

**CATHOLIC CHARITIES OF THE
DIOCESE OF JOLIET, INC.**
Joliet, Illinois

FINANCIAL STATEMENTS
June 30, 2014 and 2013



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses and Directly Related Program Service Revenues	7
Statements of Cash Flows	9
 Notes to Financial Statements	 10

INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities of the Diocese of Joliet, Inc.
Joliet, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Joliet, Inc. (the "Agency"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and directly related program service revenues, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Agency'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 Agency'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.

Board of Directors
Catholic Charities of the Diocese of Joliet, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2013 financial statements of the Agency were audited by other auditors whose report dated February 24, 2014, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
November 4, 2014

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 890,950	\$ 981,722
Accounts receivable, net of allowance for doubtful accounts of \$68,564 and \$56,820 at June 30, 2014 and 2013, respectively	875,849	1,257,880
Unconditional promises to give:		
United Way funding	398,000	383,543
Pledges receivable	35,000	-
Prepaid expenses	<u>136,368</u>	<u>104,036</u>
Total current assets	<u>2,336,167</u>	<u>2,727,181</u>
 NONCURRENT ASSETS		
Long-term investments	2,503,643	2,173,865
Land held in trust	<u>139,671</u>	<u>-</u>
Total noncurrent assets	<u>2,643,314</u>	<u>2,173,865</u>
 PROPERTY AND EQUIPMENT		
Land	641,500	641,500
Buildings	2,566,888	2,539,952
Equipment and furnishings	473,900	607,678
Leasehold improvements	<u>565,057</u>	<u>1,158,984</u>
Total, at cost	4,247,345	4,948,114
Less accumulated depreciation	<u>2,189,029</u>	<u>2,686,286</u>
Total property and equipment	<u>2,058,316</u>	<u>2,261,828</u>
 TOTAL ASSETS	 <u>\$ 7,037,797</u>	 <u>\$ 7,162,874</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 233,585	\$ 345,310
Accrued salaries	497,984	451,665
Accrued compensated absences	320,778	317,184
Accrued 403(b)	54,693	-
Accrued pension	-	455,302
Accrued other	54,883	108,348
Deferred revenue	27,254	-
Deposits	<u>2,486</u>	<u>2,392</u>
Total current liabilities	<u>1,191,663</u>	<u>1,680,201</u>
 NET ASSETS		
Unrestricted:		
Undesignated	2,623,856	2,767,041
Board-designated	<u>2,503,643</u>	<u>2,173,865</u>
Total unrestricted	5,127,499	4,940,906
Temporarily restricted	688,635	511,767
Permanently restricted	<u>30,000</u>	<u>30,000</u>
Total net assets	<u>5,846,134</u>	<u>5,482,673</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,037,797</u>	 <u>\$ 7,162,874</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Revenue and grants from government agencies	\$ 13,066,055	\$ 8,000	\$ -	\$ 13,074,055
Public support:				
Contributions	965,173	108,509	-	1,073,682
In-kind	783,281	-	-	783,281
Special events, net of costs of \$74,958	163,646	-	-	163,646
Bequests	223,675	-	-	223,675
Foundations	100,745	130,000	-	230,745
United Way contributions	171,845	398,000	-	569,845
Diocese of Joliet contributions	1,200,000	-	-	1,200,000
Program service fees	655,633	-	-	655,633
Rental income and fees	1,095	-	-	1,095
Interest income	3,437	-	-	3,437
Miscellaneous revenue	24,955	-	-	24,955
Net assets released from restrictions	467,641	(467,641)	-	-
Total revenues and support	<u>17,827,181</u>	<u>176,868</u>	<u>-</u>	<u>18,004,049</u>
EXPENSES				
Program services	15,815,301	-	-	15,815,301
Management and general	1,495,356	-	-	1,495,356
Rental properties	20,894	-	-	20,894
Fundraising	638,814	-	-	638,814
Total expenses	<u>17,970,365</u>	<u>-</u>	<u>-</u>	<u>17,970,365</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(143,184)</u>	<u>176,868</u>	<u>-</u>	<u>33,684</u>
OTHER CHANGES				
Operating reserve - board-designated:				
Investment income	38,141	-	-	38,141
Realized and unrealized gains on investments, net	291,636	-	-	291,636
Total other changes	<u>329,777</u>	<u>-</u>	<u>-</u>	<u>329,777</u>
CHANGE IN NET ASSETS	186,593	176,868	-	363,461
NET ASSETS, BEGINNING OF YEAR	<u>4,940,906</u>	<u>511,767</u>	<u>30,000</u>	<u>5,482,673</u>
NET ASSETS, END OF YEAR	<u>\$ 5,127,499</u>	<u>\$ 688,635</u>	<u>\$ 30,000</u>	<u>\$ 5,846,134</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Revenue and grants from government agencies	\$ 12,912,794	\$ -	\$ -	\$ 12,912,794
Public support:				
Contributions	898,699	61,619	-	960,318
In-kind	824,063	-	-	824,063
Special events, net of costs of \$64,680	151,907	-	-	151,907
Bequests	18,546	-	-	18,546
Foundations	260,056	-	-	260,056
United Way contributions	159,191	383,543	-	542,734
Diocese of Joliet contributions	1,185,000	-	-	1,185,000
Program service fees	570,822	-	-	570,822
Rental income and fees	69,347	-	-	69,347
Interest income	1,795	-	-	1,795
Miscellaneous revenue	28,593	-	-	28,593
Net assets released from restrictions	557,588	(557,588)	-	-
Total revenues and support	<u>17,638,401</u>	<u>(112,426)</u>	<u>-</u>	<u>17,525,975</u>
EXPENSES				
Program services	14,962,855	-	-	14,962,855
Management and general	1,585,181	-	-	1,585,181
Rental properties	85,466	-	-	85,466
Fundraising	497,839	-	-	497,839
Total expenses	<u>17,131,341</u>	<u>-</u>	<u>-</u>	<u>17,131,341</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>507,060</u>	<u>(112,426)</u>	<u>-</u>	<u>394,634</u>
OTHER CHANGES				
Operating reserve - board-designated:				
Investment income	26,331	-	-	26,331
Unrealized gains on investments	152,479	-	-	152,479
Total other changes	<u>178,810</u>	<u>-</u>	<u>-</u>	<u>178,810</u>
CHANGE IN NET ASSETS	685,870	(112,426)	-	573,444
NET ASSETS, BEGINNING OF YEAR	<u>4,255,036</u>	<u>624,193</u>	<u>30,000</u>	<u>4,909,229</u>
NET ASSETS, END OF YEAR	<u>\$ 4,940,906</u>	<u>\$ 511,767</u>	<u>\$ 30,000</u>	<u>\$ 5,482,673</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENT OF FUNCTIONAL EXPENSES AND DIRECTLY RELATED PROGRAM SERVICE REVENUES
Year Ended June 30, 2014

