

CARITAS

Financial Statements

June 30, 2016 and 2015



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

CARITAS

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
CARITAS
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of CARITAS, which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, cash flows, and functional expenses 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; 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.

Auditor's 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. 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 CARITAS as of June 30, 2016, 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.

Other Matter

The financial statements of CARITAS as of June 30, 2015 were audited by other auditors whose report dated November 16, 2015, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, appearing to read "Keiter", with a long horizontal flourish extending to the right.

November 9, 2016
Glen Allen, Virginia

CARITAS

Statements of Financial Position June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,190,057	\$ 699,889
Unconditional promises to give, current	452,972	314,220
Inventory	98,270	137,510
Prepaid expenses	36,099	34,481
Deposits	8,385	9,635
Total current assets	<u>1,785,783</u>	<u>1,195,735</u>
Property and equipment:		
Land	266,000	266,000
Building	3,121,631	3,121,631
Leasehold improvements	43,263	40,243
Equipment	531,464	517,720
Vehicles	110,752	86,698
	<u>4,073,110</u>	<u>4,032,292</u>
Less: accumulated depreciation	<u>1,517,397</u>	<u>1,396,889</u>
Property and equipment, net	<u>2,555,713</u>	<u>2,635,403</u>
Other assets:		
Unconditional promises to give, net of current portion	-	100,000
Investments in marketable securities	544,097	394,773
Beneficial interest in assets held at The Community Foundation	<u>608,932</u>	<u>667,206</u>
Total other assets	<u>1,153,029</u>	<u>1,161,979</u>
Total assets	<u>\$ 5,494,525</u>	<u>\$ 4,993,117</u>

See accompanying notes to financial statements.

CARITAS

Statements of Financial Position, Continued June 30, 2016 and 2015

<u>Liabilities and Net Assets</u>	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 142,592	\$ 135,448
Current portion of long-term debt	<u>102,571</u>	<u>82,858</u>
Total current liabilities	245,163	218,306
Non-current liabilities:		
Long-term debt, net of current portion	<u>204,281</u>	<u>310,377</u>
Total liabilities	<u>449,444</u>	<u>528,683</u>
Net assets:		
Unrestricted:		
Undesignated - available for general activities	3,692,798	3,280,758
Board designated for an operating reserve	215,000	215,000
Board designated - assets held at The Community Foundation	<u>563,053</u>	<u>598,608</u>
	4,470,851	4,094,366
Temporarily restricted	505,632	301,470
Permanently restricted	<u>68,598</u>	<u>68,598</u>
Total net assets	<u>5,045,081</u>	<u>4,464,434</u>
Total liabilities and net assets	<u>\$ 5,494,525</u>	<u>\$ 4,993,117</u>

See accompanying notes to financial statements.

CARITAS

Statement of Activities Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support:					
Grants and contributions:					
Congregations, individuals and business	\$ 1,494,571	\$ 35,500	\$ -	\$ 1,530,071	\$ 1,091,546
Foundations	476,700	250,000	-	726,700	1,058,109
In-kind contributions	812,876	-	-	812,876	954,791
Government funding	801,290	-	-	801,290	881,605
United Way Service	178,463	105,439	-	283,902	342,458
AmeriCorps	224,742	-	-	224,742	155,338
Program fees	407,951	-	-	407,951	418,793
Special event income	94,537	-	-	94,537	135,179
Special projects revenue	44,044	-	-	44,044	-
Miscellaneous revenue	67,910	-	-	67,910	75,657
Change in value of beneficial interest in assets					
held at The Community Foundation	(35,555)	-	-	(35,555)	30,732
Rental income	31,742	-	-	31,742	26,132
Realized gain on sale of investments	6,086	-	-	6,086	15,081
Unrealized (loss) gain on investments	(8,075)	-	-	(8,075)	6,167
Investment income	8,314	-	-	8,314	6,151
Total revenue and support	4,605,596	390,939	-	4,996,535	5,197,739
Net assets released from restrictions	186,777	(186,777)	-	-	-

See accompanying notes to financial statements.

