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ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Financial Statements and
Supplementary Financial Information

June 30, 2019 and 2018

(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 (the Organization), which comprise the combined statements of financial position as of June 30, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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, 2019, in accordance with U.S. generally accepted accounting principles.

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Emphasis of Matter

As discussed in note 1(x) to the combined financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities.* Our opinion is not modified with respect to this matter.

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

Baltimore, Maryland
October 30, 2019

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	3,222,166	3,632,536
Restricted cash		2,808,459	2,896,322
Accounts receivable, less allowance for doubtful accounts (2019 – $570,110; 2018 – $481,420)		15,816,208	15,778,681
Prepaid expenses and other assets		3,601,716	2,998,860
Investments, at fair value		85,212,623	81,986,086
Property and equipment:			
Land and improvements		19,532,563	19,419,222
Buildings		235,504,549	234,636,081
Equipment		23,955,947	24,239,027
Construction in progress		5,423,715	235,430
		284,416,774	278,529,760
Accumulated depreciation		(147,337,971)	(140,404,018)
		137,078,803	138,125,742
Total assets	$	247,739,975	245,418,227
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	8,417,556	5,910,455
Accrued salaries and benefits		7,072,691	6,831,932
Accrued interest		1,179,266	1,257,613
Borrowings under line of credit		9,447,000	2,329,000
Deferred revenue		1,370,739	1,146,471
Due to Archdiocese		2,119,035	3,817,053
Other liabilities		3,906,763	6,779,093
Capital advances		98,722,922	98,722,922
Mortgages and bonds payable		49,521,219	51,874,327
Total liabilities		181,757,191	178,668,866
Net assets:			
Without donor restrictions – controlling interest		6,585,521	10,584,162
Without donor restrictions – noncontrolling interest		8,290,859	9,438,833
Total without donor restrictions		14,876,380	20,022,995
With donor restrictions		51,106,404	46,726,366
Total net assets		65,982,784	66,749,361
Total liabilities and net assets	$	247,739,975	245,418,227

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Activities

Years ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Purchase of services by governmental agencies	$ 117,987,005	—	117,987,005	113,358,564	—	113,358,564
Purchase of services – other	2,190,819	—	2,190,819	1,858,136	—	1,858,136
Program service fees	7,522,669	—	7,522,669	7,754,054	—	7,754,054
Contributions, fundraising, and donated goods and services	9,023,005	5,322,478	14,345,483	11,670,942	2,846,293	14,517,235
Rental income	8,130,659	—	8,130,659	8,060,066	—	8,060,066
Other	357,287	—	357,287	330,994	—	330,994
Net assets released from restrictions	5,421,895	(5,421,895)	—	4,701,164	(4,701,164)	—
Total revenue	150,633,339	(99,417)	150,533,922	147,733,920	(1,854,871)	145,879,049
Program operating expenses:						
Family services	68,724,998	—	68,724,998	66,044,852	—	66,044,852
Community services	30,083,287	—	30,083,287	29,452,695	—	29,452,695
Senior services	41,048,055	—	41,048,055	42,717,955	—	42,717,955
Fundraising and awareness	3,034,386	—	3,034,386	3,100,526	—	3,100,526
Management and general	16,313,119	—	16,313,119	15,052,373	—	15,052,373
Total expenses	159,203,845	—	159,203,845	156,368,401	—	156,368,401
Total expenses in excess of total revenue	(8,570,506)	(99,417)	(8,669,923)	(8,634,481)	(1,854,871)	(10,489,352)
Nonoperating revenue (expense):						
Endowments and other gifts, including changes in donor's restrictions (note 8)	25,000	302,136	327,136	2,000,200	809,333	2,809,533
Investment income, net (including net unrealized gains: 2019 – $1,980,055; 2018 – $3,290,831)	2,978,115	4,326,887	7,305,002	3,014,522	4,739,353	7,753,875
Other, net	271,208	—	271,208	454,057	—	454,057
Net assets released from restrictions	149,568	(149,568)	—	234,570	(234,570)	—
Total nonoperating revenue	3,423,891	4,479,455	7,903,346	5,703,349	5,314,116	11,017,465
Change in net assets	(5,146,615)	4,380,038	(766,577)	(2,931,132)	3,459,245	528,113
Change in net assets – noncontrolling interest	(1,147,974)	—	(1,147,974)	(1,401,778)	—	(1,401,778)
Change in net assets – controlling interest	$ (3,998,641)	4,380,038	381,397	(1,529,354)	3,459,245	1,929,891