	Program Services					Supporting Services				
	Community Services	Counseling Services	Early Childhood Services	Aging and Disability Services	Total	Management and General	Rental Properties	Fundraising	Total	Total
FUNCTIONAL EXPENSES										
Salaries	\$ 1,925,467	\$ 477,364	\$ 4,130,063	\$ 698,943	\$ 7,231,837	\$ 859,876	\$ -	\$ 351,061	\$ 1,210,937	\$ 8,442,774
Employee benefits and payroll taxes	481,760	111,887	1,355,315	220,094	2,169,056	234,840	-	75,872	310,712	2,479,768
Professional services	41,962	25,965	173,914	219	242,060	95,234	-	876	96,110	338,170
Total salaries and related expenses	2,449,189	615,216	5,659,292	919,256	9,642,953	1,189,950	-	427,809	1,617,759	11,260,712
Equipment and supplies	316,785	9,878	669,451	43,565	1,039,679	20,005	865	7,703	28,573	1,068,252
Occupancy	307,143	19,620	327,232	41,478	695,473	112,871	11,385	29,750	154,006	849,479
Lease/rent	86,888	35,554	800,563	43,956	966,961	10,301	8,644	3,993	22,938	989,899
Transportation	27,625	7,194	438,106	14,041	486,966	18,452	-	5,594	24,046	511,012
Direct support	2,107,345	792	52,694	407,901	2,568,732	-	-	15,800	15,800	2,584,532
Other expenses	37,875	5,068	196,638	30,429	270,010	76,946	-	139,893	216,839	486,849
Total functional expenses, before depreciation	5,332,850	693,322	8,143,976	1,500,626	15,670,774	1,428,525	20,894	630,542	2,079,961	17,750,735
Depreciation	76,600	1,406	63,169	3,352	144,527	66,831	-	8,272	75,103	219,630
Total functional expenses	5,409,450	694,728	8,207,145	1,503,978	15,815,301	1,495,356	20,894	638,814	2,155,064	17,970,365
ALLOCATION OF MANAGEMENT AND GENERAL	346,734	57,331	633,136	196,180	1,233,381	(1,306,352)	-	72,971	(1,233,381)	-
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	<u>\$ 5,756,184</u>	<u>\$ 752,059</u>	<u>\$ 8,840,281</u>	<u>\$ 1,700,158</u>	<u>\$ 17,048,682</u>	<u>\$ 189,004</u>	<u>\$ 20,894</u>	<u>\$ 711,785</u>	<u>\$ 921,683</u>	<u>\$ 17,970,365</u>
DIRECTLY RELATED PROGRAM SERVICE REVENUES										
U.S. Department of Health & Human Services	\$ -	\$ -	\$ 6,193,400	\$ -	\$ 6,193,400					\$ 6,193,400
U.S. Department of Housing and Urban Development	2,852,428	-	-	-	2,852,428					2,852,428
Illinois Department of Human Services	403,504	20	1,057,602	-	1,461,126					1,461,126
Illinois Department on Aging	-	-	-	613,283	613,283					613,283
Corporation for National Service	-	-	-	482,229	482,229					482,229
Northeastern Illinois Agency on Aging	-	-	-	361,378	361,378					361,378
U.S. Department of Agriculture	8,877	-	384,530	-	393,407					393,407
County CDBG/ESG/CSBG	211,004	-	-	-	211,004					211,004
Federal Emergency Management Agency	186,835	-	-	-	186,835					186,835
Illinois Department of Commerce & Economic Opportunity	284,464	-	-	-	284,464					284,464
Illinois Department of Children & Family Services	-	-	3,168	-	3,168					3,168
Townships	8,000	-	-	23,333	31,333					31,333
Individual and organization contributions	240,205	6,309	4,395	10,721	261,630					261,630
In-kind contributions	194,751	-	579,308	9,222	783,281					783,281
Special events, net of costs of \$74,958	1,760	-	12,487	-	14,247					14,247
Bequests	-	-	-	5,060	5,060					5,060
Foundation contributions	228,345	-	-	-	228,345					228,345
United Way	168,832	169,029	22,065	53,030	412,956					412,956
Program fees	155,776	346,238	151,249	1,420	654,683					654,683
Interest and investment income	-	-	43	-	43					43
Miscellaneous	5,967	-	29	1,800	7,796					7,796
TOTAL DIRECTLY RELATED PROGRAM SERVICE REVENUES	<u>\$ 4,950,748</u>	<u>\$ 521,596</u>	<u>\$ 8,408,276</u>	<u>\$ 1,561,476</u>	<u>\$ 15,442,096</u>					<u>\$ 15,442,096</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENT OF FUNCTIONAL EXPENSES AND DIRECTLY RELATED PROGRAM SERVICE REVENUES
Year Ended June 30, 2013

