Catholic Charities USA and Affiliates

Consolidated Financial Statements
June 30, 2016 and 2015

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June 30, 2016 and 2015

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Contents

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Independent Auditor's Report

Board of Trustees
Catholic Charities USA and Affiliates
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Catholic Charities USA and Affiliates (CCUSA)**, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 the entity's 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 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 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 USA and Affiliates** as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2015 consolidated financial statements of CCUSA were audited by other auditors, whose report dated October 26, 2015, expressed an unmodified opinion on those consolidated statements.

BDO USA, LLP

McLean, Virginia
December 8, 2016

Consolidated Financial Statements

Catholic Charities USA and Affiliates

Consolidated Statements of Financial Position

June 30,		**2016**		2015
Assets				
Cash and cash equivalents	**$**	**3,351,073**	$	7,891,225
Receivables:				
U.S. government		**751,110**		625,203
Rent abatement receivable		**262,219**		88,795
Other		**191,490**		207,249
Total receivables		**1,204,819**		921,247
Bequests and trusts receivable, net		**1,060,432**		-
Pledges receivable, net		**1,027,861**		1,293,530
Prepaid expenses and other assets, net		**519,271**		619,816
Deferred lease incentives and lease origination costs, net		**1,714,143**		2,373,975
Investments		**20,100,846**		27,719,377
Property and equipment, net		**27,540,888**		28,292,410
Total assets	**$**	**56,519,333**	$	69,111,580
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**1,100,769**	$	1,803,653
Grants payable		**1,465,508**		1,423,105
Deferred revenue		**71,545**		174,105
Split interest agreements		**69,260**		108,487
Capital lease obligations		**58,588**		98,443
Security deposits		**78,035**		73,660
Accrued loss on lease obligations		**615,381**		1,022,362
Notes payable		**5,506,192**		5,722,566
Value of interest rate swap agreement		**311,451**		57,503
Total liabilities		**9,276,729**		10,483,884
Commitments and contingencies				
Net assets				
Unrestricted				
Board-designated		**6,192,917**		9,060,405
Net investment in property and equipment		**23,690,251**		22,569,844
Undesignated		**9,256,211**		11,815,180
Total unrestricted		**39,139,379**		43,445,429
Temporarily restricted		**7,603,225**		15,067,267
Permanently restricted		**500,000**		115,000
Total net assets		**47,242,604**		58,627,696
Total liabilities and net assets	**$**	**56,519,333**	$	69,111,580

See accompanying notes to consolidated financial statements.

Catholic Charities USA and Affiliates

Consolidated Statement of Activities

Year ended June 30, 2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue				
Membership dues	$ 1,527,853	$ -	$ -	$ 1,527,853
Federal grants	2,005,600	-	-	2,005,600
Contributions:				
Disaster response	-	439,498	-	439,498
Other	9,921,353	2,464,569	500,000	12,885,922
Total contributions	9,921,353	2,904,067	500,000	13,325,420
Investment income:				
Disaster response	129,312	784	-	130,096
Other	133,119	-	-	133,119
Total investment income	262,431	784	-	263,215
Registration and workshop fees	404,868	-	-	404,868
2050 Ballenger, LLC	764,792	-	-	764,792
Other revenue	54,934	-	-	54,934
Net assets released from restriction:				
Satisfaction of donor restriction	10,368,893	(10,368,893)	-	-
Change in donor intent	115,000	-	(115,000)	-
Total revenue	25,425,724	(7,464,042)	385,000	18,346,682
Expenses				
Program services:				
Distributions to Catholic Charities Member agencies:				
Disaster response	7,599,494	-	-	7,599,494
Programs and services	4,177,894	-	-	4,177,894
Member agencies' support and services	309,265	-	-	309,265
Total distributions	12,086,653	-	-	12,086,653
Other program services:				
Disaster response	1,234,988	-	-	1,234,988
Programs and services	3,981,284	-	-	3,981,284
Social policy	2,213,455	-	-	2,213,455
Member agencies' support and services	901,823	-	-	901,823
Total other program services	8,331,550	-	-	8,331,550
Total program services	20,418,203	-	-	20,418,203
Supporting services:				
Management and general	4,704,447	-	-	4,704,447
Fundraising	2,664,748	-	-	2,664,748
Total supporting services	7,369,195	-	-	7,369,195
2050 Ballenger, net of CCUSA rent	1,707,526	-	-	1,707,526
Total expenses	29,494,924	-	-	29,494,924
Other changes				
Fair value loss on interest rate swap agreement	(253,948)	-	-	(253,948)
Amortization of loss on lease obligation, net	17,098	-	-	17,098
Total other changes	(236,850)	-	-	(236,850)
Change in net assets	(4,306,050)	(7,464,042)	385,000	(11,385,092)
Net assets, beginning of year	43,445,429	15,067,267	115,000	58,627,696
Net assets, end of year	$ 39,139,379	$ 7,603,225	$ 500,000	$ 47,242,604

See accompanying notes to consolidated financial statements.