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, 2019 and 2018

		Without donor restrictions			With donor	
		Controlling interest	**Noncontrolling interest**	**Total net assets**	**restrictions net assets**	**Total**
Net assets as of June 30, 2017	$	12,113,516	10,535,696	22,649,212	43,267,121	65,916,333
Change in net assets from activities		(1,529,354)	(1,401,778)	(2,931,132)	3,459,245	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	46,726,366	66,749,361
Change in net assets from activities		(3,998,641)	(1,147,974)	(5,146,615)	4,380,038	(766,577)
Net assets as of June 30, 2019	$	6,585,521	8,290,859	14,876,380	51,106,404	65,982,784

See accompanying notes to the combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (766,577)	528,113
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,243,706	8,627,929
Provision for bad debts	1,232,154	1,294,697
Change in fair value of interest rate swap and cap	259,635	(303,282)
Unrealized gain on investments, net	(1,980,055)	(3,290,831)
Realized gain on sale of investments, net	(3,419,124)	(2,895,391)
Deferred interest expense	215,404	88,078
Loss (gain) on disposal of property and equipment	20,714	(277,168)
Contributions restricted for long-term investment	(302,136)	(809,333)
Change in accounts receivable, net	(1,269,682)	(1,375,733)
Change in prepaid expenses and other assets	293,368	169,970
Change in accounts payable, accrued interest, and accrued salaries and benefits	1,819,628	(236,585)
Change in due to Archdiocese	(1,698,018)	(1,697,329)
Change in deferred revenue	224,268	(64,279)
Change in other liabilities	(3,188,382)	705,624
Net cash (used in) provided by operating activities	(315,097)	464,480
Cash flows from investing activities:		
Change in restricted cash	87,863	(59,413)
Purchase of property and equipment	(6,480,854)	(1,843,434)
Proceeds from the sale of property and equipment	205,000	799,000
Purchase of investments	(44,019,432)	(32,227,085)
Proceeds from sales and maturities of investments	46,192,073	30,842,502
Net cash used in investing activities	(4,015,350)	(2,488,430)
Cash flows from financing activities:		
Change in contributions receivable	(947,229)	(7,247)
Contributions restricted for long-term investment	302,136	809,333
Borrowings under line of credit	7,118,000	2,329,000
Other debt proceeds	—	117,241
Other debt repayment	(2,552,830)	(2,816,610)
Capital contribution	—	304,915
Net cash provided by financing activities	3,920,077	736,632
Decrease in cash and cash equivalents	(410,370)	(1,287,318)
Cash and cash equivalents at beginning of year	3,632,536	4,919,854
Cash and cash equivalents at end of year	$ 3,222,166	3,632,536
Supplemental disclosure of cash flow information:		
Purchase of fixed asset additions in accounts payable	$ 1,115,626	281,423

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Program Operating Expenses

Year ended June 30, 2019 (with summary totals for 2018)

		Family services	Community services	Senior services	Fundraising and Awareness	Management and general	Total expenses June 30, 2019	Total expenses June 30, 2018
Salaries	$	41,653,411	14,705,310	15,007,556	1,395,299	8,970,013	81,731,589	79,033,144
Employee benefits and payroll taxes		12,144,508	4,584,604	4,294,028	369,154	2,381,867	23,774,161	22,478,095
Total employee compensation		53,797,919	19,289,914	19,301,584	1,764,453	11,351,880	105,505,750	101,511,239
Occupancy		4,158,112	4,268,861	6,150,444	179,714	1,185,437	15,942,568	16,482,010
Professional fees and contractual services		1,839,032	855,209	4,037,325	379,492	705,848	7,816,906	8,155,784
Food and other supplies		2,195,790	2,161,691	2,605,003	5,824	52,282	7,020,590	6,708,735
Transportation		1,162,598	177,960	217,168	13,139	53,741	1,624,606	1,452,438
Direct assistance		801,892	1,483,075	1,672	—	—	2,286,639	3,181,805
Postage, printing, and publications		280,158	58,479	123,883	431,654	55,176	949,350	756,831
Provision for bad debts		331,489	19,779	848,158	2,818	29,911	1,232,155	1,294,697
Interest expense		696,319	8,671	1,064,507	—	421,820	2,191,317	1,507,933
Depreciation		2,054,294	898,548	5,036,847	799	145,794	8,136,282	8,546,723
Other		1,407,395	861,100	1,661,464	256,493	2,311,230	6,497,682	6,770,206
Total program expenses	$	68,724,998	30,083,287	41,048,055	3,034,386	16,313,119	159,203,845	156,368,401
Total program expenses 2018	$	66,044,852	29,452,695	42,717,955	3,100,526	15,052,373	—	156,368,401

See accompanying notes to combined financial statements.