CARITAS

Statement of Activities, Continued Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses:					
Program services	\$ 3,825,471	\$ -	\$ -	\$ 3,825,471	\$ 3,930,820
Management and general	287,858	-	-	287,858	324,312
Fundraising	<u>302,559</u>	<u>-</u>	<u>-</u>	<u>302,559</u>	<u>242,894</u>
Total expenses	<u>4,415,888</u>	<u>-</u>	<u>-</u>	<u>4,415,888</u>	<u>4,498,026</u>
Change in net assets	376,485	204,162	-	580,647	699,713
Net assets, beginning of year	<u>4,094,366</u>	<u>301,470</u>	<u>68,598</u>	<u>4,464,434</u>	<u>3,764,721</u>
Net assets, end of year	<u>\$ 4,470,851</u>	<u>\$ 505,632</u>	<u>\$ 68,598</u>	<u>\$ 5,045,081</u>	<u>\$ 4,464,434</u>

See accompanying notes to financial statements.

CARITAS

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Grants and contributions:				
Congregations, individuals and business	\$ 1,022,948	\$ -	\$ 68,598	\$ 1,091,546
Foundations	778,109	280,000	-	1,058,109
In-kind contributions	954,791	-	-	954,791
Government funding	881,605	-	-	881,605
United Way Service	342,458	-	-	342,458
AmeriCorps	155,338	-	-	155,338
Program fees	418,793	-	-	418,793
Special event income	135,179	-	-	135,179
Miscellaneous revenue	75,657	-	-	75,657
Change in value of beneficial interest in assets				
held at The Community Foundation	30,732	-	-	30,732
Rental income	26,132	-	-	26,132
Realized gain on sale of investments	15,081	-	-	15,081
Unrealized gain on investments	6,167	-	-	6,167
Investment income	6,151	-	-	6,151
Total revenue and support	4,849,141	280,000	68,598	5,197,739
Net assets released from restrictions	22,835	(22,835)	-	-

See accompanying notes to financial statements.

CARITAS

Statement of Activities, Continued Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services	\$ 3,930,820	\$ -	\$ -	\$ 3,930,820
Management and general	324,312	-	-	324,312
Fundraising	242,894	-	-	242,894
Total expenses	4,498,026	-	-	4,498,026
 Change in net assets	 373,950	 257,165	 68,598	 699,713
 Net assets, beginning of year	 3,720,416	 44,305	 -	 3,764,721
 Net assets, end of year	 \$ 4,094,366	 \$ 301,470	 \$ 68,598	 \$ 4,464,434

See accompanying notes to financial statements.

CARITAS

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

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 580,647	\$ 699,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,315	120,327
Realized gain on sale of investments	(6,086)	(15,081)
Unrealized loss (gain) on investments	8,075	(6,167)
Change in value of beneficial interest in assets held at The Community Foundation	35,555	(24,872)
Change in operating assets and liabilities:		
Unconditional promises to give	(38,752)	(193,145)
Inventory	39,240	(28,355)
Prepaid expenses	(1,618)	14,734
Deposits	1,250	-
Accounts payable and accrued expenses	7,144	(5,722)
Net cash provided by operating activities	751,770	561,432
Cash flows from investing activities:		
Purchases of property and equipment	(46,625)	(27,755)
Proceeds from sale of investments	74,068	42,824
Purchase of investments in marketable securities	(225,381)	(41,557)
Purchase of beneficial interest in assets held at The Community Foundation	-	(68,598)
Proceeds from beneficial interest in assets held at The Community Foundation	22,719	21,372
Net cash used in investing activities	(175,219)	(73,714)
Cash flows from financing activities		
Principal payments on long-term debt	(86,383)	(255,660)
Net cash used in financing activities	(86,383)	(255,660)
Net change in cash and cash equivalents	490,168	232,058

See accompanying notes to financial statements.

CARITAS

Statements of Cash Flows, Continued Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net change in cash and cash equivalents, brought forward	\$ 490,168	\$ 232,058
Cash and cash equivalents:		
Beginning of year	<u>699,889</u>	<u>467,831</u>
End of year	<u>\$ 1,190,057</u>	<u>\$ 699,889</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 17,891</u>	<u>\$ 27,277</u>

See accompanying notes to financial statements.