Catholic Charities USA and Affiliates

Consolidated Statement of Activities

Year ended June 30, 2015	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue				
Membership dues, less discounts of $153,471	$ 1,423,145	$ -	$ -	$ 1,423,145
Federal grants	2,047,721	-	-	2,047,721
Federal contracts	201,039	-	-	201,039
Contributions:				
Disaster response	75,000	8,879,780	-	8,954,780
Other	13,113,693	2,222,316	-	15,336,009
Total contributions	13,188,693	11,102,096	-	24,290,789
Investment income:				
Disaster response	59,965	-	-	59,965
Other	58,087	-	-	58,087
Total investment income	118,052	-	-	118,052
Registration and workshop fees	468,856	-	-	468,856
2050 Ballenger, LLC	898,214	-	-	898,214
Other revenue	264,928	-	-	264,928
Net assets released from restriction:				
Satisfaction of donor restriction	8,791,699	(8,791,699)	-	-
Total revenue	27,402,347	2,310,397	-	29,712,744
Expenses				
Program services:				
Distribution to Catholic Charities				
Member agencies and other non-profits:				
Disaster response	6,524,201	-	-	6,524,201
Programs and services	3,161,885	-	-	3,161,885
Social policy	20,700	-	-	20,700
Member agencies' support and services	304,323	-	-	304,323
Total distributions	10,011,109	-	-	10,011,109
Other program services:				
Disaster response	1,461,744	-	-	1,461,744
Programs and services	3,975,729	-	-	3,975,729
Social policy	1,854,272	-	-	1,854,272
Member agencies' support and services	1,011,844	-	-	1,011,844
Total other program services	8,303,589	-	-	8,303,589
Total program services	18,314,698	-	-	18,314,698
Supporting services:				
Management and general	4,233,034	-	-	4,233,034
Fundraising	2,804,178	-	-	2,804,178
Total supporting services	7,037,212	-	-	7,037,212
2050 Ballenger, net of CCUSA rent	1,281,525	-	-	1,281,525
Total expenses	26,633,435	-	-	26,633,435
Other changes				
Fair value gain on interest rate swap agreement	45,805	-	-	45,805
Loss on tenant lease termination, net	(703,638)	-	-	(703,638)
Amortization of loss of lease obligation, net	(103,199)	-	-	(103,199)
Total other changes	(761,032)	-	-	(761,032)
Change in net assets	7,880	2,310,397	-	2,318,277
Net assets, beginning of year	43,437,549	12,756,870	115,000	56,309,419
Net assets, end of year	$ 43,445,429	$ 15,067,267	$ 115,000	$ 58,627,696

See accompanying notes to consolidated financial statements.

Catholic Charities USA and Affiliates

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2016

	Program Services					Supporting Services				
	Disaster Response	Programs and Services	Social Policy	Member Agencies' Support and Services	Total	Management and General	Fundraising	Total	2050 Ballenger, LLC	Total Expenses
Distributions to Catholic Charities member agencies	$ 7,599,494	$ 4,177,894	$ -	$ 309,265	$ 12,086,653	$ -	$ -	$ -	$ -	$ 12,086,653
Other program and supporting services										
Salaries and employee benefits	930,011	1,465,986	1,354,486	386,137	4,136,620	3,066,124	1,091,449	4,157,573	45,167	8,339,360
Professional fees	-	450,825	433,533	17,340	901,698	453,010	54,160	507,170	10,120	1,418,988
Depreciation and amortization	28,827	94,980	28,164	-	151,971	120,188	28,436	148,624	1,045,546	1,346,141
Advertising and promotions	4,159	36,117	563	4,159	44,998	175	873,577	873,752	-	918,750
Convening	9,486	256,875	27,195	409,242	702,798	87,457	-	87,457	-	790,255
Outside services	14,696	101,187	1,315	28,291	145,489	233,290	192,668	425,958	368,245	939,692
Office expenses	30,567	115,970	17,588	19,654	183,779	411,595	139,633	551,228	38,631	773,638
Occupancy and Ballenger Occupancy allocation	88,885	292,966	86,831	-	468,682	370,615	87,571	458,186	(337,794)	589,074
Travel	45,868	212,293	45,511	27,103	330,775	152,363	8,207	160,570	-	491,345
Collaboration and public realtions	9,300	395,463	30,220	-	434,983	38,801	1,085	39,886	-	474,869
Other expenses	376	50,584	21,590	8,042	80,592	11,306	504	11,810	371,386	463,788
Internal and external tools	59	182,777	72,594	1,405	256,835	667	40	707	-	257,542
Personnel expenses	1,257	10,156	4,531	450	16,394	103,900	98,079	201,979	-	218,373
Investment expenses	41,272	32,246	-	-	73,518	138,648	-	138,648	-	212,166
Interest expense	-	-	-	-	-	8,065	-	8,065	166,225	174,290
Overhead expenses allocation	30,225	282,859	89,334	-	402,418	(491,757)	89,339	(402,418)	-	-
Total other program and supporting service expenses	1,234,988	3,981,284	2,213,455	901,823	8,331,550	4,704,447	2,664,748	7,369,195	1,707,526	17,408,271
Total functional expenses	$ 8,834,482	$ 8,159,178	$ 2,213,455	$ 1,211,088	$ 20,418,203	$ 4,704,447	$ 2,664,748	$ 7,369,195	$ 1,707,526	$ 29,494,924

See accompanying notes to consolidated financial statements.