(1) Organization and Significant Accounting Policies

(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.

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

(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, BPL, Inc., and Irvington My Brother's Keeper, Inc.

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 is operated as a program of Catholic Charities. My Brother's Keeper is a tax-exempt, nonprofit, nonstock 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. My Brother's Keeper net assets acquired July 1, 2018 were approximately $0.7 million.

All significant intercompany accounts and transactions have been eliminated. All of the combined organizations operate under the auspices of the Roman Catholic Archbishop of Baltimore, and his successors in office, a corporation sole (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 into two classes of net assets. Accordingly, net assets of the Organization are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- With donor restrictions – Net assets subject to donor-imposed stipulations that are more specific than broad limits resulting from a not-for-profit's nature, environment in which it operates, and incorporating documents. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used only after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, donor-restricted endowment funds stipulating that resources be maintained in perpetuity. For such funds held by the Organization, the Maryland-enacted version of the Uniform Prudent Management of Investment Funds (UPMIFA) extends those restrictions to related investment returns and to other enhancements (diminishments) for general and specific purposes, primarily program services.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as net assets with donor restrictions until appropriated for expenditure. Expirations of 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 net assets with donor restrictions to net assets without donor restrictions. 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, 2019 and 2018, 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.

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, a nursing home, 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 initially 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 2019 and 2018 were $1.8 million and $1.9 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. Assets under the charitable annuity agreements as of June 30, 2019 and 2018 were $1.3 million and the related liabilities as of June 30, 2019 and 2018 were $0.8 million and $0.9 million, respectively.

(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 $11.3 million and $10.9 million in 2019 and 2018, 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 2019 or 2018.

The Tax Cuts and Jobs Act of 2017, effective January 1, 2018, requires tax-exempt organizations to report, as unrelated business income, the amount paid or incurred for qualifying parking benefits for its employees. The estimated tax to be reported on IRS Form 990-T was $69,981 for fiscal year 2019. The tax reported on IRS Form 990-T was $37,103 for fiscal year 2018.

(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 net assets without donor restrictions on the combined statements of financial position and represent Catholic Charities' noncontrolling interest in three low-income senior housing partnerships. During the fiscal year ended June 30, 2018, the limited partner in the Basilica Place Limited Partnership and the Village Crossroads Senior Housing Limited Partnership made equity contributions aggregating $0.3 million.

(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) New Accounting Standard

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 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 (see footnote 10). The ASU is effective for Catholic Charities in fiscal year 2019.

Net asset reclassifications as of July 1, 2017 driven by the adoption of ASU 2016-14 in 2019 are as follows:

		ASU 2016-14 Classifications		
		Without donor restrictions	**With donor restrictions**	**Total net assets**
As previously presented:				
Unrestricted – controlling interest	$	12,113,516	—	12,113,516
Unrestricted – noncontrolling interest		10,535,696	—	10,535,696
Temporarily restricted		—	19,223,641	19,223,641
Permanently restricted		—	24,043,480	24,043,480
Net assets, as reclassified	$	22,649,212	43,267,121	65,916,333

(y) Recent Accounting Pronouncements

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 Catholic Charities in fiscal year 2021. 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 for Catholic Charities in fiscal year 2020. The Organization is evaluating the expected impact of the aforementioned standards and related emerging guidance on its combined financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash.* This update attempts to reduce diversity in practice by providing guidance on presentation of restricted cash within the cash flow statement. The ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. The guidance will be applicable for Catholic Charities in fiscal year 2020. Early adoption is permitted. The Organization is evaluating the expected impact of this standard on its financial statements.

(2) Investments

Investments consist of the following as of June 30, 2019 and 2018:

		2019	2018
Certificates of deposit and cash	$	8,250,723	6,803,500
Mutual funds		21,014,449	24,138,887
U.S. government and agency obligations		9,457,712	10,093,151
Corporate bonds		5,272,131	4,847,439
Common stocks		38,054,569	34,093,321
Asset backed securities		784,997	843,471
Private investment funds		2,378,042	1,166,317
	$	85,212,623	81,986,086

(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 June 1, 2020, but can be extended at the sole discretion of the lender, was $9.4 million and $2.3 million as of June 30, 2019 and 2018, respectively. See note 13.

Interest paid on line-of-credit borrowings was $134,979 and $26,678 in fiscal years 2019 and 2018, respectively.

As of June 30, 2019 and 2018, Catholic Charities had outstanding irrevocable letters of credit of $1.2 million and $1.1 million, respectively, 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, 2019 and 2018.

