

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Contents
June 30, 2016 and 2015

	<u>Pages</u>
Independent Auditor's Report	1 - 1A
Combined Financial Statements:	
Combined Statements of Financial Position	2
Combined Statements of Activities and Changes in Net Assets	3 - 4
Combined Statements of Cash Flows	5
Combined Statements of Functional Expenses	6 - 7
Notes to Combined Financial Statements	8 - 24
Supplemental Combining Information:	
Combining Statement of Financial Position	25
Combining Statement of Activities	26

Independent Auditor's Report

To the Board of Trustees of
Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (Massachusetts corporations, not for profit), 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 assets, cash flows and functional expenses 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.

Auditor's 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 audits 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 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 Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates as of June 30, 2016 and 2015, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 25 and 26 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 audit 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.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
November 8, 2016

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Cash and Cash Equivalents	\$ 195,486	\$ 204,099
Accounts Receivable, net of allowance for doubtful accounts of approximately \$68,000 and \$57,000 at June 30, 2016 and 2015, respectively	3,995,038	3,010,245
Pledges and Bequests Receivable, net	213,608	384,900
Investments	12,627,194	12,600,741
Beneficial Interests in Perpetual Trusts	4,563,823	4,791,387
Property and Equipment, net	21,264,720	19,992,947
Other Assets	<u>186,234</u>	<u>154,714</u>
Total assets	<u><u>\$ 43,046,103</u></u>	<u><u>\$ 41,139,033</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 2,787,965	\$ 3,246,866
Due to the Roman Catholic Archdiocese of Boston	173,466	549,245
Mortgage and notes payable	2,032,579	120,071
Pension benefits liability	<u>2,946,000</u>	<u>886,000</u>
Total liabilities	<u>7,940,010</u>	<u>4,802,182</u>
Net Assets:		
Unrestricted:		
Operating:		
Working capital	4,576,488	4,641,885
Pension plan	<u>(2,946,000)</u>	<u>(886,000)</u>
Total operating	1,630,488	3,755,885
Property and equipment	20,583,954	19,332,266
Board designated	<u>348,837</u>	<u>349,700</u>
Total unrestricted	22,563,279	23,437,851
Temporarily restricted	4,917,324	5,045,946
Permanently restricted	<u>7,625,490</u>	<u>7,853,054</u>
Total net assets	<u>35,106,093</u>	<u>36,336,851</u>
Total liabilities and net assets	<u><u>\$ 43,046,103</u></u>	<u><u>\$ 41,139,033</u></u>

The accompanying notes are an integral part of these combined statements.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Support, Revenue and Gains:				
Contributions and fundraising:				
Contributions and fundraising	\$ 8,102,496	\$ 1,856,205	\$ -	\$ 9,958,701
Contributions from United Way organizations	982,329	28,312	-	1,010,641
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$343,108)	413,756	-	-	413,756
Total contributions and fundraising	<u>9,498,581</u>	<u>1,884,517</u>	<u>-</u>	<u>11,383,098</u>
Program service fees, grants and contract revenue:				
Individuals	4,804,417	-	-	4,804,417
Medicaid and Medicare	1,042,161	-	-	1,042,161
Commercial insurance fees	124,701	-	-	124,701
Contract revenue from governmental and other agencies	19,243,945	-	-	19,243,945
Grants	1,242,660	-	-	1,242,660
Total program service fees, grants and contract revenue	<u>26,457,884</u>	<u>-</u>	<u>-</u>	<u>26,457,884</u>
Investment earnings used for operations under the spending policy	348,072	-	-	348,072
Investment and miscellaneous income	76,173	-	-	76,173
Net assets released from purpose restrictions	925,957	(925,957)	-	-
Net assets released from time restrictions	1,352,384	(1,352,384)	-	-
Subtotal	<u>2,702,586</u>	<u>(2,278,341)</u>	<u>-</u>	<u>424,245</u>
Total operating support, revenue and gains	<u>38,659,051</u>	<u>(393,824)</u>	<u>-</u>	<u>38,265,227</u>
Operating Expenses:				
Program services:				
Community social services	18,282,551	-	-	18,282,551
Child care services	13,271,244	-	-	13,271,244
Behavioral health and addiction treatment services	1,411,268	-	-	1,411,268
Total program services	<u>32,965,063</u>	<u>-</u>	<u>-</u>	<u>32,965,063</u>
Supporting services:				
Management and general	3,671,680	-	-	3,671,680
Fundraising	2,021,021	-	-	2,021,021
Total supporting services	<u>5,692,701</u>	<u>-</u>	<u>-</u>	<u>5,692,701</u>
Total operating expenses	<u>38,657,764</u>	<u>-</u>	<u>-</u>	<u>38,657,764</u>
Changes in net assets from operations	1,287	(393,824)	-	(392,537)
Non-Operating Revenue (Expenses):				
Contributions for long-term purposes - capital	1,701,572	5,000	-	1,706,572
Investment earnings	70,641	260,202	-	330,843
Change in fair value of beneficial interests in perpetual trusts	-	-	(227,564)	(227,564)
Investment earnings used for operations under the spending policy	(348,072)	-	-	(348,072)
Pension related changes other than net periodic pension cost	(2,300,000)	-	-	(2,300,000)
Changes in net assets	<u>(874,572)</u>	<u>(128,622)</u>	<u>(227,564)</u>	<u>(1,230,758)</u>
Net Assets:				
Beginning of year	23,437,851	5,045,946	7,853,054	36,336,851
End of year	<u>\$ 22,563,279</u>	<u>\$ 4,917,324</u>	<u>\$ 7,625,490</u>	<u>\$ 35,106,093</u>

