

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK



Financial Statements
(Together with Independent Auditors' Report)

August 31, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

AUGUST 31, 2017 AND 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Catholic Charities Community Services, Archdiocese of New York

We have audited the accompanying financial statements of Catholic Charities Community Services, Archdiocese of New York ("CCCS") which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of CCCS as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
February 9, 2018

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2G and 3A)	\$ 2,361,927	\$ 1,900,591
Cash held for restricted purposes (Notes 2J and 4)	424,019	316,730
Government receivables, net (Notes 2H, 3A, 5 and 15)	9,698,183	8,824,847
Other receivables, net (Notes 2H, 3A, and 6)	925,887	782,783
Due from other entities (Note 7)	1,248,822	959,505
Deposits and other assets	422,930	423,797
Property and equipment, net (Notes 2I and 8)	6,936,400	7,033,319
TOTAL ASSETS	\$ 22,018,168	\$ 20,241,572
LIABILITIES		
Accounts payable and accrued expenses (Note 10D)	\$ 3,383,943	\$ 3,953,561
Accrued subcontractors on government contracts (Note 5)	445,004	1,331,750
Due to government agencies (Note 2D)	1,833,412	1,513,341
Government contract advances (Note 2D)	1,108,321	1,008,608
Due to other entities (Note 9)	3,523,070	1,232,862
Deferred revenue	511,277	372,330
Custodial funds (Notes 2J and 4)	424,019	316,730
TOTAL LIABILITIES	11,229,046	9,729,182
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted	8,796,611	8,780,551
Temporarily restricted (Note 11)	1,992,011	1,731,339
Permanently restricted	500	500
TOTAL NET ASSETS	10,789,122	10,512,390
TOTAL LIABILITIES AND NET ASSETS	\$ 22,018,168	\$ 20,241,572

See accompanying notes to the financial statements.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	For the Year Ended August 31, 2017				For the Year Ended August 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
SUPPORT AND REVENUE								
Support (Note 2C)								
Grant from The Catholic Charities of the Archdiocese of New York (Note 14A)	\$ 6,745,154	\$ 2,808,237	\$ -	\$ 9,553,391	\$ 6,645,422	\$ 3,187,447	\$ -	\$ 9,832,869
Hurricane Sandy grants and contributions (Note 14A)	-	-	-	-	-	976,444	-	976,444
New York Times Summer Youth	-	2,950	-	2,950	-	80,413	-	80,413
Grants from foundations and corporations	76,058	2,579,692	-	2,655,750	52,285	1,816,833	-	1,869,118
Bequests and legacies	-	47,000	-	47,000	18,106	104,054	-	122,160
Special events, net of expenses of \$126,217 in 2017 and \$272,093 in 2016	-	421,890	-	421,890	-	176,258	-	176,258
Appeals and contributions	119,241	116,800	-	236,041	118,477	141,015	-	259,492
Contributed services, rent and other in-kind (Notes 2E and 12)	3,574,701	-	-	3,574,701	1,940,829	-	-	1,940,829
Donated facility (Notes 2E and 12)	-	-	-	-	36,524	-	-	36,524
Net assets released from restrictions (Note 11)	5,715,897	(5,715,897)	-	-	7,066,344	(7,066,344)	-	-
Total Support	16,231,051	260,672	-	16,491,723	15,877,987	(583,880)	-	15,294,107
Revenue								
Program revenue from government contracts (Notes 2D, 3B, and 5)	32,239,651	-	-	32,239,651	33,976,293	-	-	33,976,293
Medicaid fees (Note 2D)	1,568,669	-	-	1,568,669	1,721,532	-	-	1,721,532
Program fees and other contracts	3,608,616	-	-	3,608,616	4,434,578	-	-	4,434,578
Rental income (Note 14C)	817,738	-	-	817,738	942,852	-	-	942,852
Business service fees (Note 14B)	2,728,000	-	-	2,728,000	1,870,000	-	-	1,870,000
Other (loss) revenue (Note 8)	37,372	-	-	37,372	(579,071)	-	-	(579,071)
Total Revenue	41,000,046	-	-	41,000,046	42,366,184	-	-	42,366,184
TOTAL SUPPORT AND REVENUE	57,231,097	260,672	-	57,491,769	58,244,171	(583,880)	-	57,660,291
EXPENSES (Note 2K)								
Program services	50,494,556	-	-	50,494,556	50,666,145	-	-	50,666,145
Administrative and support	6,439,953	-	-	6,439,953	6,827,073	-	-	6,827,073
Fundraising	280,528	-	-	280,528	327,810	-	-	327,810
TOTAL EXPENSES	57,215,037	-	-	57,215,037	57,821,028	-	-	57,821,028
CHANGE IN NET ASSETS	16,060	260,672	-	276,732	423,143	(583,880)	-	(160,737)
Net assets - beginning of year	8,780,551	1,731,339	500	10,512,390	8,357,408	2,315,219	500	10,673,127
NET ASSETS - END OF YEAR	\$ 8,796,611	\$ 1,992,011	\$ 500	\$ 10,789,122	\$ 8,780,551	\$ 1,731,339	\$ 500	\$ 10,512,390