(5) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2019 and 2018:

		2019	2018
ACC MIDFA Bonds, Series 2013	$	12,190,417	13,380,417
HUD 202 Projects – Mortgages		24,582,330	25,468,757
Other mortgages		12,748,472	13,025,153
	$	49,521,219	51,874,327

(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, 2019, Catholic Charities did not meet one of the two required financial covenants. See note 13.

(b) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2019 and 2018:

	2019	2018
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.	$ 15,736,713	16,720,309
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 2019 and 2018. 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.	8,845,617	8,748,448
	$ 24,582,330	25,468,757

(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%.

(d) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2019 is as follows:

Fiscal year:		
2020	$	1,922,069
2021		1,994,004
2022		2,065,539
2023		2,121,523
2024		1,669,186
Thereafter		39,748,898
	$	49,521,219

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, 2019 and 2018 was $301,385 and $43,748, 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, 2019 and 2018 was an asset of $70 and $2,068, 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 mortgages and bonds payable of approximately $1.7 million in fiscal years 2019 and 2018, respectively.

(Continued)

(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, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash, cash equivalents, and restricted cash	$ 6,030,625	—	—	6,030,625
Investments:				
Certificates of deposit and cash	8,250,723	—	—	8,250,723
Mutual funds	21,014,449	—	—	21,014,449
U.S. government and agency obligations	5,696,553	3,761,159	—	9,457,712
Corporate bonds	—	5,227,108	45,023	5,272,131
Common stocks	37,921,767	132,802	—	38,054,569
Asset backed securities	—	784,997	—	784,997
Private investment funds	—	—	2,378,042	2,378,042
Total fair value of investments	72,883,492	9,906,066	2,423,065	85,212,623
Liabilities:				
Interest rate swap and cap agreements	—	(301,385)	—	(301,385)
Total fair value of financial assets, net of liabilities	$ 78,914,117	9,604,681	2,423,065	90,941,863

	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

There were no significant transfers between levels for the years ended June 30, 2019 or 2018.

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, 2019, the Organization has remaining unfunded commitments totaling $1.7 million for these funds.

(7) Net Assets

Net assets without donor restrictions consists of the following as of June 30, 2019 and 2018:

		2019	2018
Senior communities controlling interest, operating net deficit	$	(37,722,510)	(36,379,895)
Senior communities noncontrolling interest, operating net assets		8,290,859	9,438,833
Board-designated endowment funds		14,035,148	13,417,649
ACC programs undesignated operating net assets		30,272,883	33,546,408
Total	$	14,876,380	20,022,995

Net assets with donor restrictions consist of the following as of June 30, 2019 and 2018:

		2019	2018
Contributions restricted for programs	$	3,881,556	1,838,753
Donor-restricted endowment funds (historical cost)		24,930,426	24,628,290
Endowment returns		21,974,243	19,931,068
Estates, trusts, and other net assets		320,179	328,255
Total	$	51,106,404	46,726,366

(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 of which 14% is restricted for agency funds and the remaining is to be used for program services. 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 $5.7 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2019.

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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the

(Continued)

endowment, and (c) accumulations to the endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Statement. 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, 2019 and 2018 is as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	46,904,669	46,904,669
Board-designated endowment funds	14,035,148	—	14,035,148
Total funds	$ 14,035,148	46,904,669	60,939,817

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	44,559,358	44,559,358
Board-designated endowment funds	13,417,649	—	13,417,649
Total funds	$ 13,417,649	44,559,358	57,977,007

Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018 are as follows:

	Without donor restrictions	**With donor restrictions**	**Total**
Net assets as of June 30, 2017	$ 12,626,747	40,946,216	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	44,559,358	57,977,007
Investment return:			
Investment income	319,329	1,066,623	1,385,952
Net appreciation (realized and unrealized)	956,801	3,215,794	4,172,595
Total investment return	1,276,130	4,282,417	5,558,547
Contributions	—	309,636	309,636
Appropriation of endowment assets for expenditure	(658,631)	(2,246,742)	(2,905,373)
Net assets as of June 30, 2019	$ 14,035,148	46,904,669	60,939,817

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 with donor restrictions 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, 2019 or 2018.

(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 $0.8 million and $1.0 million in fiscal years 2019 and 2018, respectively, 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 2019 and 2018, respectively. The net amount due to the Archdiocese as of June 30, 2019 and 2018 is $2.1 million and $3.8 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, 2019, 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 $2.4 million and $2.0 million for fiscal years 2019 and 2018, respectively.