	Program Services				Supporting Services					
	Community Services	Counseling Services	Early Childhood Services	Aging and Disability Services	Total	Management and General	Rental Properties	Fundraising	Total	Total
FUNCTIONAL EXPENSES										
Salaries	\$ 1,785,275	\$ 368,626	\$ 3,902,193	\$ 583,344	\$ 6,639,438	\$ 805,923	\$ -	\$ 286,837	\$ 1,092,760	\$ 7,732,198
Employee benefits and payroll taxes	511,360	110,223	1,436,741	218,435	2,276,759	281,361	-	63,881	345,242	2,622,001
Professional services	75,764	8,634	193,499	2,698	280,595	130,031	-	519	130,550	411,145
Total salaries and related expenses	2,372,399	487,483	5,532,433	804,477	9,196,792	1,217,315	-	351,237	1,568,552	10,765,344
Equipment and supplies	302,672	26,658	691,425	30,816	1,051,571	31,363	6,620	6,193	44,176	1,095,747
Occupancy	294,354	14,435	284,859	52,436	646,084	81,066	46,518	28,928	156,512	802,596
Lease/rent	98,591	43,023	801,711	55,124	998,449	10,878	19,449	2,731	33,058	1,031,507
Transportation	29,288	3,613	336,580	15,625	385,106	23,770	256	3,061	27,087	412,193
Direct support	1,890,747	100	32,830	413,510	2,337,187	-	-	16,000	16,000	2,353,187
Other expenses	29,324	6,717	138,151	28,384	202,576	136,125	10,616	89,689	236,430	439,006
Total functional expenses, before depreciation	5,017,375	582,029	7,817,989	1,400,372	14,817,765	1,500,517	83,459	497,839	2,081,815	16,899,580
Depreciation	69,320	5,875	66,706	3,189	145,090	84,664	2,007	-	86,671	231,761
Total functional expenses	5,086,695	587,904	7,884,695	1,403,561	14,962,855	1,585,181	85,466	497,839	2,168,486	17,131,341
ALLOCATION OF MANAGEMENT AND GENERAL	<u>671,652</u>	<u>73,757</u>	<u>578,591</u>	<u>176,708</u>	<u>1,500,708</u>	<u>(1,582,696)</u>	<u>-</u>	<u>81,988</u>	<u>(1,500,708)</u>	<u>-</u>
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	<u>\$ 5,758,347</u>	<u>\$ 661,661</u>	<u>\$ 8,463,286</u>	<u>\$ 1,580,269</u>	<u>\$ 16,463,563</u>	<u>\$ 2,485</u>	<u>\$ 85,466</u>	<u>\$ 579,827</u>	<u>\$ 667,778</u>	<u>\$ 17,131,341</u>
DIRECTLY RELATED PROGRAM SERVICE REVENUES										
U.S. Department of Health & Human Services	\$ -	\$ -	\$ 6,646,480	\$ -	\$ 6,646,480					\$ 6,646,480
U.S. Department of Housing and Urban Development	2,546,607	-	-	-	2,546,607					2,546,607
Illinois Department of Human Services	424,616	20	870,314	-	1,294,950					1,294,950
Illinois Department on Aging	-	-	-	540,527	540,527					540,527
Corporation for National Service	-	-	-	439,669	439,669					439,669
Northeastern Illinois Agency on Aging	-	-	-	369,358	369,358					369,358
U.S. Department of Agriculture	9,347	-	345,919	-	355,266					355,266
County CDBG/ESG/CSBG	220,565	-	-	-	220,565					220,565
Federal Emergency Management Agency	279,994	-	-	-	279,994					279,994
Illinois Department of Commerce & Economic Opportunity	189,560	-	-	-	189,560					189,560
Illinois Department of Children & Family Services	-	-	1,818	-	1,818					1,818
Townships	-	-	-	28,000	28,000					28,000
Individual and organization contributions	299,968	8,060	8,186	34,128	350,342					350,342
In-kind contributions	177,495	400	623,834	19,319	821,048					821,048
Special events, net of costs of \$64,680	700	-	11,610	-	12,310					12,310
Foundation contributions	250,000	-	5,906	-	255,906					255,906
United Way	169,586	164,137	21,130	49,886	404,739					404,739
Diocese of Joliet contributions	9,000	-	-	-	9,000.00					9,000
Program fees	162,899	265,287	141,416	710	570,312					570,312
Interest and investment income	-	-	37	-	37					37
Miscellaneous	28,536	12	-	30	28,578					28,578
TOTAL DIRECTLY RELATED PROGRAM SERVICE REVENUES	<u>\$ 4,768,873</u>	<u>\$ 437,916</u>	<u>\$ 8,676,650</u>	<u>\$ 1,481,627</u>	<u>\$ 15,365,066</u>					<u>\$ 15,365,066</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 363,461	\$ 573,444
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	219,630	231,761
Provision for bad debts	11,745	-
Realized and unrealized gains on investments, net	(291,636)	(152,479)
Donated land held in trust	(139,671)	-
Gain on sale of fixed assets	(882)	-
Effects of changes in operating assets and liabilities:		
Accounts receivable	370,287	398,920
Unconditional promises to give	(49,457)	103,192
Prepaid expenses	(32,332)	(21,308)
Accounts payable	(111,725)	3,117
Accrued salaries	46,319	35,602
Accrued compensated absences	3,594	(154,223)
Accrued 403(b)	54,693	-
Accrued pension	(455,302)	(1,733)
Accrued other	(53,465)	-
Deferred revenue	27,254	-
Deposits	94	50
Net cash provided by (used in) operating activities	<u>(37,393)</u>	<u>1,016,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(26,938)	(367,932)
Proceeds from sale of property and equipment	11,700	-
Purchase of investments	<u>(38,141)</u>	<u>(401,332)</u>
Net cash used in investing activities	<u>(53,379)</u>	<u>(769,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(455,302)	-
Proceeds on line of credit	<u>455,302</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,772)	247,079
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>981,722</u>	<u>734,643</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 890,950</u>	<u>\$ 981,722</u>