Catholic Charities USA and Affiliates

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2015

	Program Services					Supporting Services				
	Disaster Response	Programs and Services	Social Policy	Member Agencies' Support and Services	Total	Management and General	Fundraising	Total	2050 Ballenger, LLC	Total Expenses
Distributions to Catholic Charities member agencies	$ 6,512,372	$ 3,161,885	$ 20,700	$ 304,323	$ 9,999,280	$ -	$ -	$ -	$ -	$ 9,999,280
Distributions to other non-profits	11,829	-	-	-	11,829	-	-	-	-	11,829
Total distributions	6,524,201	3,161,885	20,700	304,323	10,011,109	-	-	-	-	10,011,109
Other program and supporting services										
Salaries and employee benefits	930,752	2,002,214	827,718	354,782	4,115,466	2,604,395	929,948	3,534,343	30,387	7,680,196
Professional fees	118,377	514,805	612,410	4,305	1,249,897	131,796	206,164	337,960	15,156	1,603,013
Depreciation and amortization	36,812	83,012	29,798	493	150,115	114,837	37,674	152,511	1,001,646	1,304,272
Advertising and promotions	-	19,072	-	-	19,072	-	1,090,039	1,090,039	-	1,109,111
Convening	31,210	247,831	25,608	539,464	844,113	89,056	12,055	101,111	-	945,224
Outside services	8,887	108,261	1,020	8,667	126,835	443,061	107,540	550,601	176,099	853,535
Office expenses	25,458	150,911	18,950	17,393	212,712	336,827	127,786	464,613	8,798	686,123
Occupancy and Ballenger:										
Occupancy allocation	109,143	251,157	87,675	1,305	449,280	344,707	108,050	452,757	(323,678)	578,359
Travel	75,451	137,853	69,496	8,175	290,975	68,618	49,314	117,932	-	408,907
Other expenses	87	8,922	24,000	43,164	76,173	30,104	48,283	78,387	224,631	379,191
Personnel expenses	1,442	16,457	7,076	1,034	26,009	226,010	13,848	239,858	-	265,867
Collaboration and public relations	10,000	113,601	33,379	14,000	170,980	68,735	14,493	83,228	-	254,208
Internal and external tools	307	151,053	67,377	18,076	236,813	300	40	340	-	237,153
Investment expenses	48,260	32,908	-	-	81,168	78,784	-	78,784	-	159,952
Interest expense	-	3,858	-	-	3,858	4,871	-	4,871	148,486	157,215
Overhead expenses	65,558	133,814	49,765	986	250,123	(309,067)	58,944	(250,123)	-	-
Total other program and supporting service expenses	1,461,744	3,975,729	1,854,272	1,011,844	8,303,589	4,233,034	2,804,178	7,037,212	1,281,525	16,622,326
Total functional expenses	$ 7,985,945	$ 7,137,614	$ 1,874,972	$ 1,316,167	$ 18,314,698	$ 4,233,034	$ 2,804,178	$ 7,037,212	$ 1,281,525	$ 26,633,435

See accompanying notes to consolidated financial statements.

Catholic Charities USA and Affiliates

Consolidated Statements of Cash Flows

June 30,		**2016**		2015
Cash flows from operating activities:				
Change in net assets	**$**	**(11,385,092)**	$	2,318,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		**1,089,093**		1,081,641
Loss on disposal of fixed assets		**371,586**		224,631
Loss on tenant lease termination		**-**		703,638
Bad debt expense		**28,986**		115,204
Donated fixed assets		**-**		(16,000)
Donated stock		**(338,609)**		(398,535)
Accretion of present value discount on liabilities		**15,624**		132,457
Unrealized (gains) losses on investments		**(37,589)**		687,976
Realized losses (gains) on sales of investments		**470,623**		(128,433)
Amortization of deferred lease incentives and lease origination costs		**257,048**		222,631
Loss (gain) on interest rate swap agreement		**253,948**		(45,805)
Change in present value factor discount grants receivable		**(12,412)**		(36,146)
Changes in assets and liabilities:				
Receivables		**(283,572)**		(330,755)
Bequest and trusts receivable		**(1,060,432)**		1,270,455
Pledges receivable		**249,095**		1,190,445
Prepaid expenses and other assets		**88,200**		32,276
Deferred lease incentives and lease origination costs		**31,198**		(846,523)
Accounts payable and accrued expenses		**(702,884)**		759,642
Grants payable		**42,403**		676,674
Deferred revenue		**(102,560)**		(6,339)
Accrued loss on Canal Center lease obligation		**(421,189)**		(450,644)
Security deposits		**4,375**		(38,389)
Split interest agreements		**(40,643)**		(16,001)
Net cash (used in) provided by operating activities		**(11,482,803)**		7,102,377
Cash flows from investing activities:				
Purchases of property and equipment		**(325,226)**		(354,513)
Proceeds from sales of investments		**16,526,006**		16,703,000
Purchases on investments		**(9,001,900)**		(20,609,064)
Net cash provided by (used in) investing activities		**7,198,880**		(4,260,577)
Cash flows from financing activities:				
Payments on notes payable		**(216,374)**		(152,270)
Proceeds from notes payable		**-**		800,000
Payments for capital leases		**(39,855)**		(37,353)
Net cash (used in) provided by financing activities		**(256,229)**		610,377
Net (decrease) increase in cash and cash equivalents		**(4,540,152)**		3,452,177
Cash and cash equivalents at the beginning of the year		**7,891,225**		4,439,048
Cash and cash equivalents at the end of the year	**$**	**3,351,073**	$	7,891,225
Supplemental disclosures of cash flow information:				
Cash paid for interest	**$**	**173,688**	$	157,215

