

(C) The elimination relates primarily to construction developer fees paid by the HUD communities to ACC.