CARITAS

Statement of Functional Expenses Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,523,039	\$ 133,639	\$ 213,175	\$ 1,869,853	\$ 1,754,718
Furniture Bank distributions	860,259	-	-	860,259	902,622
Occupancy	245,765	100	56	245,921	223,428
Transportation	237,967	369	-	238,336	233,939
Supplies	155,319	5,243	16,999	177,561	217,768
Utilities	172,895	1,209	1,362	175,466	193,710
Payroll taxes	110,478	19,373	12,000	141,851	147,552
Depreciation	114,978	7,309	4,028	126,315	120,327
Insurance	103,124	2,007	709	105,840	83,618
Employee benefits	72,874	11,513	13,854	98,241	99,064
Food	82,464	-	-	82,464	95,257
Professional fees	9,280	62,726	-	72,006	54,971
Repairs and maintenance	54,822	15,677	812	71,311	100,292
Telephone	24,310	2,676	1,046	28,032	27,553
Special events	134	1,027	19,450	20,611	43,252
Printing and publications	381	7,871	11,706	19,958	15,879
Conferences, conventions and meetings	15,567	2,799	999	19,365	20,218
Interest	17,891	-	-	17,891	27,277
Children's activities	10,128	-	-	10,128	360
Postage and shipping	49	4,155	5,900	10,104	10,292
Bank charges	3,006	6,744	-	9,750	16,638
Client assistance	5,782	-	-	5,782	95,371
Mileage	2,579	715	410	3,704	4,202
Miscellaneous	110	1,899	-	2,009	573
Marketing and advertising	1,203	723	53	1,979	7,025
Employment recruiting	1,067	84	-	1,151	2,120
	<u>\$ 3,825,471</u>	<u>\$ 287,858</u>	<u>\$ 302,559</u>	<u>\$ 4,415,888</u>	<u>\$ 4,498,026</u>

See accompanying notes to financial statements.

CARITAS

Statement of Functional Expenses Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,467,104	\$ 128,305	\$ 159,309	\$ 1,754,718
Furniture Bank distributions	902,622	-	-	902,622
Occupancy	223,314	54	60	223,428
Transportation	233,465	474	-	233,939
Supplies	209,516	7,117	1,135	217,768
Utilities	191,404	1,085	1,221	193,710
Payroll taxes	113,196	22,897	11,459	147,552
Depreciation	111,057	6,343	2,927	120,327
Insurance	72,744	9,688	1,186	83,618
Employee benefits	56,385	34,399	8,280	99,064
Food	94,959	298	-	95,257
Professional fees	-	54,971	-	54,971
Repairs and maintenance	82,801	17,049	442	100,292
Telephone	22,170	4,628	755	27,553
Special events	215	401	42,636	43,252
Printing and publications	268	9,221	6,390	15,879
Conferences, conventions and meetings	13,021	5,987	1,210	20,218
Interest	27,277	-	-	27,277
Children's activities	360	-	-	360
Postage and shipping	151	5,026	5,115	10,292
Bank charges	1,757	14,881	-	16,638
Client assistance	95,240	131	-	95,371
Mileage	3,339	495	368	4,202
Miscellaneous	87	486	-	573
Marketing and advertising	6,462	192	371	7,025
Employment recruiting	1,906	184	30	2,120
	<u>\$ 3,930,820</u>	<u>\$ 324,312</u>	<u>\$ 242,894</u>	<u>\$ 4,498,026</u>

See accompanying notes to financial statements.

CARITAS

Notes to Financial Statements

1. Organization and Business:

CARITAS (the “Organization”) is a Virginia non-stock organization that helps its most vulnerable neighbors break the cycles of homelessness and addiction to reclaim their dignity. The Organization receives substantially all of its public support from various sources in the Richmond metropolitan community. The Organization is exempt from federal income taxes as a not-for-profit as defined in Section 501(c)(3) of the Internal Revenue Code.

The Organization has developed four distinct programs to promote its mission. It leverages proven programs and innovative partnerships to fill gaps in the community by creating sustainable 21st Century solutions to homelessness and addiction.

Shelter – This program includes separate family and adult services and is the largest and most inclusive emergency shelter in Central Virginia providing food, shelter, client assistance, and a pathway back to self-sufficiency. The Organization helps more than 1,000 individuals annually by leveraging the support of over 160 congregations and 15,000 volunteers and professional case managers.

Furniture Bank – The Organization accepts donations of new and gently used furniture, kitchenware, linens, and basic household items at Central Virginia’s only furniture bank, which serves more than 800 families annually. Equipped with basic household goods, these families can dedicate their resources to breaking the cycle of homelessness and poverty.

Works – The Organization runs an intensive 5-week job-readiness program for men with significant barriers to employment including homelessness, addiction, and felony convictions. Works’ students leave the program equipped to live independently and thrive in the community.

The Healing Place – The Organization operates a 224-bed shelter and long-term residential recovery program for homeless and addicted men. The facility includes an overnight shelter, sobering up center, recovery program, medical clinic, transitional program, and aftercare services.

Effective May 26, 2016, CARITAS Center, LLC, a Virginia limited liability company of which the Organization is the sole member, was formed. CARITAS Center, LLC was formed to acquire real property in support of the Organization’s strategic goals. As of June 30, 2016, there were no net assets or operations of CARITAS Center, LLC to be reported in the accompanying financial statements.