The accompanying notes are an integral part of the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catholic Charities of the Diocese of Joliet, Inc. (the “Agency”) is a faith-based nonprofit organization providing service to people in need and calling others of goodwill to do the same. The Agency serves people of all faiths and beliefs in the Diocese of Joliet, providing a wide array of social services throughout the Diocese of Joliet.

The Agency’s fiscal year ends on June 30. Significant accounting policies followed by the Agency are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. Accounting principles generally accepted in the United States of America require the Agency to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a Statement of Cash Flows and a Statement of Functional Expenses Directly Related program Service Revenues.

Cash and Cash Equivalents

The Agency considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Agency maintains its cash and cash equivalents on deposit with various financial institutions and at the Diocese of Joliet, which at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are uncollateralized funding source obligations, which are generally paid within 30 days from the billing date. Accounts receivable are stated at the invoice amount.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable (continued)

Payments of accounts receivable are generally applied to the specific invoices identified on the funding source's remittance advice or, in some cases, to the earliest unpaid invoices.

Accounts receivable are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is \$68,564 and \$56,820 for the years ended June 30, 2014 and 2013, respectively. The allowance is attributable to the Agency's counseling services, which are billed at standard rates and are paid at lower rates either by Medicare and other insurance payors, or directly by clients using a sliding scale based on household income. The allowance is calculated based on actual reimbursement rates from the various payors.

Promises to Give

Unconditional promises to give which includes United Way funding and pledges receivable, are recognized as revenues or gains in the period that the gift is made and as net assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Long-Term Investments

Investments consist of mutual funds, bond funds and equity funds. Investments are carried at fair value with unrealized and realized gains and losses on investments reported as increases and decreases in unrestricted net assets. These investments are classified as long-term investments and are funds which have been specifically identified by the Agency's board of directors (board) to establish a long-term board-designated operating reserve fund (see Note 14). Dividends and interest and realized and unrealized gains and losses are reported under other changes in the Statements of Activities.

Property and Equipment

Purchased property and equipment are stated at cost. Property and equipment purchases in excess of \$5,000 are capitalized. Donated property and equipment are stated at fair market value at the date of the donation. The Agency depreciates its property and equipment on the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings and improvements	20
Equipment and furnishings	4 - 5
Leasehold improvements	10

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Revenue

Government grant proceeds received, but not yet earned, are reported as deferred revenue. Deferred revenue at June 30, 2014 includes certain state and township grant proceeds received for future years.