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

 Combined Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Support, Revenue and Gains:				
Contributions and fundraising:				
Contributions and fundraising	\$ 7,614,362	\$ 4,033,436	\$ -	\$ 11,647,798
Contributions from United Way organizations	1,063,970	3,967	-	1,067,937
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$343,108)	<u>517,451</u>	<u>-</u>	<u>-</u>	<u>517,451</u>
Total contributions and fundraising	<u>9,195,783</u>	<u>4,037,403</u>	<u>-</u>	<u>13,233,186</u>
Program service fees, grants and contract revenue:				
Individuals	4,519,670	-	-	4,519,670
Medicaid and Medicare	951,469	-	-	951,469
Commercial insurance fees	120,034	-	-	120,034
Other	890	-	-	890
Contract revenue from governmental and other agencies	18,895,489	-	-	18,895,489
Grants	<u>1,565,650</u>	<u>9,783</u>	<u>-</u>	<u>1,575,433</u>
Total program service fees, grants and contract revenue	<u>26,053,202</u>	<u>9,783</u>	<u>-</u>	<u>26,062,985</u>
Investment earnings used for operations under the spending policy	334,272	-	-	334,272
Investment and miscellaneous income	135,909	-	-	135,909
Net assets released from purpose restrictions	492,824	(492,824)	-	-
Net assets released from time restrictions	<u>1,464,125</u>	<u>(1,464,125)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,427,130</u>	<u>(1,956,949)</u>	<u>-</u>	<u>470,181</u>
Total operating support, revenue and gains	<u>37,676,115</u>	<u>2,090,237</u>	<u>-</u>	<u>39,766,352</u>
Operating Expenses:				
Program services:				
Community social services	17,286,105	-	-	17,286,105
Child care services	13,220,505	-	-	13,220,505
Behavioral health and addiction treatment services	<u>1,319,744</u>	<u>-</u>	<u>-</u>	<u>1,319,744</u>
Total program services	<u>31,826,354</u>	<u>-</u>	<u>-</u>	<u>31,826,354</u>
Supporting services:				
Management and general	3,857,434	-	-	3,857,434
Fundraising	<u>1,736,129</u>	<u>-</u>	<u>-</u>	<u>1,736,129</u>
Total supporting services	<u>5,593,563</u>	<u>-</u>	<u>-</u>	<u>5,593,563</u>
Total operating expenses	<u>37,419,917</u>	<u>-</u>	<u>-</u>	<u>37,419,917</u>
Changes in net assets from operations	256,198	2,090,237	-	2,346,435
Non-Operating Revenue (Expenses):				
Contributions for long-term purposes - capital	218,350	50,894	-	269,244
Investment earnings (losses)	107,922	(24,393)	-	83,529
Change in fair value of beneficial interests in perpetual trusts	-	-	(198,691)	(198,691)
Investment earnings used for operations under the spending policy	(334,272)	-	-	(334,272)
Pension related changes other than net periodic pension cost	(875,000)	-	-	(875,000)
Endowment contributions	-	-	400,000	400,000
Gain on sale of property and equipment	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>5,200</u>
Changes in net assets	<u>(621,602)</u>	<u>2,116,738</u>	<u>201,309</u>	<u>1,696,445</u>
Net Assets:				
Beginning of year	<u>24,059,453</u>	<u>2,929,208</u>	<u>7,651,745</u>	<u>34,640,406</u>
End of year	<u>\$ 23,437,851</u>	<u>\$ 5,045,946</u>	<u>\$ 7,853,054</u>	<u>\$ 36,336,851</u>

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,230,758)	\$ 1,696,445
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,271,770	1,156,704
Bad debt	19,992	46,589
Discount on pledges and bequests receivable	1,292	5,100
Contributions for long-term purposes - capital	(1,706,572)	(269,244)
Endowment contributions	-	(400,000)
Net change in fair value of beneficial interests in perpetual trusts	227,564	198,691
Net realized and unrealized loss on investments	157,100	494,878
Gain on sale of property and equipment	-	(5,200)
Net change in pension benefits liability	2,060,000	630,000
Changes in operating assets and liabilities:		
Accounts receivable	(1,004,785)	(374,335)
Pledges and bequests receivable	170,000	(105,000)
Other assets	(31,520)	(28,644)
Accounts payable, accrued expenses and other	65,808	(526,335)
Due to Roman Catholic Archdiocese of Boston	(375,779)	(76,175)
	<u>(375,888)</u>	<u>2,443,474</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Purchases of investments	(353,553)	(5,272,417)
Proceeds from sale of investments	170,000	2,573,688
Proceeds from sale of property and equipment	-	5,200
Purchase of property and equipment	(3,068,252)	(600,930)
	<u>(3,251,805)</u>	<u>(3,294,459)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Proceeds from note payable - line of credit	1,367,714	-
Proceeds from mortgage payable	600,000	46,525
Principal payments on mortgage payable	(55,206)	(5,855)
Proceeds from endowment contributions	-	400,000
Proceeds from contributions for long-term purposes - capital	1,706,572	269,244
	<u>3,619,080</u>	<u>709,914</u>
Net cash provided by financing activities		
Net Change in Cash and Cash Equivalents	(8,613)	(141,071)
Cash and Cash Equivalents:		
Beginning of year	<u>204,099</u>	<u>345,170</u>
End of year	<u>\$ 195,486</u>	<u>\$ 204,099</u>
Supplemental Disclosure of Cash and Non-Cash Investing and Financing Activities:		
Cash paid for interest	<u>\$ 48,778</u>	<u>\$ 7,928</u>
Property and equipment included in accounts payable	<u>\$ 15,901</u>	<u>\$ 540,610</u>
Construction in process placed in service	<u>\$ 646,089</u>	<u>\$ -</u>

The accompanying notes are an integral part of these combined statements.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Functional Expenses