CARITAS

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give: Unconditional promises to give are recorded as received. An allowance is provided for amounts estimated to be uncollectible. Management does not believe an allowance is necessary at June 30, 2016 and 2015.

Unconditional promises to give, that are due in the next year, are recorded at their net realizable value. When required, unconditional promises to give, that are due in subsequent years, are reported at the estimated present value using the Organization's investment rate of return applicable to the years in which the promises are to be received, in accordance with FASB ASC 958.

Inventory: Inventory of donated goods to the CARITAS Furniture Bank is stated at the estimated fair market value as determined by the lower of cost or market. Goods are accounted for on the first-in, first-out ("FIFO") method.

Investments: The Organization invests in a professionally managed portfolio that contains bonds of publicly traded companies, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying financial statements.

Investments are reflected at fair market value as described in Note 6. Unrealized gains and losses are reported in the accompanying Statements of Activities.

CARITAS

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are stated at cost or estimated fair market value if donated. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Building	7-39 years
Leasehold improvements	2-7 years
Equipment	5-10 years
Vehicles	3-5 years

In-Kind Contributions: In-kind contributions represent the estimated fair market value of goods and services contributed to the Organization for which a clearly measurable and objective basis of valuation exists. A substantial number of volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. During the years ended June 30, 2016 and 2015, the Organization received \$812,876 and \$954,791, respectively, of donated furniture for distribution through its Furniture Bank program.

Net Assets: The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets - Funds that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Funds subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statements of Activities as net assets released from restrictions. The Organization had \$505,632 and \$301,470 in temporarily restricted net assets as June 30, 2016 and 2015, respectively.

Permanently restricted net assets - Funds subject to donor-imposed stipulations that will be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use part of the income earned on any related investments for general or specific purposes. The Organization had \$68,598 of permanently restricted net assets at June 30, 2016 and 2015.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

CARITAS

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: The Internal Revenue Service (the "IRS") has determined that the Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "IRC" or "the Code"). Contributions to the Organization are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Code.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk: At June 30, 2016 and 2015, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Organization maintains cash balances at several financial institutions located in Richmond, Virginia. At times during the years ended June 30, 2016 and 2015, the Organization had deposits in excess of the federally insured limits.

Pledges receivable are from individuals, corporations, and foundations. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors. As of June 30, 2016, four donors accounted for 90% of unconditional promises to give.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through November 9, 2016, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

CARITAS

Notes to Financial Statements, Continued

3. Unconditional Promises to Give:

Unconditional promises to give were as follows at June 30, 2016 and 2015:

	2016	2015
Due in less than one year	\$ 452,972	\$ 314,220
Due in more than one year	-	100,000
	\$ 452,972	\$ 414,220

A discount to present value for promises to give due in more than one year was not considered necessary at June 30, 2015.

4. Investments in Marketable Securities:

Investments in marketable securities as of June 30, 2016 and 2015 are summarized as follows:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Equities	\$ 189,805	\$ 279,393	\$ 191,559	\$ 275,913
Fixed income	125,072	125,816	84,947	99,730
Cash equivalents	138,888	138,888	19,130	19,130
	\$ 453,765	\$ 544,097	\$ 295,636	\$ 394,773

5. Beneficial Interest in Assets Held at The Community Foundation:

On September 18, 2007, CARITAS entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* ("TCF") to create an agency endowment fund (the "Fund") as described under FASB ASC 958-20, "*Financially Interrelated Non-profit Entities*". The Board of Directors designated \$500,000 to be transferred to establish the endowment and recorded it as a "Beneficial interest in assets held at The Community Foundation".

Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

CARITAS

Notes to Financial Statements, Continued

5. Beneficial Interest in Assets Held at The Community Foundation, Continued:

Endowment spendable income shall be determined each year to be not more than 4% of the Fund's balance at the prior calendar year-end. In addition to the aforementioned spendable income, upon a vote of 75% of all members of the CARITAS Board of Directors, and not more than once in any five-year period, up to 10% of the prior calendar year-ending fund balance may be requested for capital or emergency purposes. Any spendable income not requested by the CARITAS Board of Directors within a given calendar year will be added to the Fund's principal balance. During the year ended June 30, 2015, CARITAS received a permanently restricted contribution of \$68,598 to be invested in the endowment. No contributions were made in 2016.