See accompanying notes to consolidated financial statements.

1. Organization

Catholic Charities USA (CCUSA) is a not-for-profit organization incorporated in 1950 to provide a forum for discussing the application of Catholic thought in the general field of social welfare and to stimulate action, research, and the publication of material in this field. Primary sources of funding include public contributions, membership dues and government grants.

2050 Ballenger, LLC (the "LLC") is a limited liability corporation as defined under the Internal Revenue Code and is operated exclusively for purposes of leasing office space at 2050 Ballenger Avenue in Alexandria, Virginia, to CCUSA, as its new headquarters, and leasing any excess space to other tenants. The LLC, which was incorporated in Virginia in March 2011, is wholly owned by CCUSA and is therefore consolidated as required under U.S. GAAP.

William R. Fry Fund Trust (WFF Trust) is a publicly supported organization as defined under the Internal Revenue Code and is operating exclusively for the charitable purpose of supporting CCUSA's member agencies in good standing by providing grants to be used solely in connection with their poverty reduction initiatives throughout the United States of America. The WFF Trust was established in August of 2013. A majority of the trustees of the WFF Trust are officers or members of the Board of Trustees of CCUSA; CCUSA retains control over and economic interest in the WFF Trust and is therefore consolidated as required under U.S. GAAP.

Program services are provided in the following principal areas:

Disaster Response

CCUSA provides leadership, coordination, and technical assistance to Catholic Charities and other diocesan organizations as part of its role as the lead Catholic agency in times of natural disaster. CCUSA support is provided to not only assist organizations and communities respond to disasters, but also to help them prepare and plan for disasters. Additionally, during the year ended June 30, 2015, CCUSA had a contract with the federal government to provide disaster case management services for individuals and families recovering from natural disasters.

Programs and Services

Local Catholic Charities agencies provide a wide range of human services to millions of people in need each year. CCUSA provides training, technical assistance and networking opportunities for its membership on a range of issues of critical importance including aging, housing, emergency services, parish social ministry, child care, healthcare and Catholic Identity. In addition, CCUSA provides opportunities for leadership development and consultations to ensure that members remain at the forefront of emerging needs and quality services.

CCUSA applies for federal grants to support specific programs on behalf of its membership. These funds are then transferred to member agencies interested in implementing these programs through a sub-granting process.

Social Policy

CCUSA provides a national voice for the needs and concerns of its membership and the people they serve. Working with its membership, CCUSA develops and advocates for just public policies that empower people and alleviate the conditions that perpetuate poverty. CCUSA also works with its membership around issues of racial equality and diversity.

Member Agencies' Support and Services

CCUSA supports its membership by providing a range of services that promote networking, ongoing education, and improve their ability to respond to the needs of the poor and vulnerable in their communities. These services include: an annual gathering, web-based training and information, a quarterly newsletter and other printed resources. CCUSA also provides grants to member agencies to support general operations of local Catholic Charities.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements of CCUSA, the LLC, and the WFF Trust, collectively the "Organization", are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred. The consolidated financial statements include the assets, liabilities, net assets and activities of CCUSA, the LLC, and the WFF Trust. All significant intra-entity transactions and balances have been eliminated in consolidation.

Use of Estimates

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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated 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

For purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased that are used to fund current obligations. Cash held in the investment portfolio is classified as investments.

Pledges Receivable and Bequests and Trusts Receivable

Pledges and bequests and trusts receivable are recorded at fair value at the date an unconditional promise to give is received. Amounts that are expected to be collected within one year are recorded at their net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using a discount rate that approximates the difference between the present and future value of the cash receipts. Pledges receivable that are past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account in written off against an allowance for bad debts.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. The majority of the receivables are from government grants and contracts. Accounts that are past due are individually analyzed for collectability. The allowance for bad debts on accounts receivable was $0 for 2016 and 2015.