Revenues and Support

The Agency receives a substantial portion of its operating funds from grants and awards. These funds are reported as unrestricted support as the grants reimburse the Agency for services provided.

The Agency records contributions in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations. Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "Net assets released from restrictions".

In-Kind Donations

In-kind donations of property, equipment, or materials are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Donations (continued)

Donations of services are recorded if they create or enhance nonfinancial assets or are specialized skills that would be purchased if they were not donated. Donations of rent are based on the difference between the appraised rental value of the leased assets and the actual rent paid.

For the years ended June 30, 2014 and 2013, the Agency received in-kind donations as follows:

	<u>2014</u>	<u>2013</u>
Consultants	\$ 43,105	\$ 75,681
Small equipment and supplies	193,493	167,635
Lease/rent	500,551	543,356
Transportation	45,252	36,677
Medical	<u>880</u>	<u>714</u>
Total in-kind donations	<u>\$ 783,281</u>	<u>\$ 824,063</u>

No amounts have been reflected in the statements for donated, non-professional services. The Agency receives a significant amount of donated services by volunteers. The value of these services has not been included in the financial statements.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the Statements of Functional Expenses and Directly Related Program Services Revenues. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to each function based on direct expenditures incurred. Expenditures not directly charged are allocated to the programs based on the proportional use of the service provided and the Agency's cost allocation plan.

Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Agency is subject to income taxes on any unrelated business income. The Agency had no unrelated business income and there were no taxes owed for the years ended June 30, 2014 and 2013.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Internal Revenue Service (IRS) has determined that the Agency has met the requirements for classification as an integrated auxiliary of a church. In accordance with Treasury regulation section 1.6033-2(g)(1)(i), the Agency is not required to file Federal Form 990. The Agency has chosen to file Federal Form 990 voluntarily. The Agency has also received a religious exemption from filing annual financial reports from the State of Illinois Office of Attorney General.

The Agency has adopted the requirements for accounting for uncertain tax positions. The Agency has determined that it is not required to record a liability related to uncertain tax positions for the years ended June 30, 2014 and 2013.

The federal and state tax returns of the Agency for 2010, 2011, and 2012 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The Agency provides a wide array of social services from facilities located throughout the Diocese of Joliet. The Diocese of Joliet includes seven counties in Illinois: Will, DuPage, Kankakee, Ford, Iroquois, Grundy, and Kendall. For purposes of these financial statements, the Agency has grouped its program services into four major divisions: Community Services, Counseling, Early Childhood Services, and Aging and Disability Services. Additionally, the Agency has grouped its supporting services into three major divisions: Management and General, Fundraising, and Rental Properties. These divisions are reflected in the Statements of Functional Expenses and Directly Related Program Service Revenues.

The following is a description of the divisions, the programs provided, and the locations served:

Community Services

Emergency Services and Homelessness Prevention (Will, DuPage, Kankakee, Ford, Iroquois, and Grundy Counties) - Provides food and travel vouchers, clothing and furniture vouchers, financial assistance for prescriptions, rent/mortgage assistance, and information/referral to other community resources.

Daybreak Center (Will County) - Provides year-round emergency shelter, meals, and supportive services to individuals and families who are homeless. The Center's Shepherd's Table provides a free mid-day meal to the community at-large.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (continued)

Community Services (continued)

Alternative Housing Programs (Will, DuPage, Kankakee, Ford, Iroquois, Grundy, and Kendall Counties) - Provides a variety of housing programs for individuals and families who are homeless or at risk of homelessness, including transitional housing, permanent supportive housing and more. These programs are designed to maximize a family's self-sufficiency.

Hope House (DuPage County) - Provides temporary housing and supportive services to individuals and families who are homeless with an emphasis on working with participants to secure employment and permanent housing.

Supportive Services for Veteran's Families (Will, DuPage, Kankakee, Iroquois, Grundy, and Kendall Counties) - Assists veterans who are homeless or at risk of homelessness with case management, employment and education assistance, and housing assistance.

Mobile Food Pantry (Will, DuPage, Kankakee, Iroquois, Grundy, and Kendall Counties) - Provides nutritious food distribution to underserved areas where there is little access to food assistance.

Disaster Response (Will, DuPage, Kankakee, Ford, Iroquois, Grundy, and Kendall Counties) - Provides disaster relief assistance and case management services.

Counseling Services (Will, DuPage, Kankakee, Ford, Iroquois, Grundy, and Kendall Counties)

The Agency's counseling services provides outpatient counseling at offices located throughout the Diocese of Joliet. Individual, group, family, and couples therapy are provided, in addition to specialized services such as anger management groups and preventative education programs. Individuals and families who are struggling financially qualify for services at a reduced fee.

Early Childhood Services (Will County)

Early Childhood Services include Head Start, Early Head Start, home-based, expectant mothers, and daycare programs for children up to five years-old and their low-income families. Children participate in developmentally and educationally appropriate activities; receive medical and dental care; have healthy meals and snacks; and enjoy playing indoors and outdoors in a safe setting. Parental involvement is encouraged. Family service workers are also available to provide support services and assist in securing needed community resources. Expectant mothers receive prenatal and post-partum education and assistance.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (continued)

Aging and Disability Services

Senior Companion Program (Will, Kankakee, Iroquois, and Grundy Counties) - Offers adults age 55 and older the opportunity to support and interact with their homebound peers through regularly scheduled home visits.