See accompanying notes to the financial statements.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017
(With Comparative Totals for the Year Ended August 31, 2016)

	For the Year Ended August 31, 2017											2017 Total Expenses	2016 Total Expenses
	Program Services							Supporting Services		Total	Total		
	Community Outreach	Immigration	Hurricane Sandy Fund	Disaster Response	Beacon of Hope	CYO	Alianza Youth Services	Other Programs	Administrative and Support				
Salaries and stipends	\$ 7,442,534	\$ 5,451,223	\$ -	\$ 55,522	\$ 4,890,222	\$ 713,247	\$ 3,516,807	\$ 474,335	\$ 22,543,890	\$ 2,610,870	\$ 149,303	\$ 25,304,063	\$ 25,626,820
Payroll taxes and employee benefits (Notes 13 and 14E)	2,503,040	1,514,211	-	18,841	1,519,381	237,156	718,480	138,129	6,649,238	720,091	41,549	7,410,878	7,366,186
Contributed services, rent and other in-kind and donated facilities (Notes 2E and 12)	2,351,357	85,610	-	-	633,571	22,058	184,154	-	3,276,750	278,023	19,928	3,574,701	1,977,353
Occupancy costs (Notes 10A and 14C)	1,347,050	977,499	-	563	410,981	223,098	167,508	151,169	3,277,868	540,345	35,317	3,853,530	3,900,442
Emergency and direct client assistance	3,312,035	247,193	-	-	212,691	-	2,307	-	3,774,226	-	-	3,774,226	3,839,175
Congregate and supported client housing (Notes 10A and 14C)	-	-	-	-	3,442,837	-	-	-	3,442,837	-	-	3,442,837	3,955,861
Grants	156,098	-	-	-	-	-	-	103,500	259,598	-	-	259,598	183,702
Subcontractors on government contracts (Note 5)	315,938	-	-	33,607	-	-	250,016	-	599,561	-	-	599,561	1,341,366
Program materials and supplies	266,450	32,283	-	114	490,103	159,126	807,815	-	1,755,891	-	-	1,755,891	2,147,457
Professional and other fees (Notes 14B and 14E)	271,929	343,490	-	37,323	219,924	250,269	84,136	45,194	1,252,265	1,479,630	5,396	2,737,291	3,300,539
Insurance	205,443	22,188	-	354	93,642	43,559	1,859	7,324	374,369	118,648	524	493,541	509,176
Appeals	-	-	-	-	-	-	-	-	-	-	23,362	23,362	26,165
Depreciation and amortization	728,563	135,758	-	-	13,841	160,607	28,238	123,277	1,190,284	218,992	859	1,410,135	1,377,216
Office, telephone and other expenses	701,316	543,364	-	8,491	310,814	43,860	315,341	174,593	2,097,779	473,354	4,290	2,575,423	2,269,570
Total expenses	\$ 19,601,753	\$ 9,352,819	\$ -	\$ 154,815	\$ 12,238,007	\$ 1,852,980	\$ 6,076,661	\$ 1,217,521	\$ 50,494,556	\$ 6,439,953	\$ 280,528	\$ 57,215,037	\$ 57,821,028
Total expenses - 2016	\$ 18,034,699	\$ 7,652,386	\$ 1,091,372	\$ 2,773,974	\$ 11,944,037	\$ 2,864,441	\$ 5,489,225	\$ 816,011	\$ 50,666,145	\$ 6,827,073	\$ 327,810	\$ 57,821,028	

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

	Program Services								Supporting Services		2016 Total Expenses	
	Community Outreach	Immigration	Hurricane Sandy Fund	Disaster Response	Beacon of Hope	CYO	Alianza Youth Services	Other Programs	Total	Administrative and Support		Fundraising
Salaries and stipends	\$ 7,214,144	\$ 4,250,347	\$ 647,360	\$ 1,022,848	\$ 4,752,189	\$ 1,114,865	\$ 3,122,471	\$ 197,193	\$ 22,321,417	\$ 3,087,913	\$ 217,490	\$ 25,626,820
Payroll taxes and employee benefits (Notes 13 and 14E)	2,448,144	1,203,935	161,787	299,814	1,292,653	300,580	646,805	55,321	6,409,039	906,723	50,424	7,366,186
Contributed services, rent and other in-kind and donated facilities (Notes 2E and 12)	1,259,288	151,340	37,008	-	41,904	21,168	183,498	36,524	1,730,730	240,239	6,384	1,977,353
Occupancy costs (Notes 10A and 14C)	1,291,840	933,607	78,468	90,256	386,957	228,214	131,573	205,746	3,346,661	540,245	13,536	3,900,442
Emergency and direct client assistance	3,178,061	252,776	117,242	54,531	234,365	-	2,200	-	3,839,175	-	-	3,839,175
Congregate and supported client housing (Note 10A and 14C)	-	-	-	-	3,955,861	-	-	-	3,955,861	-	-	3,955,861
Grants	107,500	-	6,325	-	-	-	-	69,877	183,702	-	-	183,702
Subcontractors on government contracts (Note 5)	315,938	89,370	-	853,990	-	-	82,068	-	1,341,366	-	-	1,341,366
Program materials and supplies	424,160	4,714	-	717	602,184	269,464	846,218	-	2,147,457	-	-	2,147,457
Professional and other fees (Notes 14B and 14E)	313,789	250,915	34,585	363,614	258,150	620,563	186,548	8,256	2,036,420	1,258,459	5,660	3,300,539
Insurance	222,154	19,952	875	746	90,185	44,712	8,246	7,090	393,960	115,098	118	509,176
Appeals	-	-	-	-	-	-	-	-	-	-	26,165	26,165
Depreciation and amortization	634,275	126,108	1,905	4,597	6,317	188,884	19,429	229,195	1,210,710	166,174	332	1,377,216
Office, telephone and other expenses	625,406	369,322	5,817	82,861	323,272	75,991	260,169	6,809	1,749,647	512,222	7,701	2,269,570
Total expenses	\$ 18,034,699	\$ 7,652,386	\$ 1,091,372	\$ 2,773,974	\$ 11,944,037	\$ 2,864,441	\$ 5,489,225	\$ 816,011	\$ 50,666,145	\$ 6,827,073	\$ 327,810	\$ 57,821,028