Activity in the Fund was as follows for the years ended June 30:

	2016	2015
Balance, beginning of year	\$ 667,206	\$ 595,108
Contributions	-	68,598
Unrestricted support to TCF	(6,307)	(5,860)
Spendable income released	(22,719)	(21,372)
Net investment (loss) income	(29,248)	30,732
Balance, end of year	<u>\$ 608,932</u>	<u>\$ 667,206</u>

6. Fair Value Measurements:

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs.
- Level 3 – Valuations unobservable in the marketplace at the measurement date.

CARITAS

Notes to Financial Statements, Continued

6. Fair Value Measurements, Continued:

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30:

	2016			
	Level 1	Level 2	Level 3	Total
Investments in marketable securities	\$ 544,097	\$ -	\$ -	\$ 544,097
Beneficial interest in assets held at TCF	-	-	608,932	608,932
	\$ 544,097	\$ -	\$ 608,932	\$ 1,153,029

	2015			
	Level 1	Level 2	Level 3	Total
Investments in marketable securities	\$ 394,773	\$ -	\$ -	\$ 394,773
Beneficial interest in assets held at TCF	-	-	667,206	667,206
	\$ 394,773	\$ -	\$ 667,206	\$ 1,061,979

The fair value of beneficial interest in assets held at TCF is based on the fair value of the underlying assets based on available information. A reconciliation of the beginning and ending balances of the beneficial interest in assets held at TCF measured at fair value on a recurring basis using Level 3 inputs can be found in Note 5.

7. Long-Term Debt:

At June 30, 2015, the Organization held a deed of trust note payable set to mature on February 23, 2023, with monthly payments of \$8,312, including principal and interest at 4.75%. The note was refinanced on May 31, 2016 and is set to mature on May 11, 2019. Monthly payments of \$9,285 include principal and interest at 3.40%. The note is collateralized by the Organization's land and building.

The following is a summary of scheduled maturities:

Year Ending June 30,	
2017	\$ 102,571
2018	106,113
2019	98,168
	\$ 306,852

CARITAS

Notes to Financial Statements, Continued

8. Line of Credit:

The Organization has a variable rate revolving line of credit from Union Bank in the amount of \$200,000. This line of credit is secured by an original deed of trust on the Organization's land and building. Payments of interest are due monthly with principal and all accrued unpaid interest due upon demand. The interest rate is the bank's prime rate plus 1%, rounded up to the nearest 0.125%, with an interest rate floor of 5.50%, (5.50% at June 30, 2016). The current agreement expires on February 1, 2017 with an option to auto-renew. There were no borrowings on the line of credit during the years ended June 30, 2016 and 2015.

9. Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
General purposes - future years	\$ 105,439	\$ -
The Healing Place - operating support	100,000	200,000
Works expansion	-	47,368
Vehicle acquisition	-	30,000
The Healing Place - women's program	300,193	23,943
Client housing	-	159
	<u>\$ 505,632</u>	<u>\$ 301,470</u>

10. Commitments:

The Organization had operating leases for office equipment with total lease expense of \$13,961 and \$14,471 for the year ended June 30, 2016 and 2015, respectively.

The Organization leases residential properties month-to-month for use in support of its programs at monthly rental rates ranging from \$610 to \$1,083. Total lease expense for the properties totaled \$122,616 and \$123,250 for the years ended June 30, 2016 and 2015, respectively.

The Organization leases warehouse space requiring a monthly rental of \$5,800 through January 2018. Lease expense for the warehouse totaled \$69,600 and \$75,400 for the years ended June 30, 2016 and 2015, respectively. The Organization subleases space in the storage warehouse to another organization through January 31, 2017 at a monthly rate of \$1,961 plus \$900 in reimbursements for utilities and janitorial work. Total rental income related to this lease and other one-time rental activities totaled \$31,742 and \$26,132 for 2016 and 2015, respectively.

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Notes to Financial Statements, Continued

10. Commitments, Continued:

Total minimum future payments at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Office Equipment</u>	<u>Warehouse and Residential</u>	<u>Total</u>
2017	\$ 10,114	\$ 69,600	\$ 79,714
2018	7,266	40,600	47,866
2019	7,266	-	7,266
2020	5,176	-	5,176
	<u>\$ 29,822</u>	<u>\$ 110,200</u>	<u>\$ 140,022</u>

11. Retirement Plan:

The Organization sponsors a 403b plan for all full-time salaried employees whereby employees' contributions are matched 50%, up to a maximum of 2.5%, of their salary reduction contributions. The Organization's total contributions were \$12,630 for 2016 and \$10,470 for 2015.

12. New Accounting Guidance:

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.