Foster Grandparent Program (Will County) - Offers adults age 55 and older the opportunity to work with children with special needs at local elementary schools.

Adult Protective Services (Kankakee and Grundy Counties) - Provides trained professionals to help determine services most needed to stop neglect and abuse, protect the person who has suffered abuse, and assist the individual in the healing process.

Money Management Program (Will, Kankakee, Iroquois, and Grundy Counties) - Offers adults the opportunity to serve low-income older adults who have difficulty with financial matters.

Information and Assistance (Kankakee County) - Provides information about and linkage to the many services and benefits available to older adults and persons with disabilities.

Care Coordination (Kankakee County) - Offers frail older adults and their families assistance as they assess the need for care and coordinate an overall plan to maximize the older person's independence in the home.

Management and General, Fundraising, and Rental Properties

The fundraising division includes the expenses related to fundraising, public relations, and all other development activities of the Agency. The rental properties division includes the expenses related to leasing Agency facilities to third parties. The management and general division includes executive, fiscal, human resources, information technology, and facility expenses; expenses related to new program development and certain other expenses not properly allocable to any other program or supporting service.

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Agency uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2014 and 2013 are as follows:

June 30, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds:				
Inflation protected bond	\$ 396,729	\$ 396,729	\$ -	\$ -
Real estate equity index	331,645	331,645	-	-
Catholic United Investment Trust:				
Intermediate diversified bond fund	452,825	-	452,825	-
Core equity index fund	618,474	-	618,474	-
Small cap equity index fund	199,909	-	199,909	-
International equity fund	504,061	-	504,061	-
Total assets	\$ 2,503,643	\$ 728,374	\$ 1,775,269	\$ -

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<u>June 30, 2013</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Mutual funds:				
Inflation protected bond	\$ 350,274	\$ 350,274	\$ -	\$ -
Real estate equity index	271,591	271,591	-	-
Large growth	47,516	47,516	-	-
Catholic United Investment Trust:				
Intermediate diversified bond fund	434,173	-	434,173	-
Core equity index fund	481,385	-	481,385	-
Small cap equity index fund	162,550	-	162,550	-
International equity fund	426,376	-	426,376	-
Total assets	<u>\$ 2,173,865</u>	<u>\$ 669,381</u>	<u>\$ 1,504,484</u>	<u>\$ -</u>

Fair value for Level 1 investments are measured by reference to quoted market transactions that are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value for Level 2 investments is determined by reference to quoted market transactions for similar assets in active markets.

NOTE 4 - LINE OF CREDIT

The Agency has a line of credit agreement that was entered into in October 2013 that provides borrowing of up to \$500,000, under which \$0 was outstanding at June 30, 2014. The line of credit agreement expires on October 23, 2015. Amounts drawn against the line of credit are payable on demand and bear interest at prime plus 0.50% (3.75% at June 30, 2014), but not less than 3.75%. The line of credit is collateralized by the Agency's investments. Interest expense on the line of credit during 2014 was \$7,809.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 5 - EMPLOYEE PENSION PLAN

The employees of the Agency were covered by a pension plan known as The Catholic Charities of the Archdiocese of Chicago Pension Plan (Chicago Plan) through June 30, 2013. The Chicago Plan was a multiemployer pension plan.

On June 27, 2013, the Agency adopted the Catholic Charities of the Diocese of Joliet Pension Plan and Trust (Joliet Plan) with the same terms as the Chicago Plan. On June 27, 2013, the Agency entered into a plan spinoff agreement with Catholic Charities of the Archdiocese of Chicago. Under the plan spinoff agreement, the Chicago Plan was to transfer to the Joliet Plan effective June 30, 2013 both the assets and liabilities determined to be attributable to benefits accrued under the Chicago Plan by past and present employees of the Agency.

On June 30, 2013, the plan spinoff agreement was executed and the Joliet Plan received \$5,846,460 in cash from the Chicago Plan. In addition, the Joliet Plan was amended to freeze the plan effective June 30, 2013 so that no further benefits would accrue under the Joliet Plan on and after June 30, 2013.

On August 27, 2013, the Agency entered into a plan transfer agreement with the pension board of the Christian Brothers Employee Retirement Plan (Christian Brothers Plan). Under the terms of the plan transfer agreement, the Joliet Plan agreed to transfer its assets to the Christian Brothers Plan and the Christian Brothers Plan agreed to assume the frozen liabilities of the Joliet Plan subject to the payment of a plan transfer deficiency of \$455,302 pursuant to an agreement regarding payment of plan transfer deficiency. The plan transfer deficiency was to be paid over 10 years at an interest rate of 7% per year.