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 276,732	\$ (160,737)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	623,458
Depreciation and amortization	1,410,135	1,377,216
Subtotal	1,686,867	1,839,937
Changes in operating assets and liabilities:		
Government receivables	(873,336)	2,815,308
Other receivables	(143,104)	565,414
Due from other entities	(289,317)	653,407
Deposits and other assets	867	(22,337)
Accounts payable and accrued expenses	(569,618)	340,597
Accrued subcontractors on government contracts	(886,746)	(2,400,376)
Due to government agencies and contract advances	419,784	(574,395)
Due to other entities	2,290,208	(85,494)
Deferred revenue	138,947	62,482
Net Cash Provided by Operating Activities	1,774,552	3,194,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,313,216)	(2,607,012)
Proceeds from the sale of property and equipment	-	10,000
Decrease in cash held for restricted purposes for the Hurricane Sandy Relief and Recovery Fund	-	1,000
Net Cash Used in Investing Activities	(1,313,216)	(2,596,012)
NET INCREASE IN CASH AND CASH EQUIVALENTS	461,336	598,531
Cash and cash equivalents - beginning of the year	1,900,591	1,302,060
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,361,927	\$ 1,900,591

See accompanying notes to the financial statements.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Catholic Charities Community Services, Archdiocese of New York (“CCCS”) was formed to:

- (a) provide and operate centers, facilities, clinics and programs for the prevention, alleviation and treatment of behavior and personality problems, preservation and strengthening of family life, assistance in the welfare of needy persons, research into social problems and providing training, supervision and direction of practitioners and leaders in social service and research;
- (b) promote the welfare of disabled persons, including deaf, blind or partially blind persons, by sponsoring and conducting social, recreational, welfare, rehabilitation and guidance programs;
- (c) establish and operate programs for children including before and after-school programs (but not day care centers) and community outreach services promoting educational, athletic and literary achievement and the physical, moral and mental improvement of children and young adults; and also to provide recreational activities such as lectures, dramatic presentations, concerts, recitals and gatherings; and to maintain various clubs with reference libraries, reading rooms and other facilities (but not to establish or operate a nursery, elementary, secondary or charter school);
- (d) operate community residences, supported housing and a psychosocial clubhouse that serves the mentally ill and provide regional counseling services; and
- (e) own or lease land and facilities, whether or not erected by CCCS.

CCCS’s principal sources of support and revenue are from federal, New York State and New York City governmental sources and grants from The Catholic Charities of the Archdiocese of New York (“CC”).

Tax Status

CCCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under the group exemption covering all agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised or controlled by, or in connection with, the Roman Catholic Church in the United States, its territories and possessions as included in the annual Official Catholic Directory.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

The accompanying financial statements of CCCS are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. *Basis of Presentation*

CCCS maintains its net assets under the following three classes:

- Unrestricted – represents net assets not restricted by donor-imposed stipulations.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted – represents assets that must remain intact in perpetuity.

C. Contributions

Contributions are recognized at their fair value when received or when an unconditional promise is received. Contributions specific to a fundraising event are deferred until the event takes place.

D. Revenue from Government Sources

Revenue from government agency contracts is recorded as earned pursuant to the terms of the contracts. Revenue earned based on achievement of performance objective is recognized when all contingencies have been resolved. Earned revenue yet to be billed under contract terms in excess of advances is reported as earned but unbilled receivables. Advances received from government agencies in excess of expenditures incurred for a contract still in progress are reported as government contract advances. Advances in excess of expenditures for completed contracts are reported as due to government agencies.

The current Medicaid and other third-party payor programs are based upon complex laws and regulations. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. CCCS is not aware of any allegations of noncompliance that could have a material adverse effect on the financial statements and believes that it is in compliance with applicable laws and regulations.

