

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

**CATHOLIC CHARITIES OF FAIRFIELD
COUNTY, INC. AND AFFILIATE**

June 30, 2016 and 2015

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Catholic Charities of Fairfield County, Inc.:

We have audited the accompanying consolidated financial statements of Catholic Charities of Fairfield County, Inc. and Affiliate (collectively, "Catholic Charities"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Charities of Fairfield County, Inc. and Affiliate as of June 30, 2016 and 2015, and the changes in their consolidated net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
March 31, 2017

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Consolidated Statements of Financial Position
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,839,844	\$ 1,419,714
Accounts receivable, net	36,488	272,529
Contributions receivable	328,018	35,350
Grants receivable	925,867	833,188
Diocese of Bridgeport receivable, net	1,166,902	870,898
Prepaid expenses	202,139	154,453
Property and equipment, net	<u>2,019,207</u>	<u>2,220,638</u>
Total assets	<u>\$ 6,518,465</u>	<u>\$ 5,806,770</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 150,813	\$ 372,193
Accrued expenses	674,403	692,557
Refundable advances	85,090	142,064
Conditional asset retirement obligation	<u>56,678</u>	<u>53,932</u>
Total liabilities	<u>966,984</u>	<u>1,260,746</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	4,996,365	4,235,675
Temporarily restricted	<u>555,116</u>	<u>310,349</u>
Total net assets	<u>5,551,481</u>	<u>4,546,024</u>
Total liabilities and net assets	<u>\$ 6,518,465</u>	<u>\$ 5,806,770</u>

The accompanying notes are an integral part of these consolidated financial statements.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Consolidated Statements of Activities
For the years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER CHANGES						
Federal and state grants	\$ 6,337,767	\$ -	\$ 6,337,767	\$ 7,283,999	\$ -	\$ 7,283,999
Non-governmental grants and contributions	2,157,653	440,091	2,597,744	2,402,256	46,026	2,448,282
Program services revenue	1,336,989	-	1,336,989	1,335,571	-	1,335,571
Annual Catholic Appeal	1,947,254	-	1,947,254	1,498,400	-	1,498,400
Special events	821,913	-	821,913	782,153	-	782,153
In-kind contributions	673,189	-	673,189	830,846	-	830,846
Other revenue	25,011	-	25,011	136,181	-	136,181
Total revenue and support before net assets released from restrictions	13,299,776	440,091	13,739,867	14,269,406	46,026	14,315,432
Net assets released from restrictions	195,324	(195,324)	-	526,754	(526,754)	-
Total revenue and support	13,495,100	244,767	13,739,867	14,796,160	(480,728)	14,315,432
EXPENSES						
Program services	11,042,734	-	11,042,734	11,298,227	-	11,298,227
Management and general	1,316,002	-	1,316,002	1,476,993	-	1,476,993
Development and fundraising	375,674	-	375,674	184,019	-	184,019
Total expenses	12,734,410	-	12,734,410	12,959,239	-	12,959,239
Changes in net assets	760,690	244,767	1,005,457	1,836,921	(480,728)	1,356,193
Net assets, beginning of year	4,235,675	310,349	4,546,024	2,398,754	791,077	3,189,831
Net assets, end of year	\$ 4,996,365	\$ 555,116	\$ 5,551,481	\$ 4,235,675	\$ 310,349	\$ 4,546,024

The accompanying notes are an integral part of these consolidated financial statements.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Consolidated Statement of Functional Expenses
For the year ended June 30, 2016

	Program Services					Total	Management and General	Development and Fundraising	Total
	Food	Behavioral Health	Family	Community	Housing				
Compensation and benefits	\$ 1,208,373	\$ 701,448	\$ 1,716,889	\$ 1,385,717	\$ 749,241	\$ 5,761,668	\$ 905,826	\$ 125,427	\$ 6,792,921
Client support	1,002,747	4,019	28,970	870,653	414,508	2,320,897	2,962	-	2,323,859
Professional fees and contractual services	164,267	270,613	14,991	93,107	96,548	639,526	150,371	37,479	827,376
Occupancy	293,840	125,859	217,151	217,794	87,678	942,322	50,147	5,039	997,508
Office	88,055	59,049	69,463	88,377	53,154	358,098	89,884	38,256	486,238
Travel, meetings and conferences	44,466	2,435	12,709	42,811	13,377	115,798	23,250	3,288	142,336
In-kind expense	647,821	-	25,368	-	-	673,189	-	-	673,189
Special events	-	-	-	-	-	-	-	166,185	166,185
Bad debt	-	-	-	-	-	-	68,976	-	68,976
Depreciation and accretion	168,573	412	11,583	19,729	30,939	231,236	24,586	-	255,822
Total expenses	<u>\$ 3,618,142</u>	<u>\$ 1,163,835</u>	<u>\$ 2,097,124</u>	<u>\$ 2,718,188</u>	<u>\$ 1,445,445</u>	<u>\$ 11,042,734</u>	<u>\$ 1,316,002</u>	<u>\$ 375,674</u>	<u>\$ 12,734,410</u>