Under the terms of the plan transfer agreement and the agreement regarding payment of plan transfer deficiency, the Agency is no longer liable for the accrued and frozen benefits of the Joliet Plan. The Agency is liable for the plan transfer deficiency of \$455,302. Pursuant to the agreement regarding payment of plan transfer deficiency, the plan transfer deficiency may be recomputed only if the information provided with respect to the frozen accrued benefits of the Joliet Plan was determined to be incomplete or inaccurate, thereby resulting in a computational change with respect to a given employee's benefit. The Agency is not currently aware of any such computational changes, nor does it anticipate that any such unknown changes would have a material effect on the financial statements.

Accordingly, the Agency reported \$455,302 as of June 30, 2013 as its pension liability. As of June 30, 2014, the Agency is reporting a pension liability of \$0, as the pension liability has been transferred to the Christian Brothers Plan as of August 27, 2013.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 5 - EMPLOYEE PENSION PLAN (continued)

In November 2013, the Agency obtained a \$500,000 line of credit (see Note 4) and paid off the plan transfer deficiency with a \$455,302 draw from the line of credit.

The Chicago Plan and the Joliet Plan were noncontributory defined benefit pension programs whereby employees participated as of the date employment commenced and benefits vested after the completion of five years of vesting service. The Chicago Plan received notice from the IRS that it qualified as a church plan and is therefore exempt from ERISA regulations. The Joliet Plan was also considered to be a church plan.

During fiscal year 2013, the Agency made payments to the pension plan based upon an actuarially determined amount. The pension expense for the years ended June 30, 2014 and 2013 was \$535,997 and \$0, respectively.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

Effective July 1, 2014, the Agency adopted the Christian Brothers Retirement Savings Plan, a 403(b) plan that is qualified as a church plan and is therefore exempt from ERISA regulations. Eligible employees are those who work at least 20 hours per week and have been employed for more than six months. The Agency is required to contribute a safe harbor nonelective contribution to the account of each eligible employee of 3% of the employee's compensation for the plan year and 50% of the employees' salary reduction contributions that do not exceed 2% of the employee's compensation for the plan year. Contributions to the plan were \$259,109 for the year ended June 30, 2014.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Mobile food pantry	\$ 50,134	\$ 2,290
Emergency services - DuPage County	20,000	-
Shift program	-	11,468
Hope House land	50,000	50,000
Back-to-School Fair - DuPage County	38,332	25,956
Back-to-School Fair - Will County	12,365	6,811
Back-to-School Fair - Kankakee County	40,802	6,311
Daybreak Center - special needs	1,400	-
Shepherd's Table - oven	9,410	-
Disaster relief	56,453	-
Head Start	5,456	-
Aging case management	6,283	25,388
United Way:		
Daybreak Center	104,000	103,351
Will County services	184,000	182,149
Emergency services - Kankakee County	7,750	6,140
Transitional housing - Kankakee County	7,750	6,140
Counseling - Kankakee County	7,000	6,447
Elder abuse - Kankakee County	10,000	6,755
Senior companion - Kankakee County	6,500	6,140
Aging case management - Kankakee County	20,000	18,421
Emergency services - Iroquois County	8,000	8,000
Housing programs - DuPage County	30,000	30,000
Senior companion - Grundy County	2,500	2,500
Community services - Grundy County	2,500	2,500
Counseling - Grundy County	5,000	5,000
Adult protective services - Grundy County	<u>3,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 688,635</u>	<u>\$ 511,767</u>

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when payments were made satisfying the restricted purposes and by the expiration of time as follows:

	<u>2014</u>	<u>2013</u>
Mobile food pantry	\$ 53,016	\$ -
Shift program	11,468	-
Transitional housing - DuPage County	-	32,298
Hope House	-	922
Daybreak Center	-	2,500
Back-to-School Fair - Kankakee County	509	-
Head Start	-	6,000
Aging case management	19,105	-
Maternity and private adoptions	-	68,289
United Way:		
Daybreak Center	103,351	125,600
Will County services	182,149	198,400
Emergency services - Kankakee County	6,140	4,428
Transitional housing - Kankakee County	6,140	4,428
Counseling - Kankakee County	6,447	6,692
Elder abuse - Kankakee County	6,755	-
Senior companion - Kankakee County	6,140	2,361
Aging case management - Kankakee County	18,421	14,170
Emergency services - Iroquois County	8,000	-
Housing programs - DuPage County	30,000	91,500
Senior companion - Grundy County	2,500	-
Community services - Grundy County	2,500	-
Counseling - Grundy County	<u>5,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 467,641</u>	<u>\$ 557,588</u>

NOTE 9 - LEASE COMMITMENTS

The Agency has entered into various operating lease agreements for buildings, rental units for programs, and equipment expiring in various years through 2022. Under some of the Agency's building leases, the Agency is also liable for its proportionate share of real estate taxes, assessments, and other operating costs. Future minimum lease payments under these leases in effect at June 30, 2014 are as follows:

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 9 - LEASE COMMITMENTS (continued)

2015	\$ 1,028,966
2016	204,180
2017	114,243
2018	60,969
2019	61,054
Thereafter	<u>197,361</u>
Total	<u>\$ 1,666,773</u>

Total rental expenses pertaining to office facilities and equipment for the years ended June 30, 2014 and 2013 was \$989,899 and \$1,031,507, respectively, and includes donated rents of \$500,551 and \$543,356, respectively.