For the Year Ended June 30, 2016

(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016						2015		
	Program Services			Supporting Services			Total Expenses	Total Expenses	
	Community Social Services	Child Care Services	Behavioral Health and Addiction Treatment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Expenses:									
Personnel and related costs	\$ 10,875,985	\$ 6,986,118	\$ 1,030,275	\$ 18,892,378	\$ 2,379,317	\$ 1,008,149	\$ 3,387,466	\$ 22,279,844	\$ 21,819,691
Family child care providers	-	3,602,197	-	3,602,197	-	-	-	3,602,197	3,646,468
Other expenses	887,078	828,919	173,182	1,889,179	463,808	861,095	1,324,903	3,214,082	2,876,778
Occupancy	1,115,417	684,802	89,246	1,889,465	282,622	18,007	300,629	2,190,094	2,073,832
In-kind	1,825,016	13,343	-	1,838,359	20,093	15,847	35,940	1,874,299	1,955,084
Depreciation	777,290	347,026	8,327	1,132,643	92,152	46,975	139,127	1,271,770	1,156,704
Interpreter fees	1,210,819	-	-	1,210,819	-	-	-	1,210,819	1,173,420
Supplies	528,499	601,153	12,187	1,141,839	49,166	17,916	67,082	1,208,921	1,212,866
Professional services	261,212	207,686	98,051	566,949	384,522	53,032	437,554	1,004,503	882,129
Client assistance	801,235	-	-	801,235	-	-	-	801,235	622,945
Total expenses	\$ 18,282,551	\$ 13,271,244	\$ 1,411,268	\$ 32,965,063	\$ 3,671,680	\$ 2,021,021	\$ 5,692,701	\$ 38,657,764	\$ 37,419,917

The accompanying notes are an integral part of these combined statements.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services			Supporting Services			Total Expenses	
	Community Social Services	Child Care Services	Behavioral Health and Addiction Treatment Services	Total Program Services	Management and General	Fundraising		Total Supporting Services
Expenses:								
Personnel and related costs	\$ 10,335,491	\$ 7,155,100	\$ 935,556	\$ 18,426,147	\$ 2,621,669	\$ 771,875	\$ 3,393,544	\$ 21,819,691
Family child care providers	-	3,646,468	-	3,646,468	-	-	-	3,646,468
Other expenses	701,494	756,806	182,535	1,640,835	412,905	823,038	1,235,943	2,876,778
Occupancy	1,087,987	682,436	84,358	1,854,781	185,570	33,481	219,051	2,073,832
In-kind	1,912,026	11,803	-	1,923,829	20,093	11,162	31,255	1,955,084
Depreciation	752,157	265,344	5,262	1,022,763	115,183	18,758	133,941	1,156,704
Interpreter fees	1,173,420	-	-	1,173,420	-	-	-	1,173,420
Supplies	558,022	580,126	14,009	1,152,157	42,952	17,757	60,709	1,212,866
Professional services	142,563	122,422	98,024	363,009	459,062	60,058	519,120	882,129
Client assistance	622,945	-	-	622,945	-	-	-	622,945
Total expenses	\$ 17,286,105	\$ 13,220,505	\$ 1,319,744	\$ 31,826,354	\$ 3,857,434	\$ 1,736,129	\$ 5,593,563	\$ 37,419,917

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

1. OPERATIONS AND NONPROFIT STATUS

Operations

The Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (collectively, the Organization) is an affiliate of Catholic Social Services, Inc. (CSS), its sole corporate member. CSS is a not-for-profit corporation under the auspices of the Roman Catholic Archdiocese of Boston (RCAB). The following is a summary of entities which are included in the Organization's combined financial statements:

Catholic Charitable Bureau of the Archdiocese of Boston, Inc. (the Agency), a Massachusetts not-for-profit corporation under the auspices of the RCAB, provides emergency response and professional health, welfare, education, and social services to families, children, individuals, and older adults.

West Broadway Community Development Corporation, Inc. (WBCDC), is a not-for-profit corporation that was organized during fiscal year 2001 for the purpose of owning real estate for the Organization's Shaughnessy Family Center at Laboure. WBCDC commenced operations in October 2002.

Columbia Road Community Development Corporation, Inc. (CRCDC), is a not-for-profit corporation that was organized during fiscal year 2005 for the purpose of owning real estate for the Organization's Yawkey Center. CRCDC commenced operations in July 2004.

The Organization has historically relied on financial support from donors and related parties (see Note 10). The accompanying combined financial statements have been prepared assuming such support will continue in the future.

Nonprofit Status

The Agency is listed within *The Official Catholic Directory*. As such, the Agency derives its Internal Revenue Code (IRC) Section 501(c)(3) tax-exempt status from the group tax-exemption of the Roman Catholic Church. WBCDC and CRCDC have previously been determined by the Internal Revenue Service (IRS) to be organizations described in IRC Section 501(c)(2) and, therefore, are exempt from taxation under IRC Section 501(a). WBCDC and CRCDC are not private foundations due to their recognition by the IRS as organizations described in IRC Section 501(c)(2). Any income not substantially related to the Organization's exempt purposes may be considered unrelated business income (UBI) under IRC Section 511 and, as such, subject to tax at normal corporate rates. There was no UBI for the years ended June 30, 2016 and 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Statements of Activities and Changes in Net Assets

The combined statements of activities and changes in net assets present operating revenues and expenses from program activities as changes in net assets from operations. Capital contributions for property and equipment, all investment returns in excess of the earnings used for operations under the spending policy, changes in the fair value of beneficial interests in perpetual trusts, amounts recorded in connection with the defined benefit pension plan (see Note 7), and gains or losses from the sale of property and equipment are included as non-operating revenue and expenses in the accompanying combined statements of activities and changes in net assets.

Principles of Combination

The combined financial statements include the accounts of the Agency and its controlled affiliates. Significant intercompany accounts and transactions among the combined organizations have been eliminated in preparing the combined financial statements.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating - working capital net assets - represent funds available to carry on the operations of the Organization which bear no external restrictions.

Operating - pension plan net assets - represent pension plan activity in accordance with ASC Topic, *Compensation - Retirement Benefits* (see Note 7).

Property and equipment net assets - reflect and account for the activities relating to the Organization's property and equipment, net of related debt.

Board designated net assets - represent amounts set aside by the Board of Trustees that may only be used with the approval of the Board of Trustees. Board designated net assets are restricted for future capital expenditures.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors for a specific period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity (see Notes 12 and 13).

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets 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 of the gift, if received, or when the conditional promise becomes unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year of receipt are reported as unrestricted contributions in the accompanying combined statements of activities and changes in net assets.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Organization values all of its qualifying assets and liabilities using Level 1 inputs, except for its beneficial interests in perpetual trusts which use Levels 1 and 3 inputs (see page 12).