(10) Liquidity and Availability

Catholic Charities regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of June 30, 2019, the following assets could readily be available within one year to meet general expenditures:

		2019
Cash and cash equivalents	$	3,222,166
Operating investments		13,583,056
Approved endowment payout for fiscal 2020		3,094,830
Accounts receivable, net		15,816,208
Contributions receivable due in fiscal 2020		250,000
Financial assets available to meet general expenditures over the next year	$	35,966,260

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and a $20 million line of credit, of which $10.6 million was available to draw at June 30, 2019, for working capital purposes. The Organization’s cash flows have variations during the year attributable to seasonal variations in billings, concentration of contributions received at calendar year ends, and timing of events. Operating investments include only amounts that are without donor restrictions.

(11) Leases

Catholic Charities has entered into commitments to lease certain office and program space. The lease terms expire at various dates through September 2024. 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, 2019:

Fiscal year:		
2020	$	1,252,391
2021		1,046,728
2022		546,402
2023		304,718
2024		166,550
Thereafter		34,863
	$	3,351,652

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 $2.5 million and $2.2 million for fiscal years 2019 and 2018, respectively.

Catholic Charities leases office space from the Archdiocese. Rent paid to the Archdiocese was approximately $158,000 and $151,000 for fiscal years 2019 and 2018, respectively.

(12) 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.

(13) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2019 and through October 30, 2019 and determined that no adjustments or disclosures to the combined financial statements were required, except as follows:

In September 2019, the Organization sold investment securities aggregating $10 million and used the proceeds to repay borrowings under its line of credit.

In November 2019, the Organization expects to complete a significant renovation of one of its owned properties in Baltimore County, Maryland. Following its completion, substantially all of the Agency's administrative staff and certain program personnel will relocate to that building from currently leased office space. The estimated total cost of the renovation is $10 million. In October, the Organization entered into a $10 million term loan agreement with a bank to finance the renovations, which previously had been funded under the Organization's line of credit. The new term loan has a ten-year maturity, with monthly principal payments based on a 25-year amortization schedule. Interest is payable monthly at a rate equal to one-month LIBOR +1.39%. Borrowings under the term loan are secured by certain revenue and cash receipts and certain real and personal property all as defined in the agreement.

In connection with the issuance of the term loan maximum borrowings available under the line of credit was reduced from $20 million to $15 million and the maturity of the line was extended to June 1, 2020.

The bank loan agreement was also amended in October 2019 to change the financial covenant requirement for the year ended June 30, 2019. The Organization is in compliance with the amended covenant.

SUPPLEMENTARY FINANCIAL INFORMATION

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Supplemental Combining Statement of Financial Position

June 30, 2019

Assets		**ACC (A)**	**Senior Communities (B)**	**Eliminations (C)**	**Combined**
Cash and cash equivalents	$	875,026	2,347,140	—	3,222,166
Restricted cash		1,253,235	1,555,224	—	2,808,459
Accounts receivable, less allowance for doubtful accounts		14,774,760	1,041,448	—	15,816,208
Prepaid expenses and other assets		2,651,757	949,959	—	3,601,716
Investments, at fair value		79,942,521	5,270,102	—	85,212,623
Property and equipment, net		48,823,167	95,026,821	(6,771,185)	137,078,803
Intercompany		9,071,265	(9,071,265)	—	—
Total assets	$	157,391,731	97,119,429	(6,771,185)	247,739,975
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$	7,341,301	1,076,255	—	8,417,556
Accrued salaries and benefits		6,977,189	95,502	—	7,072,691
Accrued interest		778,975	400,291	—	1,179,266
Borrowings under line of credit		9,447,000	—	—	9,447,000
Deferred revenue		1,293,828	76,911	—	1,370,739
Due to Archdiocese		2,119,035	—	—	2,119,035
Other liabilities		3,128,937	777,826	—	3,906,763
Capital advances		5,980,900	92,742,022	—	98,722,922
Mortgages and bonds payable		18,138,946	31,382,273	—	49,521,219
Total liabilities		55,206,111	126,551,080	—	181,757,191
Net assets (deficits):					
Without donor restrictions – controlling interest		51,079,216	(37,722,510)	(6,771,185)	6,585,521
Without donor restrictions – noncontrolling interest		—	8,290,859	—	8,290,859
Total without donor restrictions		51,079,216	(29,431,651)	(6,771,185)	14,876,380
With donor restrictions		51,106,404	—	—	51,106,404
Total net assets		102,185,620	(29,431,651)	(6,771,185)	65,982,784
Total liabilities and net assets	$	157,391,731	97,119,429	(6,771,185)	247,739,975

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., Esperanza Center Health Services, Inc., and Irvington My Brother's Keeper, 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.