Investments

Investments are recorded at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation or depreciation in fair value of investments includes CCUSA's gains and losses on investments bought and sold, as well as held during the year. Investment income or loss is included in the change in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

CCUSA invests in various securities, including U.S. Government securities, corporate debt securities, and equities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statement of activities.

Fair Value of Financial Instruments

CCUSA accounts for a portion of its financial instruments at fair value or considers fair value in their measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Property and Equipment

Acquisitions of property and equipment are recorded at cost and depreciated using the straight-line depreciation method. Depreciation is provided over the estimated useful lives of the assets, which range from 3 - 40 years. Building improvements are depreciated on a straight-line basis over the lesser of the remaining life of the building or estimated useful life of the improvement. Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease agreement. CCUSA capitalizes all property and equipment purchased with a cost of $5,000 or more.

Impairment of Long Lived Assets

CCUSA reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its fair value. The change is reflected in the statement of activities.

Grants Payable

Grants payable represents amounts approved for disaster response (see Note 8).

Net Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to CCUSA, its net assets and revenue have been classified into net asset groups based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

> *Unrestricted:* Represents both resources available to support general operations, amounts invested in property and equipment and tenant improvements, net of the notes payable, and amounts internally designated by CCUSA's Board of Trustees.
> *Temporarily Restricted:* Represents resources that result from contributions limited in use by donor-imposed stipulations. Such restrictions either expire by the passage of time or can be fulfilled and removed by actions of CCUSA pursuant to those stipulations.
>
> *Permanently Restricted*: Represent three contributions that established endowment funds. The Caritas, Tracy and Joseph Asaro endowment funds are to be held in perpetuity by CCUSA. Investment income earned is used to support program activities for Caritas Internationalis, scholarships and Programs and Services, respectively and is recorded as temporarily restricted activity.

Membership Dues Revenue

Membership dues are treated as an exchange transaction due to membership benefits offered. Revenue is recognized in the year to which the membership applies.

Grants and Contracts from U.S. Government

Grant and contract funds are reported as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received, but not yet earned, are reported as deferred revenue. Expenditures under government grants and contracts are subject to review by the granting or contracting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants and contracts, CCUSA will record such disallowance at the time the final assessment is made.

Bequests and Trusts

CCUSA is the beneficiary under various wills and trust agreements. Such amounts are recognized when a will is declared valid by a probate court or a trust becomes irrevocable under the provisions of the agreement and recorded when the proceeds are measurable. CCUSA records bequests and trusts receivable that are expected to be collected within one year at net realizable value and bequests and trusts receivable that are expected to be collected in one or more years at the present value of estimated future cash flows.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, indirect expenses have been allocated among the programs and supporting services benefited that includes an allocation of personnel and overhead expenses based on upon the estimated amount of time worked by employees and space utilized in each functional area.

Occupancy expenses incurred by CCUSA as a result of a lease agreement with Ballenger are reflected as program and supporting services as allocated per the above. Rental payments received by Ballenger from CCUSA offset the building and tenant costs reflected as Ballenger expense.

Income Taxes

CCUSA is exempt from the payment of federal income taxes on activities exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a) of the Code. As a church related entity, CCUSA does not file a 990 with the IRS. The LLC is treated as a disregarded entity of CCUSA for federal income tax purposes. The WFF Trust is exempt from the payment of federal income taxes on activities exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

Neither CCUSA nor the WFF Trust are aware of any activities that would jeopardize the tax-exempt status of either filing organization and is not aware of any activities that are subject to tax on unrelated business income, excise, or other taxes. As of June 30, 2016, there are no identified uncertain tax positions.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications did not change ending net asset balances.

Subsequent Events

In preparing these consolidated financial statements, CCUSA has evaluated events and transactions for potential recognition or disclosure through December 8, 2016, the date the consolidated financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments, which subject CCUSA to concentrations of credit risk, include cash and cash equivalents and investments. It is CCUSA's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk. In the normal course of business operations, CCUSA may have funds on deposit in various financial institutions in excess of Federal and other insurance limits.

For fiscal year ended June 30, 2016, CCUSA did not receive a significant percentage of funds from any single donor. For fiscal year ended June 30, 2015, CCUSA received 28% of its total revenue from a single donor.

4. Fair Value of Financial Instruments

A fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value is established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CCUSA has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Common and Preferred Stock, Money Market Funds and Mutual Funds – Fixed Income: 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.

Government Securities, Asset-Backed Securities, Corporate Bonds and Notes and Treasury Bills: Valued using quoted market prices for similar assets and liabilities in active markets.

Interest Rate Swap Agreement Liability: Valued based on the estimated present value of the difference between the fixed and variable interest cash flows. Present values are estimated utilizing discounted cash flows techniques at discount rates based on interest rate assumptions corroborated by quoted rates on similar agreements.