NOTE 10 - CASH FLOW DISCLOSURES

Cash paid for interest during 2014 and 2013 was \$7,809 and \$274, respectively. No cash was paid for income taxes during either year.

The Agency received donated land totaling \$139,671 through a bequest during the year ended June 30, 2014.

There were no non-cash investing and financing transactions for the years ended June 30, 2013.

NOTE 11 - COMPLIANCE WITH GRANTOR RESTRICTIONS

Financial assistance from governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time. Management believes that any disallowance of expenditures under these grants would not be material.

NOTE 12 - CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 12 - CONCENTRATIONS (continued)

Concentration of Revenue

The Agency receives a substantial amount of its revenue from grants and contracts with various governmental agencies. Approximately 73% of total support and revenues during the years ended June 30, 2014 and 2013 were received from these government contracts and grants. Approximately 34% and 38% of total support and revenues in the years ended June 30, 2014 and 2013, respectively, were received from the Agency's Head Start grant with the Department of Health and Human Services.

Amounts due from the Department of Health and Human Services represent 0% and 40% of the total outstanding accounts receivable balance as of June 30, 2014 and 2013, respectively.

NOTE 13 - CONTINGENCIES

Unemployment Compensation

The Agency is liable for unemployment compensation to eligible claimants leaving its employment and has elected to pay future approved claims directly rather than contribute under the state-regulated plan. Payments on such claims are charged to operations when made. Unemployment compensation expense for the years ended June 30, 2014 and 2013 was \$42,075 and \$118,982, respectively.

Collective Bargaining Agreement

The Agency currently has a collective bargaining agreement in place which covers approximately 38% of the employees. The most recent agreement was effective June 1, 2013 and will expire on May 31, 2015. No amounts were paid on behalf of union employees in 2014 and 2013.

Litigation

The Agency has been named in a lawsuit involving its discontinued foster care program. The nature of the lawsuit is such that it is not covered by the Agency's liability insurance. Legal counsel has advised management that the outcome and range of loss cannot be reasonably estimated at this time, and accordingly no provisions for possible loss related to the lawsuit has been made in the financial statements. The Agency is currently being represented by a nonprofit public interest law firm, who is providing legal services pro-bono.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 14 - BOARD-DESIGNATED OPERATING RESERVE

The Agency's board has designated a portion of unrestricted net assets as a board-designated operating reserve. The operating reserve amount is an internal designation and is not donor restricted; and is therefore classified and reported as unrestricted net assets - board-designated.

In prior financial statements, the unrestricted net assets board-designated had been referred to as a general endowment. In March 2014, the board approved a new policy statement that clarified the nature of these designated assets and renamed these assets the Board-Designated Operating Reserve Fund (Fund).

The minimum target balance for the Fund is 12.5% of annual budgeted operating expenses. The Agency may periodically borrow up to 10% of the Fund provided that the amount borrowed is paid back within three months. The Agency may borrow more than 10% with board approval. Fund surpluses may be transferred to operations with board approval.

The investment policy of the Fund attempts to achieve a reasonable rate of return with an acceptable level of risk given the nature of the Fund. Furthermore, the investment policy follows the investment guidelines put forth in the November 12, 2003 Socially Responsible Investment Policy of the United States Conference of Catholic Bishops.

In fiscal year 2012, the board approved the use of \$700,000 of the Fund for operational needs with the expectation that the Agency would restore the \$700,000 to the Fund over the following five years. In fiscal year 2013, the Agency transferred \$375,000 back to the Fund, leaving a balance of \$325,000. In connection with the adoption of the new policy statement in March 2014, the board determined that the Fund balance was above the target amount and therefore the remaining balance of \$325,000 would not have to be restored.

NOTE 15 - RELATED PARTY TRANSACTIONS

The Agency is an affiliate of the Roman Catholic Diocese of Joliet (Diocese). The Diocese does not directly control the Agency, which is separately incorporated and has an independent board of directors. For the years ended June 30, 2014 and 2013, the Agency received \$1,200,000 and \$1,185,000, respectively, in unrestricted funds from the Diocese, and paid \$1,914,484 and \$1,864,703, respectively, to the Diocese for rent, insurance, and employee benefits provided by the Diocesan Self-Insured Benefit Plan. At June 30, 2014 and 2013, the Agency had \$0 and \$42,200, respectively, payable to the Diocese related to insurance premiums, which is included in accounts payable and accrued liabilities. As of June 30, 2014 and 2013, the Agency had \$49,197 and \$47,986, respectively, on deposit with the Diocese, which is included in cash and cash equivalents. These funds earned interest at a rate of 3%.

CATHOLIC CHARITIES OF THE DIOCESE OF JOLIET, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 16 - RECLASSIFICATIONS

Certain reclassifications were made within the 2013 financial statements to conform with the 2014 presentation. These reclassifications had no effect on the change in net assets for that year.

NOTE 17 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 4, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to November 4, 2014 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2014.

This information is an integral part of the accompanying financial statements