The accompanying notes are an integral part of this consolidated financial statement.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Consolidated Statement of Functional Expenses
For the year ended June 30, 2015

	Program Services					Total	Management and General	Development and Fundraising	Total
	Food	Behavioral Health	Family	Community	Housing				
Compensation and benefits	\$ 1,307,387	\$ 1,087,806	\$ 1,220,075	\$ 1,881,168	\$ 702,918	\$ 6,199,354	\$ 925,723	\$ 25,472	\$ 7,150,549
Client support	1,022,197	2,196	29,420	850,412	411,863	2,316,088	8,462	-	2,324,550
Professional fees and contractual services	119,905	184,355	10,205	425	56,704	371,594	157,878	-	529,472
Occupancy	315,187	156,002	194,114	221,978	86,618	973,899	46,117	-	1,020,016
Office	112,200	81,128	85,780	115,034	58,263	452,405	268,509	4,323	725,237
Travel, meetings and conferences	56,749	4,724	9,402	54,925	11,472	137,272	24,460	-	161,732
In-kind expense	646,638	-	52,085	-	250	698,973	20,000	-	718,973
Special events	-	-	-	-	-	-	-	154,224	154,224
Depreciation and accretion	70,784	10,719	10,922	20,298	35,919	148,642	25,844	-	174,486
Total expenses	<u>\$ 3,651,047</u>	<u>\$ 1,526,930</u>	<u>\$ 1,612,003</u>	<u>\$ 3,144,240</u>	<u>\$ 1,364,007</u>	<u>\$ 11,298,227</u>	<u>\$ 1,476,993</u>	<u>\$ 184,019</u>	<u>\$ 12,959,239</u>

The accompanying notes are an integral part of this consolidated financial statement.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Consolidated Statement of Cash Flows
For the year ended June 30, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,005,457	\$ 1,356,193
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and accretion	255,822	174,486
Bad debt expense	68,976	-
Loss on disposal of fixed assets	-	49,875
Contributed construction management services	-	(111,873)
Changes in operating assets and liabilities		
Accounts receivable	167,065	4,380
Contributions receivable	(292,668)	63,674
Grants receivable	(92,679)	(228,117)
Diocese of Bridgeport receivable	(296,004)	(553,132)
Prepaid expenses	(47,686)	(50,092)
Accounts payable	(221,380)	110,955
Accrued expenses	(18,154)	51,085
Refundable advances	(56,974)	71,775
Net cash provided by operating activities	<u>471,775</u>	<u>939,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(51,645)</u>	<u>(1,162,516)</u>
Net cash used in investing activities	<u>(51,645)</u>	<u>(1,162,516)</u>
Net increase (decrease) in cash and cash equivalents	420,130	(223,307)
Cash and cash equivalents, beginning of year	<u>1,419,714</u>	<u>1,643,021</u>
Cash and cash equivalents, end of year	<u>\$ 1,839,844</u>	<u>\$ 1,419,714</u>

The accompanying notes are an integral part of these consolidated financial statements.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. ORGANIZATION

Catholic Charities of Fairfield County, Inc. (“CCFC”) is a not-for-profit, non-stock corporation organized under the laws of the State of Connecticut in April 1955 by the Bridgeport Roman Catholic Diocesan Corporation (the “Diocese”). The members of Catholic Charities are the Bishop, the Vicar(s) General, and the Chancellor of the Diocese, the President of Catholic Charities, and such other members appointed by the Bishop. No less than six members are appointed. Catholic Charities has a Board of Directors consisting of those members and up to nineteen lay people. The mission of CCFC is to put faith into action by providing food, housing, mental health, adoption, immigration and family support services to the needy and vulnerable of all faiths in Fairfield County, Connecticut.

Catholic Charities of Fairfield County Holdings, LLC (“CCFCH”), a single member limited liability company established by CCFC, was organized under the laws of the State of Connecticut in September 2012 to own the real estate to provide transitional housing facilities to support CCFC’s mission.

Program Services

Catholic Charities provides the following services:

Food Services - Food services includes two of the State of Connecticut’s largest soup kitchens, a mobile breakfast program, food pantries, and a congregate and home delivered meal program for the elderly.