Split-Interest Agreements: The unobservable inputs used to determine the fair value of the Reginato Trust and charitable gift annuity split-interest liabilities were calculated based upon the Internal Revenue Service life expectancy tables and the adjusted federal midterm rate at the time the charitable annuity and the charitable remainder trust were established.

The following tables present CCUSA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Government securities	$ -	$ 1,670,539	$ -	$ 1,670,539
Asset-backed securities	-	1,772,118	-	1,772,118
Corporate bonds and notes	-	2,651,086	-	2,651,086
Treasury bills	-	71,950	-	71,950
Common stock	9,393,168	-	-	9,393,168
Mutual funds-fixed income	3,808,134	-	-	3,808,134
Preferred stock	34,021	-	-	34,021
Money market funds	251,758	-	-	251,758
Investments at fair value	$ 13,487,081	$ 6,165,693	$ -	$ 19,652,774
Cash held for investment				448,072
Total investments, at fair value				$ 20,100,846
Liabilities:				
Interest rate swap agreement	$ -	$ 311,451	$ -	$ 311,451
Split-interest agreements	-	-	69,260	69,260
Total liabilities	$ -	$ 311,451	$ 69,260	$ 380,711

	June 30, 2015			
Description	Level 1	Level 2	Level 3	Total
Investments:				
Government securities	$ -	$ 2,156,268	$ -	$ 2,156,268
Asset-backed securities	-	2,905,015	-	2,905,015
Corporate bonds and notes	-	4,116,831	-	4,116,831
Common stock	11,636,187	-	-	11,636,187
Mutual funds-fixed income	5,774,141	-	-	5,774,141
Money market funds	495,860	-	-	495,860
Investments at fair value	$ 17,906,188	$ 9,178,114	$ -	$ 27,084,302
Cash held for investment				635,075
Total investments, at fair value				$ 27,719,377

Liabilities:				
Interest rate swap agreement	$ -	$ 57,503	$ -	$ 57,503
Split-interest agreements	-	-	108,487	108,487
Total liabilities	$ -	$ 57,503	$ 108,487	$ 165,990

The following table provides a summary of changes in fair value of CCUSA's Level 3 financial instruments for the years ended June 30, 2016 and 2015:

	Split-interest agreements
Balance as of June 30, 2014	$ 95,230
Accretion of present value discount	2,040
Charitable gifts earned	16,769
Distributions	(5,552)
Balance as of June 30, 2015	108,487
Accretion of present value discount	1,416
Charitable gifts earned	(33,481)
Distributions	(7,162)
Balance as of June 30, 2016	$ 69,260

Investment income consists of the following for the years ended June 30:

	2016	2015
Interest and dividends	**$ 696,249**	$ 677,595
Unrealized gains (losses) on investments, net	**37,589**	(687,976)
Realized (losses) gains on sale of investments, net	**(470,623)**	128,433
Total investment income	**$ 263,215**	$ 118,052

5. Leases

66 Canal Center

In October 2007, CCUSA executed a non-cancelable operating lease for its former headquarters (20,866 square feet) in Alexandria, Virginia, for ten years, six months effective through March 31, 2018. In April 2012, CCUSA moved its headquarters to the office building purchased by CCUSA in April 2011 (see Note 7). Additionally, in lieu of a security deposit, CCUSA executed a letter of credit tied to this lease in the amount of $250,932. With each passing year, the minimum balance requirement reduces until the sixth anniversary in fiscal year 2014, in which the minimum requirement is set at $62,598 for the duration of the lease.

In August 2012, CCUSA executed a letter of intent to sublease the entire office space at 66 Canal Center and in December 2012, a sublease agreement was signed between Catholic Charities USA and American Bankruptcy Institute for subleasing the office space at Canal Center Plaza, 6th floor. The sublease agreement came into effect on September 1, 2013, and terminates on March 31, 2018. As the cumulative sublease rent payments are less than CCUSA's cumulative lease payments, CCUSA recorded an accrued loss on lease obligations, discounted using a rate of 4.75%, which approximates its incremental borrowing rate at the date of recognition. Net leasehold improvements for Canal Center of $902,615 and related liabilities of $1,028,335 were written off and netted into the accrued loss on lease obligations, which is being amortized over the life of the sublease. At June 30, 2016 and 2015, the balance of the accrued loss on lease obligations was $615,381 and $1,022,362, respectively.

Future minimum lease payments and sublease related costs, net of expected sublease receipts, are as follows:

Year ended June 30,	Former headquarters lease payments	Headquarters lease receipts	Net
2017	$ 976,948	$ (606,657)	$ 370,291
2018	750,670	(466,334)	284,336
Total rental payments, receipts, and related costs	1,727,618	(1,072,991)	654,627
Less: present value discount on lease payments and sublease receipts	(108,089)	68,843	(39,246)
Accrued loss on obligations	$ 1,619,529	$ (1,004,148)	$ 615,381

2050 Ballenger, LLC

The LLC entered into three 10 year tenant lease agreements with commencement dates of March 1, 2014, March 1, 2015, and April 29, 2016, respectively, to rent excess first floor space at CCUSA's headquarters.