E. Contributed Services, Rent and Other In-Kind and Donated Facilities

- a) Revenue and expenses arising from contributed services of certain religious personnel have been recognized in the accompanying financial statements. The value of these services principally represents the difference between the compensation paid to religious persons and the compensation that would be paid to lay persons if lay persons were to occupy these positions. Contributed services are also recognized for the professionals who volunteer to teach English as a second language (“ESL”) classes at the CCCS International Center valued at the market rate for part-time instructors.
- b) Rent in-kind is valued at the difference between fair market value of alternative accommodations and rent paid for property leased from the Archdiocese of New York.
- c) Food and other in-kind consists primarily of basic necessities received for distribution to needy families or supplies utilized for operations, and such contributions are valued at their estimated fair market value at the time of donation.
- d) Donated facilities leased to other organizations are valued at the difference between the fair market value of rent for the leased premises and the actual discounted rental income charged to the organizations.

F. Volunteer Services

A substantial number of volunteers have donated significant amounts of time related to CCCS program services and fundraising campaigns. No amounts have been reflected in the accompanying financial statements for such services because they do not meet the criteria for recognition, with the exception of the professional volunteers who conduct ESL classes.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Cash Equivalents*

For financial reporting purposes, all highly liquid investments with a maturity of three months or less at the time of purchase that are available for operations are considered to be cash equivalents.

H. *Allowance for Uncollectible Government and Other Receivables*

CCCS determines whether an allowance for uncollectible balances should be provided for government and other receivables. Such estimates are based on management's assessment of the likelihood of collection, including consideration of estimated realization rates for fee-based services, how long the receivable has been outstanding, creditworthiness of the debtor, current economic conditions and historical information.

I. *Property and Equipment*

Government contracts generally provide that title to depreciable assets remains with the government agency funding the contract. Furnishings and equipment reimbursed through such arrangements are charged to expense currently.

Other purchases of property and equipment are capitalized at cost. CCCS capitalizes property and equipment having a cost of \$2,500 or more (unless a government contract specifies a lesser amount) and a useful life of greater than one year. Depreciation and amortization is recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

J. *Custodial Funds*

Custodial funds include funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York and the United States Social Security Administration, as well as other client funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use and are reflected as custodial funds in the accompanying statements of financial position.

CCCS has received advances under construction contracts with the New York State Office of Mental Health ("OMH") that are placed in escrow until they are expended in accordance with the contract terms. CCCS records revenue to the extent that these funds are expended. The unexpended funds held in escrow are reflected as cash held for restricted purposes and custodial funds in the accompanying statements of financial position.

K. *Functional Allocation of Expenses*

The costs of providing programs services and other support activities of CCCS have been summarized on a functional basis in the statements of functional expenses. Certain expenses are attributable to one or more programs or support functions of CCCS and have been allocated to the programs and supporting services benefited. Expenses that are allocated include office rent, related occupancy expenses and depreciation, which are allocated on a square footage basis or the direct use of an asset. In addition, salaries and benefits of executive staff and key program support personnel are allocated based upon best estimates of time and effort dedicated to either program or support services.

The segments set out in the statements of functional expenses are comprised of program activities, as follows:

- a) Community Outreach includes a broad array of programs related to case management (excluding item d below), homelessness, employment, emergency food support, seniors, visually impaired, deaf and parishes.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b) Immigration represents services designed to welcome and integrate immigrants and refugees, including reuniting families, assisting unaccompanied minors, obtaining work authorization and finding jobs, preventing exploitation and volunteer-based conversational English-language programs are provided at the International Center.
- c) Disaster Response represents those activities specifically related to government contracts to provide case management services for Hurricane Irene and Tropical Storm Lee and Hurricane Sandy (see Note 5).
- d) Beacon of Hope includes the operation of community residences, supported housing and a psychosocial clubhouse that serves the mentally ill and regional counseling services.
- e) Catholic Youth Organization (“CYO”) includes the youth services of CYO and community center operations.
- f) Alianza Youth Services relates to the delivery of youth services in 3 core areas: community center services, after/out of school services, and dropout prevention services.
- g) Other Programs represent grants awarded to other agencies and the operation of a community center leased to other agencies for programs and services consistent with CCCS’s mission.
- h) In continuation of CCCS Regional Coordination Strategies, the programs of CCCS Staten Island were transferred on July 1, 2016 to The Mission of the Immaculate Virgin, which was renamed as Catholic Charities of Staten Island (“CCSI”) in order to enable those programs to grow and better meet the needs of Staten Island (see Note 8). CCCS does not believe this business disposal will have a major effect on CCCS’s operations and financial results. As such, no discontinued operating results are reflected in the accompanying statement of activities for the year ended August 31, 2016.

NOTE 3 – CONCENTRATIONS

A. *Concentration of Credit Risk*

Cash and cash equivalents that potentially subject CCCS to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of August 31, 2017 and 2016, CCCS had approximately \$3,575,000 and \$3,349,000, respectively that exceeded the FDIC insurance limits.