Behavioral Health Services - Behavioral health services provide family and individual counseling throughout Fairfield County, Connecticut. Behavioral health services have district offices in Danbury, and Norwalk, Connecticut.

Family Services - Family services provide school readiness for children who would otherwise not receive pre-school preparation, through the Room to Grow Early Childhood Education Center, as well as a full array of Family Directional services including adoption and pregnancy outreach activities. In addition, family services include immigration outreach services that have been accredited by the U.S. Department of Justice to meet a broad spectrum of challenges normally faced by families new to the United States.

Community Services - The Community services program provides assistance, training, counseling and family support services to not only individuals and families who are chronically homeless, dealing with substance abuse, mental health issues as well as those who due to Hurricane Sandy need assistance and support.

Housing Services - Housing services programs provide rental assistance and support services to formerly homeless families and individuals who have documented disabilities. The support services assist these families and individuals with life skills as they move towards self-sufficiency. Housing programs consist of a network of both transitional and permanent housing.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), with all intercompany balances and transactions eliminated. Accordingly, the classification of Catholic Charities’ net assets and its revenues, support, and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, are presented in the consolidated statements of financial position and the changes in each of those classes of net assets is presented in the consolidated statements of activities.

Net assets consist of the following:

Unrestricted - Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out Catholic Charities’ operations and mission.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by Catholic Charities is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Catholic Charities pursuant to those stipulations. When such stipulations end or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by Catholic Charities is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Catholic Charities. Catholic Charities did not have any permanently restricted net assets as of June 30, 2016 and 2015.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid investments with original maturities of less than 90 days from the date of purchase to be cash equivalents.

Accounts Receivable

Catholic Charities generally does not require collateral or other security in providing health care and other services to clients. However, Catholic Charities routinely obtains assignment of clients’ benefits payable under their health care insurance programs, plans or policies. Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on consideration of the type of receivable, responsible party, credit history, and comparative aging. Accounts receivable balances are written-off when management has determined that all reasonable methods of collection have been exhausted. Any payments subsequently received on such receivables are recorded as income in the period received. As of June 30, 2016 and 2015, Catholic Charities recorded an allowance for doubtful accounts of \$32,835 and \$0, respectively.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Property and Equipment

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed \$2,500 and with useful lives greater than three years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Buildings	30 - 40 years
Furniture and fixtures	3 - 5 years
Automobiles	3 - 5 years
Computer equipment	3 - 5 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Contributions

Unconditional contributions are recognized when pledged or received. Contributions receivable that are expected to be collected in more than one year are discounted to their present value using a credit adjusted discount rate which articulates with the collection period of the respective pledge. Restricted contributions received in a period in which the restrictions are met are recognized as part of unrestricted net assets. Based on management's history with donors having outstanding balances, it has concluded that a reserve is not deemed necessary at June 30, 2016 and 2015, respectively. Conditional promises to give, if any, are recognized when the conditions on which they depend are substantially met.

Contributed Goods and Services

Contributed goods and services for the years ended June 30, 2016 and 2015 consisted of donated space for the Senior Nutrition programs; food, clothing and toys for the School Readiness and Housing Programs, construction management services associated with the New Covenant Center; and other miscellaneous supplies received for programmatic activities.

Catholic Charities has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated program space	\$ 270,540	\$ 270,540
Donated food, clothing, toys and supplies	402,649	448,433
Donated construction management services	<u>-</u>	<u>111,873</u>
	<u>\$ 673,189</u>	<u>\$ 830,846</u>

Governmental Grants

Governmental grant revenue is recognized to the extent that allowable program expenditures have been incurred in accordance with the terms of the related agreement to which they pertain. Based on

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

management's history with government agencies having outstanding balances, it has concluded that a reserve is not deemed necessary at June 30, 2016 and 2015, respectively.

Program Services Revenue

Program services revenue is recognized when services are provided. Catholic Charities bills for services and recognizes revenue using a sliding fee scale based on patient family income levels.

Program services revenue consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Food	\$ 226,743	\$ 217,685
Clinics	490,259	627,132
Family services	613,345	480,140
Community support	5,069	4,490
Housing	<u>1,573</u>	<u>6,124</u>
	<u>\$ 1,336,989</u>	<u>\$ 1,335,571</u>

Refundable Advances

Amounts from grants, contracts and other funds for related program services received in advance but unearned are reflected as refundable advances in the consolidated statements of financial position and are subsequently reflected in the consolidated statements of activities during the period to which they apply as the funds are expended and earned.