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with initial maturities of three months or less, other than investments limited as to use, to be cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, do not bear interest and are due on demand. The allowance for doubtful accounts is based on management's best estimate of the amount of probable losses in accounts receivable. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical write-off experience. Management reviews the allowance for doubtful accounts monthly. Past due balances over 120 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Pledges and Bequests Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at fair value at the date the promise is received and included in pledges and bequests receivable. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows net of an allowance for uncollectable amounts. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

Investments

Investments are recorded in the combined financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

A summary of the Organization's investments as of June 30, 2016 and 2015, is included in Note 3.

The Organization has approved a formal spending policy in which up to 5% of the average investment portfolio's market value using a rolling quarterly average for the preceding three years is applied to operations (see Notes 3 and 13).

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

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment income from unrestricted net assets and unrestricted investment income of permanently restricted net assets (beneficial interests in perpetual trusts) are reported as unrestricted revenue. Restricted investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets, unless permanently donor-restricted (beneficial interests in perpetual trusts), in which case they are recorded as increases (decreases) in permanently restricted net assets. Net gains on permanently restricted net assets are classified as temporarily restricted net assets until appropriated under the spending policy by the Board of Trustees and expended. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets. Investment earnings used for operations in accordance with the spending policy are reflected as operating income and as a decrease in non-operating revenue and expenses.

Beneficial Interests in Perpetual Trusts

The Organization is a beneficiary of certain trusts that have been established by donors with funds contributed to be held in perpetuity. Under provisions of the trusts, the Organization receives, annually, income on the trusts' assets, as stipulated by the donor, that can be utilized in any way that is consistent with the Organization's mission. Distributions are recorded as unrestricted investment income in the combined statements of activities and changes in net assets. Changes in market value, as determined using Level 1 (fair value of trust assets) and Level 3 (the Organization's beneficial interest percentage) inputs, are recorded as increases or decreases to permanently restricted net assets in the accompanying combined statements of activities and changes in net assets.

Property and Equipment

Property and equipment are stated at cost. Maintenance, repairs and minor renewals are expensed as incurred, and major renewals and renovations over the Organization's capitalization policy of \$2,000 are capitalized. When an asset is retired or disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss on the disposition is reflected in non-operating revenue and expenses in the accompanying combined statements of activities and changes in net assets.

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment losses recorded during the years ended June 30, 2016 and 2015. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less the anticipated cost to sell.

Depreciation

Depreciation is calculated by use of the straight-line method. Buildings and equipment are depreciated over the useful lives of the assets; leasehold improvements and leased property under capital leases are depreciated over the terms of the leases or the useful lives of the assets, if shorter. Estimated useful lives are as follows:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	5 - 7 years
Leasehold improvements	Life of the lease

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Donated Materials and Services

Donated materials and services are reflected as contributions and fundraising revenue and as assets or expenses at the date of receipt in amounts equal to their estimated fair values. Contributions and expenses in the amount of \$348,408 and \$348,108 for the years ended June 30, 2016 and 2015, respectively, have been recorded for the use of office or other building space donated by RCAB and other parties. These amounts are based on the fair rental value of similar space in the respective areas.

In addition, other donated materials and services totaling \$1,525,891 and \$1,606,976 for the years ended June 30, 2016 and 2015, respectively, were received from individuals and organizations and are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets.

The Organization receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria recognition of *Accounting for Contributions Received and Contributions Made* standards.

Legacies and Bequests

The Organization is occasionally named as the beneficiary under various wills and trust agreements; the total realizable amounts of which are not presently determinable. Such bequests are recorded when there is an irrevocable right to the bequest and the proceeds are determinable. These amounts are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets.

Total bequests received or committed were as follows for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2016	<u>\$ 2,908,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908,075</u>
2015	<u>\$ 1,882,369</u>	<u>\$ 1,978,986</u>	<u>\$ 400,000</u>	<u>\$ 4,261,355</u>

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fees

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates and per-unit payments. Fee-for-service revenue is reported at the estimated net realizable amounts from individuals, third-party payors, and others for services rendered. Certain elements of third-party reimbursements are subject to negotiation and/or final determination by third-party payors. Variances between preliminary estimates of net revenue and final third-party payment determinations are included in the combined statements of activities and changes in net assets in the year in which the change in estimate occurs. The Organization also provides care to individuals who meet certain income criteria at amounts less than its established rates. The amount of charges foregone for these services is reported as a reduction of revenue. Program service fee revenue is recognized on the accrual basis as the services are performed.

Contract Revenue

Contract revenue is recognized in the period the contracted services are provided.

Special Events

The Organization hosts special event fundraisers throughout the year. During fiscal years 2016 and 2015, \$203,430 and \$193,920, respectively, was recorded as special event revenue, net of contributions of approximately \$1,585,009 and \$1,816,000, and is included in contribution and fundraising revenue in the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2016 and 2015, respectively. The direct expenses related to special events for the years ended June 30, 2016 and 2015, were \$349,744 and \$372,398, respectively, and are included in other expense and supplies in the accompanying combined statements of functional expenses. Special event revenue is recognized in the period which the event takes place.

Subsequent Events

Subsequent events have been evaluated through November 8, 2016, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

Advertising Costs

The Organization expenses advertising costs as incurred. Total advertising costs were \$13,963 and \$8,277 for the years ended June 30, 2016 and 2015, respectively, and are included in other expenses in the accompanying combined statements of functional expenses.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2016 and 2015.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATESNotes to Combined Financial Statements
June 30, 2016 and 2015

3. INVESTMENTS

The following table presents the fair value of the Organization's investments as of June 30, 2016 and 2015, all of which are valued using Level 1 inputs (see Note 2):

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 41,232	\$ 42,598
Common stock	48,407	48,407
Mutual funds - equity investments:		
Large cap value	3,858,140	3,659,692
Large cap blend	1,743,287	1,710,370
Large cap growth	885,148	898,024
Other	721,250	857,232
Total mutual funds – equity investments	<u>7,207,825</u>	<u>7,125,318</u>
Mutual funds - fixed income:		
Intermediate term bonds	1,897,282	1,794,056
High yield bonds	1,735,286	1,798,944
Long-term bonds	1,697,162	1,791,418
Total mutual funds - fixed income	<u>5,329,730</u>	<u>5,384,418</u>
	<u>\$ 12,627,194</u>	<u>\$ 12,600,741</u>

Investment earnings were comprised of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 487,943	\$ 578,407
Net realized gains	15,483	447,605
Unrealized loss on investments	(172,583)	(942,483)
	<u>\$ 330,843</u>	<u>\$ 83,529</u>

Investment fees totaled \$20,927 and \$20,377 for the years ended June 30, 2016 and 2015, respectively, are included in other expenses in management and general expenses in the accompanying combined statements of functional expenses.