CCCS grants credit without collateral to its clients, most of whom are local residents and are insured under third-party agreements. Accounts receivable from clients (see Note 6) and third-party payors (see Note 5), net of allowances, amounted to \$151,577 and \$214,872 as of August 31, 2017 and 2016, respectively.

B. *Concentration of Revenue*

CCCS derives a significant portion of its support and revenue from contractual arrangements with government sources. Such revenue approximated 59% and 62% of total support and revenue for the years ended August 31, 2017 and 2016, respectively. Pursuant to CCCS’s contractual relationships with certain governmental funding sources, governmental agencies have the right to renegotiate terms relating to these contracts. The amount of any disallowance by a funding source cannot be determined at this time due to the inherent uncertainties in estimating some of these liabilities. However, management believes that the allowances for potential adjustments are adequate and the net impact of any such adjustments on the accompanying financial statements would be immaterial.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 4 – CASH HELD FOR RESTRICTED PURPOSES

Cash held for restricted purposes consisted of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Client funds	\$ 415,518	\$ 308,222
Cash held in escrow	<u>8,501</u>	<u>8,508</u>
Cash held for Restricted Purposes	<u>\$ 424,019</u>	<u>\$ 316,730</u>

At August 31, 2017 and 2016, cash held in escrow represents funds advanced to CCCS under New York State Office of Mental Health (“OMH”) contracts to finance facility renovations at its residential treatment program sites. An escrow agent is administering such funds. Such amounts are reflected as cash held for restricted purposes and custodial funds in the accompanying financial statements.

NOTE 5 – GOVERNMENT RECEIVABLES, NET

Government receivables, net consisted of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due from government agencies, billed		
Disaster case management contracts	\$ 334,570	\$ 798,823
Other contracts	2,199,741	1,657,437
Due from third-party payors, billed	170,970	263,555
Earned but unbilled receivables (Note 2D)		
Disaster case management contracts	-	1,963,568
Other contracts	<u>7,116,209</u>	<u>4,684,380</u>
	9,821,490	9,367,763
Less: allowance for doubtful and uncollectible	<u>(123,307)</u>	<u>(542,916)</u>
Government receivables, net	<u>\$ 9,698,183</u>	<u>\$ 8,824,847</u>

CCCS entered into a significant non-renewable disaster case management (“DCM”) contract with the New York State Division of Homeland Security and Emergency Management - Office of Emergency Management (“DHSES”) to provide services to individuals and families impacted by Hurricane Sandy disaster. An initial \$9,348,714 contract was executed effective December 3, 2012 and subsequently amended twice to a total contract value of \$40,477,993 covering several counties of New York State through October 30, 2014. A no-cost contract extension through October 30, 2015 was executed by CCCS and DHSES in November 2014. An additional extension to September 30, 2016 was granted solely to allow sufficient time for an orderly close down of administrative matters.

CCCS engaged other provider agencies on a subcontract basis to help fulfill the requirements of the DHSES DCM contract. Earned service revenues of the subcontractors are reflected net of any advances and payments made on their claims as subcontractor payables, which amounted to \$0 and \$1,001,900 at August 31, 2017 and 2016, respectively, in the accompanying statements of financial position. Program revenues from government contracts recognized revenue of \$1,798 and \$1,184,046 for the years ended August 31, 2017 and 2016, respectively.

During fiscal 2014, New York State awarded CCCS a New York State Social Services Block Grant (“SSBG”) for “Superstorm Sandy” of \$2,299,225. Program revenue from government contracts of \$122,214 and \$1,807,755 were recognized for the years ended August 31, 2017 and 2016, respectively, in the accompanying statements of activities.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 6 – OTHER RECEIVABLES, NET

Other receivables, net, consisted of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Multi-year grants receivable	\$ 534,831	\$ 351,019
Other grants receivable	149,558	165,612
Accounts receivable - clients	481,608	576,904
Accrued income and other receivables	<u>179,288</u>	<u>163,084</u>
	1,345,285	1,256,619
Less: allowance for doubtful and uncollectible	(408,334)	(471,866)
Less: discount to present value	<u>(11,064)</u>	<u>(1,970)</u>
Other receivables, net	<u>\$ 925,887</u>	<u>\$ 782,783</u>

NOTE 7 – DUE FROM OTHER ENTITIES

CCCS has entered into transactions with certain related and affiliated organizations (see Note 14). Total amounts due from such entities consisted of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Catholic Charities Community Services of Orange and Sullivan (“CCCSOS”):		
Working capital advances (a)	\$ 190,000	\$ 190,000
Business service fees and other transactions (b)	239,870	242,226
Catholic Charities Community Services of Dutchess, Inc. (“CCCSDC”)	53,627	418,169
Rockland, Inc. (“CS Rockland”)	112,500	9,583
The Association of New York Catholic Homes, Inc. (“ANYCH”)	318,907	23,633
CCSI	174,873	25,873
The New York Institute for Human Development, Inc. (“IHD”)	63,973	2,948
Other	<u>95,072</u>	<u>47,073</u>
	<u>\$ 1,248,822</u>	<u>\$ 959,505</u>

(a) CCCS is currently authorized to make working capital advances to CCCSOC of up to \$300,000 to support seasonal cash flow requirements. The finance committees of both organizations would need to approve any advances required above \$300,000.