Conditional Asset Retirement Obligation

Catholic Charities has a conditional asset retirement obligation ("CARO") for asbestos material associated with the Merton Single Room Occupancy (SRO), which it owns. This obligation is defined as a legal obligation associated with the future retirement of a tangible long-lived asset in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of Catholic Charities. The present value of this obligation and resulting accretion expense, together with the related asset retirement cost capitalized, accumulated depreciation and depreciation expense, are recognized in the accompanying consolidated financial statements. As of June 30, 2016 and 2015, the CARO totaled \$56,678 and \$53,932, respectively. For the years ended June 30, 2016 and 2015, the accretion of interest related to the CARO totaled \$2,746 and \$2,421, respectively.

Functional Expense Allocation

Expenses are charged directly to Catholic Charities program services, management and general, and fundraising, and are based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using reasonable methodologies determined by management to be appropriate. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Catholic Charities.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

Concentration of Credit Risk

Financial instruments that potentially subject Catholic Charities to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution Catholic Charities utilizes.

Catholic Charities receives a significant portion of its funding from federal and state grants. As with all grants, there is a risk that future grants will be reduced or eliminated. A significant reduction in grant revenue would have a significant impact on Catholic Charities' program services. However, no such reductions have been communicated by sponsors or are otherwise known at present.

Income Taxes

Catholic Charities recognizes an individual tax position in its consolidated financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Catholic Charities has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2016, management has determined that Catholic Charities has no material uncertain tax positions that would require recognition or disclosure in the accompanying consolidated financial statements. The tax years ended 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates. Financial statement areas where management applies the use of significant estimates consists primarily of determining allowances for doubtful accounts related to grants, accounts and other receivables, the value of in-kind contributions and conditional asset retirement obligations. It is management's opinion that the estimates applied in the accompanying consolidated financial statements are reasonable. However, actual results could differ.

Reclassifications

Certain information in the fiscal 2015 consolidated financial statements has been reclassified to conform to the fiscal 2016 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected on the 2015 consolidated financial statements.

Subsequent Events

Catholic Charities evaluated its June 30, 2016 consolidated financial statements for subsequent events through March 31, 2017, the date the consolidated financial statements were available to be issued. Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable, at June 30, 2016 and 2015 were expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected in:		
One year or less	\$ 128,018	\$ 35,350
Between one and five years	<u>200,000</u>	<u>-</u>
	<u>\$ 328,018</u>	<u>\$ 35,350</u>

During fiscal 2016 and 2015, Catholic Charities recognized bequest revenue totaling \$105,000 and \$477,949, respectively, which has been included within non-governmental grants and contributions in the accompanying consolidated statements of activities.

Additionally, Catholic Charities has been notified of certain other intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. Catholic Charities' share of such bequests is recorded when Catholic Charities has an irrevocable right to the bequest and the proceeds are measurable.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 804,851	\$ 804,851
Furniture and fixtures	292,552	274,080
Automobiles	376,948	376,948
Computer equipment	25,367	25,367
Leasehold improvements	<u>2,370,963</u>	<u>2,317,332</u>
	3,870,681	3,798,578
Less: accumulated depreciation	<u>(2,008,724)</u>	<u>(1,755,116)</u>
	1,861,957	2,043,462
Land	157,250	157,250
Construction-in-progress	<u>-</u>	<u>19,926</u>
	<u>\$ 2,019,207</u>	<u>\$ 2,220,638</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 totaled \$253,076 and \$172,065, respectively.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

5. DEFINED CONTRIBUTION PLANS

Catholic Charities participates in the Diocese maintained defined-contribution 401(a) thrift plan covering all Catholic Charities employees who work at least 30 hours per week (prior to June 30, 2015, new employees were eligible working at least 20 hours per week), who meet the eligibility requirements of one year of service, and who are 21 years of age. Contributions are based on years of service at rates of 3%, 5% or 7%. Catholic Charities' contributions to the plan on behalf of eligible employees totaled approximately \$182,000 and \$165,000 for the years ended June 30, 2016 and 2015, respectively.

Catholic Charities also provides for employee only participation in a Diocese maintained 403(b) salary reduction plan for all employees who wish to contribute. Catholic Charities does not make any contributions to this plan.

6. RELATED-PARTY TRANSACTIONS

Catholic Charities receives contributions from the Annual Catholic Appeal of the Diocese to fund its operations, as well as proceeds from special collections conducted by parishes of the Diocese.

Additionally, Catholic Charities provides services to Diocesan entities consisting primarily of social services to clergy and to its Catholic schools. During the fiscal years ended June 30, 2016 and 2015, revenue earned from social services provided to Diocesan entities, and included in behavioral health services program revenue, totaled approximately \$27,000 and \$128,000, respectively.