A portion of the Organization's investments is collateral for a line of credit (see Note 6).

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 306,887	\$ 306,887
Buildings and improvements	28,927,286	26,202,438
Equipment	5,211,268	4,839,951
Vehicles	424,937	424,937
Leasehold improvements	<u>1,645,817</u>	<u>1,615,399</u>
	36,516,195	33,389,612
Construction in process	63,049	646,089
Less - accumulated depreciation	<u>(15,314,524)</u>	<u>(14,042,754)</u>
	<u>\$ 21,264,720</u>	<u>\$ 19,992,947</u>

Construction in process as of June 30, 2016, represents various projects under development. Construction in process as of June 30, 2015, represented the costs of renovating one of the Organization's program locations, which was completed during fiscal year 2016 at which time the asset was placed in service.

Depreciation expense was \$1,271,770 and \$1,156,704 for the years ended June 30, 2016 and 2015, respectively.

5. PLEDGES AND BEQUESTS RECEIVABLE

Pledges and bequests receivable were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 170,000	\$ 220,000
Due in one to three years	<u>50,000</u>	<u>170,000</u>
	220,000	390,000
Less – discount to present value of future cash flows	<u>6,392</u>	<u>5,100</u>
	<u>\$ 213,608</u>	<u>\$ 384,900</u>

A discount rate of 2.65% and 2.39%, representing the Organization's risk-free rate, was used to discount multi-year pledges and bequests receivable at June 30, 2016 and 2015, respectively.

6. MORTGAGE AND NOTES PAYABLE

During fiscal years 2016 and 2015, the Organization had available a line of credit agreement that provides for borrowings up to \$3,000,000 and is due and payable on February 28, 2018. There was \$1,367,714 outstanding at June 30, 2016. There was no outstanding balance as of June 30, 2015. Collateral for the line of credit includes pledged accounts receivable and marketable securities maintained in a separate account. The interest rate on the line of credit was prime rate (3.50% and 3.25% as of June 30, 2016 and 2015, respectively), or the 30-day London Interbank Offered Rate (LIBOR) (.47% and .19% as of June 30, 2016 and 2015, respectively), plus 170 basis points, at the Organization's election.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

6. MORTGAGE AND NOTES PAYABLE (Continued)

The Organization has elected to calculate and accrue interest based on the 30-day LIBOR rate, plus 170 basis points. The line of credit agreement places limitations on additional indebtedness, disposal of assets, and mergers, and specifies that certain financial covenants must be maintained. The Organization was in compliance with the financial and non-financial covenants as of June 30, 2016 and 2015.

On September 29, 2015, the Organization entered into a ten-year commercial mortgage note for \$600,000 for the renovation of a childcare facility in Lynn, Massachusetts (the Childcare Facility). The loan accrues interest at 5.4% per annum and requires monthly payments of \$3,677 through September 29, 2025. This loan is secured by a first mortgage on the Childcare Facility. As of June 30, 2016, the balance of this note was \$591,319.

The Organization has notes payable to various third parties with interest rates ranging from 0% to 5.4%. The total balance of these notes payable as of June 30, 2016 and 2015, was \$73,546 and \$120,071, respectively. These notes payable are secured by a first mortgage on a property in Lowell, Massachusetts.

Certain notes payable agreements require the Organization to maintain certain financial ratios and covenant. The Organization was in compliance with all financial ratios and covenants at June 30, 2016 and 2015.

Aggregate maturities of notes payable as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 1,379,759
2018	12,721
2019	13,435
2020	14,107
2021	14,982
Thereafter	<u>597,575</u>
	<u>\$ 2,032,579</u>

Interest expense was \$48,778 and \$7,928 for the years ended June 30, 2016 and 2015, respectively, and is included in other expenses in the accompanying combined statements of functional expenses.

7. RETIREMENT BENEFITS

Defined Benefit Plan

Prior to January 1, 2006, the Organization provided retirement benefits for substantially all employees through participation in a non-contributory, multi-employer, defined benefit pension plan administered by the Trustees of the Roman Catholic Archdiocese of Boston Pension Trust (the RCAB Plan). Effective December 31, 2005, the Organization froze its benefits and participation in the RCAB Plan.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATESNotes to Combined Financial Statements
June 30, 2016 and 2015

7. RETIREMENT BENEFITS (Continued)**Defined Benefit Plan (Continued)**

Based on an actuarial valuation of the present value of accumulated plan benefits at December 31, 2005 (the date of the freeze), the Organization's portion of the RCAB Plan's estimated funding deficit was determined to be approximately \$2,477,000. At June 30, 2006, the Organization recorded a liability for its portion of the funding deficit. During fiscal year 2007, the Organization paid \$1,291,500 into the RCAB Plan in accordance with the agreement to freeze the RCAB Plan (the freeze agreement) executed with the Trustees of the RCAB Plan. The Trustees of the RCAB Plan provide an actuarial valuation of the present value of the accumulated plan benefits as of the end of each RCAB Plan year. The valuations indicate cumulative estimated funding deficits of \$2,946,000 and \$886,000 as of June 30, 2016 and 2015, respectively, and the Organization has recorded a liability equal to these amounts. The Organization renegotiated the freeze agreement during fiscal year 2012 with the Trustees of the RCAB Plan and began making payments into the RCAB Plan in accordance with terms of the new agreement. The annual payments are intended to extinguish the unfunded liability of the RCAB Plan no later than the date the final payment is due, September 1, 2025.