(b) CCCSOS owes CCCS fees under a business services agreement and amounts related to reimbursable contract expenses.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of August 31, 2017 and 2016:

	Estimated Useful Lives	<u>2017</u>	<u>2016</u>
Leasehold improvements	10 years	\$ 15,735,822	\$ 12,507,652
Office equipment	3-5 years	1,920,668	1,725,259
Computer software	3-10 years	613,646	613,646
Transportation equipment	5 years	762,037	624,226
Construction in progress	-	<u>187,186</u>	<u>2,455,659</u>
Total cost		19,219,359	17,926,442
Less: accumulated depreciation and amortization		<u>(12,282,959)</u>	<u>(10,893,123)</u>
Net book value		<u>\$ 6,936,400</u>	<u>\$ 7,033,319</u>

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 8 – PROPERTY AND EQUIPMENT, NET (Continued)

Construction in progress consists of construction and renovation costs for various projects. At August 31, 2017 and 2016, CCCS had \$0 and \$757,777, respectively, in outstanding commitments for capital expenditures under purchase orders or contracts.

CCCS disposed of fully depreciated property with an original cost of \$20,299. No resulting gain or loss was recognized in the accompanying statement of activities for the year ended August 31, 2017.

During the year ended August 31, 2016, CCCS disposed of property resulting from the spin-off of CYO SI operations with an original cost of \$1,694,374 and accumulated depreciation and amortization of \$1,064,781, resulting in a loss of \$629,593. In addition, CCCS disposed of equipment with an original cost of \$33,131 and accumulated depreciation of \$29,266 and received proceeds of \$10,000, resulting in a gain of \$6,135. The resulting net loss of \$623,458 on disposals during the year ended August 31, 2016 is netted in other revenue in the accompanying statement of activities.

NOTE 9 – DUE TO OTHER ENTITIES

CCCS has entered into transactions with certain related and affiliated organizations (see Note 14). Total amounts due to such entities consisted of the following as of August 31, 2017 and 2016:

	2017	2016
The Catholic Charities of the Archdiocese of New York	\$ 2,137,505	\$ 178,698
The Archdiocese of New York	1,325,218	950,001
Ecclesiastical Assistance Corporation	60,347	104,163
	\$ 3,523,070	\$ 1,232,862

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Lease Commitments

CCCS leases office and program facilities from non-related third parties subject to various written and unwritten lease agreements. The total rent expense related to such leases for the years ended August 31, 2017 and 2016 approximated \$3,789,000 and \$3,770,000, respectively, and is included in occupancy costs and congregate and supported client housing in the accompanying statements of functional expenses.

In addition, CCCS operates residential housing facilities under contracts with OMH that include in the contract values the rent incurred on the leases for such facilities from the Dormitory Authority of the State of New York (“DASNY”). The contracts stipulate that OMH will pay the rent directly to DASNY and deduct such amounts from the contractual reimbursements due CCCS. During the years ended August 31, 2017 and 2016, CCCS recognized \$590,000 and \$522,000, respectively, as both program revenue from government contracts and supported client housing expenses in the accompanying financial statements.

Approximate minimum lease commitments of more than one year are indicated below. The amounts include only noncancelable, written leases in effect as of August 31, 2017 and do not take into consideration any renewals, etc., negotiated after year-end.

2018	\$ 1,682,000
2019	876,000
2020	238,000
2021	63,000
	\$ 2,859,000

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Litigation*

There are various legal proceedings currently pending against CCCS. While it is not feasible to predict or determine with certainty the outcome of each case, it is the opinion of management in consultation with legal counsel that the outcomes will not have a material adverse effect on the accompanying financial statements.

C. *Income Taxes*

CCCS believes it had no uncertain tax positions as of August 31, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. *Conditional Asset Retirement Obligations*

U.S. GAAP requires the current recognition of a liability when a legal obligation exists to incur costs in connection with the retirement of an asset. Any retirement obligations associated with properties owned by CC are generally considered to be of minimal amounts and associated with maintenance, rather than retirement of the properties. Accounts payable and accrued expenses in the accompanying statements of financial position include \$88,265 of estimated environmental remediation liabilities as of August 31, 2017 and 2016, respectively.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Homeless and hungry services	\$ 515,671	\$ 455,129
Families and individuals in fiscal crisis	368,436	381,223
Immigration and refugee services		
Irish immigration support (a)	13,339	47,626
Other programs	877,972	339,202
Other community outreach services	204,395	404,659
Other services	12,198	-
Other youth services	<u>-</u>	<u>103,500</u>
Total temporarily restricted net assets	<u>\$ 1,992,011</u>	<u>\$ 1,731,339</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time during the years ended August 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Assistance to disadvantaged and needy	\$ 4,591,110	\$ 4,404,709
Hurricane Sandy Relief and Recovery Fund	-	1,074,937
Coca-Cola Fitness Challenge	-	629,787
The New York Times Neediest Cases	548,486	628,440
Youth services	525,391	208,083
Other activities	<u>50,910</u>	<u>120,388</u>
	<u>\$ 5,715,897</u>	<u>\$ 7,066,344</u>

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

(a) Irish immigration support is funded by a grant from the Irish Department of Foreign Affairs and Trade Emigrant Support Program. The annual grant period is July 1 to June 30 of the following year. CCCS awarded and recognized grants of \$75,202 and \$102,900 for the years ended August 31, 2017 and 2016, respectively. The temporarily restricted net assets released amounted to \$109,489 and \$103,637 for the years ended August 31, 2017 and 2016, respectively.