Catholic Charities participates in employee benefit and insurance programs sponsored by the Diocese for all Diocesan entities and the Diocese provides various services and office space to Catholic Charities. Expenses for these programs and services were as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Employee benefit and insurance programs	\$ 975,544	\$ 1,032,844
Support services	65,232	58,881
Office space and related services	<u>103,948</u>	<u>152,532</u>
	<u>\$ 1,144,724</u>	<u>\$ 1,244,257</u>

7. COLLABORATION AGREEMENT

In July 2015, Catholic Charities entered into an agreement with St. Vincent's Medical Center (the "Medical Center"), to combine, in a collaborative effort, Catholic Charities' outpatient behavioral health services with St. Vincent's. The belief is that this collaboration will enhance the provision of a full complement of outpatient behavioral health services to patients in the greater Bridgeport area served by Catholic Charities and the Medical Center. This collaborative agreement runs through June 30, 2020 (the "Initial Term"), and stipulates that Catholic Charities agrees to make a financial contribution of fifty percent of the operating loss, up to the extent that such loss is attributable to the provisions of Catholic Charities services, up to a maximum of \$150,000 for each of the fiscal years under the agreement. At the end of the Initial Term, as defined, the Agreement will automatically renew for additional one-year periods until terminated by either Party upon ninety days written notice. For the year ended June 30, 2016, Catholic Charities' share of the

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

operating loss was \$131,997, which has been included as part of accrued expenses in the accompanying 2016 consolidated statement of financial position.

8. COMMITMENTS AND CONTINGENCIES

Lease Commitments

Catholic Charities leases various office equipment, facilities and vehicles under operating leases, which expire at various dates through June 2024. Rent expense for the years ended June 30, 2016 and 2015 totaled \$610,242 and \$608,712, net of sublease income, respectively.

At June 30, 2016, future minimum lease payments due under these operating leases follow:

Fiscal Year	Rent Payments			Less: Sublease Income	Amount
	New Covenant Center	Other Real Estate	Vehicles and Copiers		
2017	\$ 95,150	\$ 279,402	\$ 45,146	\$ (450)	\$ 419,248
2018	95,150	261,770	34,528	-	391,448
2019	95,150	198,508	247	-	293,905
2020	95,150	202,722	-	-	297,872
2021	95,150	207,034	-	-	302,184
Thereafter	<u>301,308</u>	<u>510,116</u>	<u>-</u>	<u>-</u>	<u>811,424</u>
	<u>\$ 777,058</u>	<u>\$ 1,659,552</u>	<u>\$ 79,921</u>	<u>\$ (450)</u>	<u>\$ 2,516,081</u>

Future rental commitments pertaining to other real estate are related to programs held at various sites throughout the State of Connecticut.

In addition to the leases described above, Catholic Charities also has certain other operating leases that operate on a month to month basis.

Contingencies

Catholic Charities receives funding in the form of state and federal grant programs, Medicaid and Medicare reimbursements. In accordance with the terms of certain government grants and contracts, the records of Catholic Charities are subject to further review and audit by the granting agencies and Medicaid and Medicare after the date of final payment of the contracts. Such reviews and audits may result in Catholic Charities incurring disallowances or other liabilities to the grantors. There are no known liabilities as a result of such review. It is the opinion of management that disallowances or other liabilities, if any, will not have a material adverse effect on the accompanying consolidated financial statements.

Catholic Charities, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of Catholic Charities is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on Catholic Charities' consolidated financial position, changes in net assets or cash flows.

CATHOLIC CHARITIES OF FAIRFIELD COUNTY, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 304,550	\$ 45,350
Purpose restrictions		
Education assistance fund	47,597	53,423
Room to Grow	17,287	20,719
Thomas Merton Center	3,050	3,050
Bethlehem House renovations	12,000	-
High School Counselor	46,000	-
Sandy Hook counseling	-	46,000
New Covenant Center	<u>124,632</u>	<u>141,807</u>
	<u>\$ 555,116</u>	<u>\$ 310,349</u>

Net assets were released from restrictions by incurring expenses satisfying the following donor-stipulated purpose or time restrictions for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ -	\$ 217,595
Purpose restrictions		
Education assistance fund	5,892	7,562
Room to Grow	3,432	2,617
Sandy Hook counseling	46,000	64,762
Disaster case management	-	17,505
New Covenant Center	140,000	216,126
Other programs	<u>-</u>	<u>587</u>
	<u>\$ 195,324</u>	<u>\$ 526,754</u>