Payment amounts are fixed per the agreement, and are subject to change as of June 30, 2015 and June 30, 2020. As of those dates, the RCAB Plan's actuary provides an updated unfunded liability calculation and re-amortizes the remaining required payments through September 1, 2025. Effective July 1, 2015, the required payment was changed from \$245,000 to \$240,000 for the year ended Jun 30, 2016. The actuarial valuation as of June 30, 2015 and re-amortization as required by the renegotiated freeze agreement requires a payment of \$91,132 annually for the next 5 years beginning in Fiscal 2017. If the unfunded liability should ever become zero or reflect a surplus, then the Organization's required payments to the RCAB Plan would be suspended.

During fiscal years 2016 and 2015, the Organization offered lump-sum distributions to certain vested participants as defined in the agreement. Amounts paid to those who opted to accept the lump-sum are included in benefits paid (see below).

Obligations, funded status and other information are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Funded Status:		
Fair value of plan assets	\$ 15,950,000	\$ 18,087,000
Projected benefit obligation	<u>(18,896,000)</u>	<u>(18,973,000)</u>
Pension benefit liability	<u>\$ (2,946,000)</u>	<u>\$ (886,000)</u>
Other Disclosures:		
Employer contributions	<u>\$ 240,000</u>	<u>\$ 245,000</u>
Benefits paid	<u>\$ 1,527,000</u>	<u>\$ 1,430,000</u>
Funded status	<u>84%</u>	<u>95%</u>

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

7. RETIREMENT BENEFITS (Continued)

Defined Benefit Plan (Continued)

The following assumptions were used to determine benefit obligations as of June 30, 2016 and 2015:

Weighted average discount rate	6.5%
Expected return on plan assets	6.5%

Future Plan Benefit Payments

The approximate benefits and employer contributions expected to be paid in the future are as follows:

	<u>Benefits</u>	<u>Employer Contributions</u>
2017	\$ 1,506,000	\$ 91,000
2018	\$ 1,492,000	\$ 91,000
2019	\$ 1,508,000	\$ 91,000
2020	\$ 1,499,000	\$ 91,000
2021	\$ 1,494,000	\$ 91,000
2022 – 2025	\$ 5,822,000	\$ 364,000

The following table discloses the funded status of the frozen RCAB Plan as a whole as of June 30, 2016, for all participant organizations in the RCAB Plan as of the date of the last actuarial valuation:

Actuarial Present value of accumulated plan benefits	\$237,365,201
Fair value of Plan Assets	191,880,292
Total Contributions in 2016	\$ 7,435,919
Funded Status of the RCAB Pension Plan	81%

The risks of participating in a multi-employer plan are different from a single-employer plan because assets contributed to the plan by one employer may be used to provide benefits to employees of other participating Organizations. If a participant employer suspended contributions to the plan, the unfunded obligations could be required to be borne by the remaining participant employers in the plan.

Defined Contribution Plan

Effective January 1, 2006, the Organization began providing retirement benefits for substantially all employees through a 403(b) defined contribution plan, (the 403(b) Plan). For employees who participated in the Defined Benefit Plan, the Organization contributes between 3% and 8% of eligible annual employees' compensation to the 403(b) Plan based on the employee's age and years of service as of the date of the freeze of the Defined Benefit Plan. For all other employees, employer contributions are 3% of eligible employees' compensation. The 403(b) Plan also allows additional discretionary matching contributions of up to 2% of employees' compensation by the Organization. These additional matching contributions were suspended during fiscal years 2016 and 2015. All contributions made by the Organization vest over a period of three years. The Organization's benefit expense for the 403(b) Plan totaled \$524,693 and \$479,881 for the years ended June 30, 2016 and 2015, respectively, and is included in personnel and related costs in the accompanying combined statements of functional expenses.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

8. LEASES

The Organization rents certain office and program space from outside parties and the RCAB under operating lease agreements expiring at various dates through August 2022. Rent expense for all offices was \$985,547 and \$954,077 for the years ended June 30, 2016 and 2015, respectively, including in-kind rent totaling \$348,408 and \$348,108, respectively, for the years then ended (see Notes 2 and 10). These amounts are included in occupancy in the accompanying combined statements of functional expenses.

The Organization leases certain office equipment and vehicles from outside parties under operating lease agreements expiring at various dates through February 2020. Lease expense for all equipment and vehicles was \$162,975 and \$166,654 for the years ended June 30, 2016 and 2015, respectively, and is included in other expenses in the accompanying combined statements of functional expenses.

Future minimum lease payments under non-cancelable facility and equipment and vehicle leases consist of the following at June 30, 2016:

<u>Year Ending June 30,</u>	<u>Property</u>	<u>Equipment and Vehicles</u>	<u>Total</u>
2017	\$ 261,196	\$ 139,032	\$ 400,228
2018	195,973	139,032	335,005
2019	123,254	139,032	262,286
2020	50,404	62,162	112,566
2021	42,907	-	42,907
Thereafter	<u>2,598</u>	<u>-</u>	<u>2,598</u>
Total minimum lease payments	<u>\$ 676,332</u>	<u>\$ 479,258</u>	<u>\$ 1,155,590</u>

9. CONTINGENCIES

In conducting its activities, the Organization, from time-to-time, is the subject of various litigation and other potential claims. In management's opinion, the ultimate resolution of such matters will not have a material effect on the combined statements of financial position or combined statements of activities and changes in net assets as of and for the years ended June 30, 2016 and 2015.

Community Economic Development Assistance Corporation (CEDAC) Grant

The Organization received an Early Education and Out of School Time Capital Fund grant agreement for \$750,000 from CEDAC in September 2015, to pay for the construction costs associated with the renovation of its Massachusetts Department of Early Education and Care funded childcare facility. The grant was recorded as income in 2016. Under the terms of the agreement, the Organization must operate the property as a childcare facility with 25% of childcare slots reserved for low-income families for twenty-five years and four months commencing on September 29, 2015. Failure to meet this requirement will result in a liability to CEDAC. As of June 30, 2016, the Organization believes the remaining restriction will be met.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

10. RELATED PARTIES

As discussed in Note 1, the Organization is organized under the auspices of RCAB. Certain transactions between the Organization and RCAB are described elsewhere in these notes to the combined financial statements. In addition, the Organization has the following transactions with RCAB:

The Organization received contributions through RCAB to support operations. These contributions totaled \$70,650 and \$174,343 for the years ended June 30, 2016 and 2015, respectively. The contributions included \$7,864 and \$147,750 from Archdiocesan parish collections for the years ended June 30, 2016 and 2015, respectively.