NOTE 12 – CONTRIBUTED SERVICES, RENT AND OTHER IN-KIND

Contributed services, rent and other in-kind received was comprised of the following for the years ended August 31, 2017 and 2016:

	2017	2016
Food	\$ 2,016,573	\$ 1,004,416
Rent	1,303,609	647,609
Salaries	193,710	253,340
Other	60,809	35,464
	\$ 3,574,701	\$ 1,940,829

CCCS leased one property located in the Bronx to a not-for-profit entity below its market rates and \$36,524 was recognized as donated facility revenue and expense for the year ended August 31, 2016 in the accompanying statement of activities.

NOTE 13 – PENSION PLAN

CCCS participates in The Archdiocesan Pension Plan for the Archdiocese of New York (the "Plan"). The Plan is a qualified Church plan under Section 401(a) of the Internal Revenue Code, and is not subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan covers many employers and all covered employees who meet the age and years of service requirements are non-contributory participants in the Plan. Pursuant to ERISA Section 3(33), the Plan is deemed to be a plan sponsored by a single employer.

The contributions of all participating employers are pooled and held by the trustee for the purpose of providing retirement benefits for the employees of all participating employers. As a result, liabilities and contribution requirements are not calculated on an employer-by-employer basis, but rather in the aggregate. The contribution is then allocated by employer based on a percentage of covered compensation. Therefore, no specific calculation of the present value of the vested benefits for employees of CCCS has been made by the Plan.

The Plan uses the aggregate cost funding method and used an assumed rate of return of 7.5% and a salary scale assumption of 5% as of the most recent valuation date (January 1, 2016). The Plan has estimated that the fair value of the Plan's assets is 79.1% of the actuarially computed present value of the Plan's accrued benefits for all participating employers as of January 1, 2016. Starting with the January 1, 2011 Plan year, employers have increased their annual contribution amounts to the Plan and there were changes to the Plan's benefit structure to increase the Plan's funded status.

The Plan was amended to include qualified supplemental pension benefits, and this resulted in prior service costs of \$382,450, which are being amortized on a straight-line basis over a period of 10 years commencing in the year ended August 31, 2012.

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 13 – PENSION PLAN (Continued)

Contribution requirements are calculated in the aggregate and then allocated to participating employers based on a percentage of covered compensation. Pension cost for CCCS for the years ended August 31, 2017 and 2016, including amortization of prior service costs, amounted to \$1,160,726 and \$1,053,340, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

NOTE 14 – RELATED PARTY TRANSACTIONS NOT DISCLOSED ELSEWHERE

CCCS conducts transactions with certain related and other affiliated organizations. A description of these transactions follows:

A. *Grants from The Catholic Charities of the Archdiocese of New York*

CCCS received grants from CC totaling \$9,553,391 and \$9,832,869 for its recurring operations for the years ended August 31, 2017 and 2016, respectively. CC also awarded CCCS grants of \$976,444 for Hurricane Sandy relief and recovery for the year ended August 31, 2016, which are included in Hurricane Sandy grants and contributions in the accompanying statement of activities. Such grants in the aggregate represent approximately 17% and 19% of the total support and revenue of CCCS for the years ended August 31, 2017 and 2016, respectively.

During the year ended August 31, 2017, CCCS provided CC with a \$126,211 restricted grant for disbursement to CCSI. Such amount is reflected in grants expense in the accompanying statement of functional expenses.

B. *Business Services Agreements*

CCCS has entered into business services agreements with CC, CCCSOS, CCCSDC, CCSI, IHD, CS Rockland, ANYCH, Ladies of Charity of the Catholic Charities of the Archdiocese of New York, Inc. ("Ladies of Charity"), The Roman Catholic Fund for Children and Other Purposes ("RCFC"), Holy Name Centre for Homeless Services ("Holy Name Centre"), and the Housing Development Institute, Inc. ("HDI"), under which CCCS provides certain services (fiscal operations, human resources, facilities management, information technology and other support) for which it receives business service fees.

Such amounts are reflected as business service fees revenue in the accompanying statements of activities as follows for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
CC	\$ 1,271,000	\$ 970,000
CCCSOS	725,000	645,000
CCCSDC	254,000	75,000
CCSI	149,000	24,000
IHD	118,000	115,000
CS Rockland	117,000	15,000
ANYCH	31,000	25,000
Ladies of Charity	26,000	(15,000)
RCFC	15,000	-
Holy Name Centre	12,000	10,000
HDI	10,000	6,000
	<u>\$ 2,728,000</u>	<u>\$ 1,870,000</u>

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 14 – RELATED PARTY TRANSACTIONS NOT DISCLOSED ELSEWHERE (Continued)

In addition, CCCSOS provided certain information technology support and facilities usage for which it charged CCCS \$20,000 during the year ended August 31, 2016 and is reflected in the accompanying statement of functional expenses. No such costs were incurred by CCCS during the year ended August 31, 2017.