RCAB donated office and building space with a fair rental value of \$343,108 for the years ended June 30, 2016 and 2015 (see Notes 1 and 8).

The Organization purchases all of its insurance policies (directors' and officers' liability, general liability, automobile, fire and theft, and workers' compensation) through RCAB from various insurance carriers with annual costs totaling \$430,373 and \$357,149 for the years ended June 30, 2016 and 2015, respectively.

On September 1, 2013, the Organization entered into an agreement with Boston Catholic Development Services (BCDS) for designated fundraising consulting services to assist the Organization in meeting its annual revenue objectives. A former member of the Organization's Board of Trustees is an employee of BCDS. The Board member resigned as a Trustee during fiscal year 2015. The fee was a reimbursement for specific costs, including salaries and related expenses, in addition to any direct expenses related to development of programs, including marketing materials and event expenses. The total BCDS-related expenses were approximately \$229,000 and \$182,000 for the years ended June 30, 2016 and 2015, respectively. The agreement expired on June 30, 2016.

Amounts owed to RCAB for payment of these operating expenses and the BCDS agreement are non-interest bearing and are due on demand and totaled \$173,466 and \$549,245 at June 30, 2016 and 2015, respectively.

11. CONCENTRATIONS

The Organization derives a significant amount of its unrestricted support and revenue (approximately 50% for the years ended June 30, 2016 and 2015) from contracts negotiated with various agencies of the Commonwealth of Massachusetts (the "Commonwealth") and other governmental agencies. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Division of Purchased Services and other state agencies. These contracts are generally renewable on an annual basis, and there is no assurance that such contracts will be renewed in the future. Accounts receivable includes approximately 84% and 82% due from Federal and State agencies as of June 30, 2016 and 2015, respectively.

Certain amounts from Federal and state agencies are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Organization as of June 30, 2016 and 2015, or on its changes in net assets for the years then ended.

The Organization maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balance.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of donor-restricted gifts and contributions and accumulated earnings on restricted funds and are summarized as follows at June 30:

	<u>2016</u>	<u>2015</u>
Program services	\$ 2,989,339	\$ 2,994,441
Time restricted	1,366,374	1,367,690
Accumulated unspent earnings on permanently restricted funds	556,611	632,921
Capital improvements	<u>5,000</u>	<u>50,894</u>
Total	<u>\$ 4,917,324</u>	<u>\$ 5,045,946</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Beneficial interests in perpetual trusts	\$ 4,563,823	\$ 4,791,387
Investments to be held in perpetuity; the income from which is expendable for purposes designated by the donor (see Note 13)	<u>3,061,667</u>	<u>3,061,667</u>
Total	<u>\$ 7,625,490</u>	<u>\$ 7,853,054</u>

During the years ended June 30, 2016 and 2015, the fair value of the beneficial interest in perpetual trusts changed by \$(227,564) and \$(198,691), respectively.

13. ENDOWMENT

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original value of the gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Notes to Combined Financial Statements
June 30, 2016 and 2015

13. ENDOWMENT (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources
- (7) The investment policies of the Organization.

Earnings on investments are appropriated using a total return spending policy. Investment income or loss is allocated to operating and non-operating activities under this policy. In connection with this policy, five percent of a rolling three year average of the market value of the investment portfolio is currently being used to support operating activities. This totaled \$348,072 and \$334,272 for the years ended June 30, 2016 and 2015, respectively, and is included in operating support, revenue and gains in the accompanying combined statements of activities and changes in net assets. The remaining investment income earned on the investment portfolio is reported in non-operating revenue and expenses.

Return Objectives and Risk Parameters

The investment portfolio is managed to provide for the long-term support of the Organization. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The Organization benchmarks its portfolio performance against a number of commonly used indices on a quarterly basis.

Strategies Employed for Achieving Objectives

The overall objective of the investment strategy is to maintain purchasing power of endowment assets before consideration of gifts. To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Organization seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATESNotes to Combined Financial Statements
June 30, 2016 and 2015

13. ENDOWMENT (Continued)

The following schedules summarize the changes in the Organization's donor-restricted endowment:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2014	\$ 636,300	\$ 2,661,667	\$ 3,297,967
Investment return:			
Investment income	117,022	-	117,022
Net unrealized gains	108,899	-	108,899
Net realized gains	<u>(229,300)</u>	<u>-</u>	<u>(229,300)</u>
Total investment return	<u>(3,379)</u>	<u>-</u>	<u>(3,379)</u>
Contributions	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Endowment net assets, June 30, 2015	<u>632,921</u>	<u>3,061,667</u>	<u>3,694,588</u>
Investment return:			
Investment income	112,518	-	112,518
Net realized gains	18,609	-	18,609
Net unrealized losses	<u>(207,437)</u>	<u>-</u>	<u>(207,437)</u>
Total investment return	<u>(76,310)</u>	<u>-</u>	<u>(76,310)</u>
Endowment net assets, June 30, 2016	<u>\$ 556,611</u>	<u>\$ 3,061,667</u>	<u>\$ 3,618,278</u>

14. RECLASSIFICATIONS

Certain amounts in the fiscal year 2015 combined financial statements have been reclassified to conform with the fiscal year 2016 presentation.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combining Statement of Financial Position
June 30, 2016

<u>Assets</u>	<u>The Agency</u>	<u>WBDC</u>	<u>CRCDC</u>	<u>Eliminations</u>	<u>Combined Total</u>
Cash and Cash Equivalents	\$ 195,486	\$ -	\$ -	\$ -	\$ 195,486
Accounts Receivable, net of allowance for doubtful accounts of approximately \$68,000 at June 30, 2016	3,995,038	-	-	-	3,995,038
Due from Affiliates	8,658,322	-	-	(8,658,322)	-
Pledges and Bequests Receivable, net	213,608	-	-	-	213,608
Investments	12,627,194	-	-	-	12,627,194
Beneficial Interests in Perpetual Trusts	4,563,823	-	-	-	4,563,823
Property and Equipment, net	9,315,119	5,496,780	6,452,821	-	21,264,720
Other Assets	186,234	-	-	-	186,234
Total assets	<u>\$ 39,754,824</u>	<u>\$ 5,496,780</u>	<u>\$ 6,452,821</u>	<u>\$ (8,658,322)</u>	<u>\$ 43,046,103</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable, accrued expenses and other	\$ 2,787,965	\$ -	\$ -	\$ -	\$ 2,787,965
Due to the Roman Catholic Archdiocese of Boston	173,466	-	-	-	173,466
Due to Catholic Charitable Bureau of the Archdiocese of Boston, Inc.	-	2,001,836	6,656,486	(8,658,322)	-
Mortgage and notes payable	2,032,579	-	-	-	2,032,579
Pension benefits liability	2,946,000	-	-	-	2,946,000
Total liabilities	<u>7,940,010</u>	<u>2,001,836</u>	<u>6,656,486</u>	<u>(8,658,322)</u>	<u>7,940,010</u>
Net Assets:					
Unrestricted:					
Operating:					
Working capital	4,576,488	-	-	-	4,576,488
Pension plan	(2,946,000)	-	-	-	(2,946,000)
Total operating	1,630,488	-	-	-	1,630,488
Property and equipment Board designated	17,292,675	3,494,944	(203,665)	-	20,583,954
	348,837	-	-	-	348,837
Total unrestricted	19,272,000	3,494,944	(203,665)	-	22,563,279
Temporarily restricted	4,917,324	-	-	-	4,917,324
Permanently restricted	7,625,490	-	-	-	7,625,490
Total net assets	<u>31,814,814</u>	<u>3,494,944</u>	<u>(203,665)</u>	<u>-</u>	<u>35,106,093</u>
Total liabilities and net assets	<u>\$ 39,754,824</u>	<u>\$ 5,496,780</u>	<u>\$ 6,452,821</u>	<u>\$ (8,658,322)</u>	<u>\$ 43,046,103</u>

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combining Statement of Activities
For the Year Ended June 30, 2016

	The Agency			WBCDC	CRCDC	Eliminations	Combined Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Unrestricted		
Operating Support, Revenue and Gains:							
Contributions and fundraising:							
Contributions and fundraising	\$ 8,102,496	\$ 1,856,205	\$ -	\$ -	\$ -	\$ -	\$ 9,958,701
Contributions from United Way organizations	982,329	28,312	-	-	-	-	1,010,641
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$343,108)	413,756	-	-	-	-	-	413,756
Total contributions and fundraising	<u>9,498,581</u>	<u>1,884,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,383,098</u>
Program service fees, grants and contract revenue:							
Individuals	4,804,417	-	-	-	-	-	4,804,417
Medicaid and Medicare	1,042,161	-	-	-	-	-	1,042,161
Commercial insurance fees	124,701	-	-	-	-	-	124,701
Contract revenue from governmental and other agencies	19,243,945	-	-	-	-	-	19,243,945
Grants	1,242,660	-	-	-	-	-	1,242,660
Total program service fees, grants and contract revenue	<u>26,457,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,457,884</u>
Investment earnings used for operations under the spending policy	348,072	-	-	-	-	-	348,072
Investment and miscellaneous income	76,173	-	-	209,844	247,056	(456,900)	76,173
Net assets released from purpose restrictions	925,957	(925,957)	-	-	-	-	-
Net assets released from time restrictions	1,352,384	(1,352,384)	-	-	-	-	-
Subtotal	<u>2,702,586</u>	<u>(2,278,341)</u>	<u>-</u>	<u>209,844</u>	<u>247,056</u>	<u>(456,900)</u>	<u>424,245</u>
Total operating support, revenue and gains	<u>38,659,051</u>	<u>(393,824)</u>	<u>-</u>	<u>209,844</u>	<u>247,056</u>	<u>(456,900)</u>	<u>38,265,227</u>
Operating Expenses:							
Program services:							
Community social services	18,282,551	-	-	137,148	164,929	(302,077)	18,282,551
Child care services	13,271,244	-	-	45,356	66,758	(112,114)	13,271,244
Behavioral health and addiction treatment services	1,411,268	-	-	-	-	-	1,411,268
Total program services	<u>32,965,063</u>	<u>-</u>	<u>-</u>	<u>182,504</u>	<u>231,687</u>	<u>(414,191)</u>	<u>32,965,063</u>
Supporting services:							
Management and general	3,671,680	-	-	5,614	4,116	(9,730)	3,671,680
Fundraising	2,021,021	-	-	21,726	11,253	(32,979)	2,021,021
Total supporting services	<u>5,692,701</u>	<u>-</u>	<u>-</u>	<u>27,340</u>	<u>15,369</u>	<u>(42,709)</u>	<u>5,692,701</u>
Total operating expenses	<u>38,657,764</u>	<u>-</u>	<u>-</u>	<u>209,844</u>	<u>247,056</u>	<u>(456,900)</u>	<u>38,657,764</u>
Changes in net assets from operations	1,287	(393,824)	-	-	-	-	(392,537)
Non-Operating Revenue (Expenses):							
Contributions for long-term purposes - capital	1,701,572	5,000	-	-	-	-	1,706,572
Investment earnings	70,641	260,202	-	-	-	-	330,843
Change in fair value of beneficial interests in perpetual trusts	-	-	(227,564)	-	-	-	(227,564)
Investment earnings used for operations under the spending policy	(348,072)	-	-	-	-	-	(348,072)
Pension related changes other than net periodic pension cost	(2,300,000)	-	-	-	-	-	(2,300,000)
Changes in net assets	<u>\$ (874,572)</u>	<u>\$ (128,622)</u>	<u>\$ (227,564)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,230,758)</u>