During the year ended August 31, 2016, CCCS forgave a \$20,000 receivable from the Ladies of Charity relating to prior years' business service fees. Such amounts are reflected net of 2016 fees in the accompanying statement of activities.

CCCS also provides financial and administrative support to a few other agencies for which no fees are charged since the value of such services are of a minimal amount.

C. Rental of Program Facilities

CCCS leases certain program facilities from CC. Under most leases, CCCS is responsible for the maintenance and upkeep of the facilities in lieu of rent. Total property expenses related to the maintenance and upkeep of these facilities approximated \$512,000 and \$500,000 for the years ended August 31, 2017 and 2016, respectively, and are reflected as occupancy costs in the accompanying statements of functional expenses. One leased site requires CCCS to pay a stipulated rent, for which rent of \$840,444 and \$844,611 is reflected in occupancy costs for the years ended August 31, 2017 and 2016, respectively, and \$42,160 and \$40,800 in congregate and supported client housing for the years ended August 31, 2017 and 2016, respectively, in the accompanying statements of functional expenses.

CCCS has entered into sublease agreements with affiliated agencies for certain of the program facilities leased from CC. Sublease rental income amounted to \$817,738 and \$942,852 for the years ended August 31, 2017 and 2016, respectively (of which approximately \$346,000 and \$413,000 was from affiliates, respectively). The approximate future minimum annual rentals to be received under such subleases for the years ended after August 31, 2017 were as follows:

2018	\$ 55,000
2019	<u>19,000</u>
	<u>\$ 74,000</u>

D. Rental of Office Space/Other Expenses

CCCS transacts business with other affiliated agencies of The Archdiocese of New York, including rental of administrative office space under a year-to-year lease, group purchasing and other support services. These expenses for the years ended August 31, 2017 and 2016 were approximately as follows:

	<u>2017</u>	<u>2016</u>
Medical and other employee insurances	\$ 4,017,000	\$ 4,034,000
Rent	1,062,000	1,111,000
Information technology support	761,000	654,000
Property and general insurance	470,000	480,000
Office equipment	423,000	284,000
Telephone	145,000	121,000
Legal services	<u>116,000</u>	<u>110,000</u>
	<u>\$ 6,994,000</u>	<u>\$ 6,794,000</u>

CATHOLIC CHARITIES COMMUNITY SERVICES, ARCHDIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 14 – RELATED PARTY TRANSACTIONS NOT DISCLOSED ELSEWHERE (Continued)

E. Employee Assistance Program and Parish Counseling Network

CCCS engages CCCSOS to provide employee assistance services for which CCCS pays fixed fees per number of employees. Such costs amounted to approximately \$0 and \$14,000 in fiscal years 2017 and 2016, respectively, and are included as payroll taxes and employee benefits in the accompanying statements of functional expenses. CCCS also contracts CCCSOS to provide parish counseling network services at a fixed fee per counseling session. Such fees aggregated approximately \$56,000 and \$54,000 for the years ended August 31, 2017 and 2016, respectively, and are included as professional and other fees in the accompanying statements of functional expenses.

NOTE 15 – CAPITAL IMPROVEMENT GRANTS

CCCS entered into a Funding Agreement with the New York City Economic Development Corporation (“NYCEDC”) effective as of December 23, 2013 in connection with the Lt. Joseph P. Kennedy Memorial Community Center (“Kennedy Center”), which it leases from CC and manages. The Funding Agreement will provide CCCS with \$804,375 for renovations of the original \$1,425,448 project budget. The balance of the project costs was funded by CC and CCCS from private donations and a New York State Energy Research and Development Authority grant of \$31,593.

CCCS was notified of approval of capital improvement grants of \$1,011,000 for additional renovations at the Kennedy Center, which are pending final contractual negotiations of terms by the New York City Office of Management and Budget and subsequent registration by the Comptroller’s Office.

As of August 31, 2017, CCCS had incurred \$2,868,032 of expenditures on the project, of which \$695,633 were billable. The receivable of \$251,565 at August 31, 2017 included \$193,636 of earned but unbilled, which was not yet billed to date, and \$57,929 held as retainage by NYCEDC.

In accordance with the funding agreement, CC executed a declaration of restrictive covenant that (a) until the project is substantially completed, the facility will be used solely for development and construction of the project and (b) for 25 years after substantial completion, the facility shall be used to benefit the people of the City of New York, including serving as a community center for the Harlem community, for ancillary and incidental purposes to promote the use of the community center and for other beneficial uses approved by the Mayor of the City of New York or the Mayor’s designee.

NOTE 16 – SUBSEQUENT EVENTS

CCCS has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 9, 2018, the date the financial statements were available to be issued.