The LLC entered into a 10 year tenant lease agreement with a commencement date of September 14, 2013, to rent excess second floor space at CCUSA's headquarters. In December 2014, as a result of non-payment, the LLC evicted the tenant associated with this lease. As part of this eviction, the LLC took over the tenant's subleases and recorded a loss on the lease termination of $703,608 in the consolidated statement of activities.

Future minimum annual rental commitments under these non-cancelable tenant operating leases at June 30, 2016 are as follows:

Years Ending December 31,		
2017	$	331,482
2018		360,826
2019		380,918
2020		401,103
2021		422,081
Thereafter		1,754,429
	$	3,650,839

Deferred lease incentives and origination costs

CCUSA and the LLC incurred certain lease origination costs in legal fees, broker fees and incentive payments for tenant allowances which were recorded as deferred lease incentives and lease origination costs totaling $1,714,413 and $2,373,975 as of June 30, 2016 and 2015, respectively. These amounts are being amortized over the related lease terms and are presented in the statement of financial position net of the accumulated amortization of $637,944 and $410,584 as of June 30, 2016 and 2015, respectively.

6. Pledges and Bequests and Trusts Receivable

Pledges and bequests and trusts receivable at June 30, are as follows:

		2016		2015
Amount due within one year	**$**	**1,850,383**	$	1,160,998
Amount due between one and five years		**188,039**		180,000
Amount due in more than five years		**77,243**		-
Total pledges and bequests and trusts receivable		**2,115,665**		1,340,998
Less: discount on amount due between one and more than five years		**(27,372)**		(12,412)
Present value pledges and bequests and trusts receivable		**2,088,293**		1,328,586
Less: allowance for doubtful pledges		**-**		(35,056)
Net pledges and bequests and trusts receivable	**$**	**2,088,293**	$	1,293,530

The discount rate was 3.4% in 2016 and 2015.

7. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2016	2015
Equipment and software	$ 1,400,839	$ 1,094,900
Furniture and fixtures	864,331	1,467,993
Land	2,560,000	2,560,000
Building and building improvement	27,060,839	27,060,839
Property and equipment	31,886,009	32,183,732
Less: accumulated depreciation and amortization	(4,345,121)	(3,891,322)
Net property and equipment	$ 27,540,888	$ 28,292,410

In April 2011, the LLC purchased a new, never occupied, 72,670 square foot office building in Alexandria, Virginia, for $24,696,000. The Board of Trustees approved the use of the William R. Fry cash bequest to acquire the office building with the intent that future cash flows will be used to support member agencies. Certain costs of improvements to the portion of the office building occupied by CCUSA were financed by a $5,210,000 note payable (see Note 14). CCUSA moved to the new office space in April 2012, occupying a portion of the building with the unused space available for lease (see Note 5, 2050 Ballenger LLC).

8. Disaster Response and Grants Payable

Grants are based on applications submitted to and reviewed by the Disaster Response Advisory Committee and approval of the President of CCUSA. Grants are made for needs related to a variety of disasters, including hurricanes, floods, terrorist attacks, and other events. All grants payable as of June 30, 2016 and 2015, are expected to be paid within one year and were $1,465,508 and $1,423,105 for 2016 and 2015, respectively. Future grant payments not yet accrued are subject to grantee need and committee approval and approximated $5,660,000 and $12,950,000 as of June 30, 2016 and 2015, respectively.

9. Split Interest Agreement Liabilities

CCUSA has received contributions pursuant to several charitable gift annuity contracts. The actuarially determined liabilities resulting from the required annuity payments to the donors were recorded at the date of the gift and are adjusted annually based on current actuarial information. The excess of the annuity gifts over the annuity liabilities is recognized as unrestricted support. The charitable gift annuity liabilities were $5,441 and $22,778 at June 30, 2016 and 2015, respectively.

CCUSA also received a contribution pursuant to a charitable remainder unitrust. Under this charitable remainder unitrust, the related assets will remain in trust until both donors have passed, at which time the remaining trust balance will convey to CCUSA. In consideration for the gift, the donors will receive an annuity from the trust based on the lesser of a stated interest rate or the actual earnings of the trust. The actuarially determined liability resulting from the required annuity payments to the donors was recorded at the date of the gift and is adjusted annually based on current actuarial information. The excess of the assets over the annuity liability is recognized as temporarily restricted support. The charitable remainder unitrust liability was $63,819 and $85,709 at June 30, 2016 and 2015, respectively.

10. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended June 30, 2016 and 2015, are detailed as follows:

	Balance July 1, 2015	Funds received	Funds released from restriction	Balance June 30, 2016
Disaster Response	$ 14,135,349	$ 440,282	$ (7,745,650)	$ 6,829,981
Wal-Mart, Food Assistance	270,090	2,060,000	(2,189,711)	140,379
War on Poverty	245,997	4,003	(23,718)	226,282
Partners in Excellence	225,000	-	(25,000)	200,000
Reginato Trust	74,796	12,157	-	86,953
Children of Children	43,669	-	(43,669)	-
Share Our Strength	39,226	-	(25,725)	13,501
Notre Dame Social Policy Partnership	16,591	8,409	(25,000)	-
Domestic Trafficking	10,687	-	(4)	10,683
Annie Casey - Asset Development and LEO	5,862	150,000	(94,882)	60,980
Education and Development	-	230,000	(195,534)	34,466
Total	$ 15,067,267	$ 2,904,851	$ (10,368,893)	$ 7,603,225

	Balance July 1, 2014	Funds received	Funds released from restriction	Balance June 30, 2015
Disaster Response	$ 12,131,594	$ 8,929,208	$ (6,925,453)	$ 14,135,349
ARC – Hurricane Sandy Long-Term Recovery	350,338	-	(350,338)	-
Reginato Trust	74,796	-	-	74,796
Share Our Strength	52,800	19,300	(32,874)	39,226
Children of Children	43,669	-	-	43,669
Wal-Mart, Food Assistance	43,695	1,500,000	(1,273,605)	270,090
Domestic Trafficking	36,043	-	(25,356)	10,687
Lab for Economic Opportunity (LEO)	10,950	40,117	(51,067)	-
Environmental Health	10,500	-	(10,500)	-
Annie Casey - Asset Development and LEO	2,485	109,883	(106,506)	5,862
Notre Dame Social Policy Partnership	-	16,591	-	16,591
War On Poverty	-	245,997	-	245,997
Partners in Excellence	-	225,000	-	225,000
Vehicle	-	16,000	(16,000)	-
Total	$ 12,756,870	$ 11,102,096	$ (8,791,699)	$ 15,067,267

11. Unrestricted Net Assets

Unrestricted Net Assets

Unrestricted net assets are available to finance the general operations of CCUSA. The only limits on the use of unrestricted net assets are the purposes specified in the CCUSA's articles of incorporation and those limitations resulting from the nature of CCUSA and the environment in which it operates.

Board-Designated Net Assets

CCUSA board-designated net assets are based on voluntary resolutions by the Board of Trustees to designate a portion of net assets for specific purposes and do not result in restricted net assets. Since designations are voluntary and may be reversed by the Board of Trustees at any time, designated net assets are classified as unrestricted net assets.

The Board of Trustees approved a policy to maintain an operating reserve fund to address CCUSA's financial needs when economic downturns or other unexpected circumstances impact CCUSA. The designated purpose of the operating reserve fund is to address cash flow needs of CCUSA; therefore, the Board believes such funds are not subject to the Uniform Prudent Management of Institutional Funds Acts (UPMIFA). The appropriations from the fund are authorized by the Board of Trustees' resolutions.

The target amount to be attained and maintained for the Operating Reserve Fund in a fiscal year shall be equal to, in the discretion of the Board of Trustees upon the recommendation of the Finance Committee, either 50% of current year annual operating expenses, or six highest months of operating expenses on average, measured by reference to the approved budget for that fiscal year excluding distributions to member agencies, capital expenditures, any major one-time outlay, and depreciation expenses.

Board-designated disaster response funds are unrestricted net assets maintained for purposes of operating the Disaster Response office at CCUSA and awarding emergency disaster grants made by CCUSA to Catholic Charities around the country. Board-designated disaster response funds used to operate the Disaster Response office at CCUSA totaled $925,721 and $154,392 for the years ended June 30, 2016 and 2015, respectively. Board-designated disaster response funds used to award emergency disaster grants totaled $137,866 and $181,529 for the years ended June 30, 2016 and 2015, respectively.

At June 30, CCUSA's unrestricted net assets were as follows:

	2016	2015
Board-designated:		
Disaster response	$ 1,092,917	$ 1,976,936
Operating reserve fund	5,100,000	7,083,469
Total board-designated	6,192,917	9,060,405
Net investment in property and equipment	23,690,251	22,569,844
Unrestricted and not-board designated	9,256,211	11,815,180
Total unrestricted net assets	$ 39,139,379	$ 43,445,429

12. Pension Plan

CCUSA sponsors a defined contribution 401(k) profit sharing plan covering all employees who have reached the age of twenty-one and have completed one year of continuous employment. Under the terms of the plan, CCUSA contributes 10% of the employee’s compensation (3% safe harbor and 7% profit share) within statutory limits to the plan. Pension expense was $552,154 and $505,796 for the years ended June 30, 2016 and 2015.

Effective October 8, 2014, the plan was modified to change the eligibility from completion of one year of continuous employment to 30 days of service with the employer.

13. Commitments and Contingencies

Federal Grants

Under the terms of the CCUSA’s reimbursable government grants, CCUSA is entitled to the reimbursement of direct and indirect costs incurred. These expenses are subject to audit by the cognizant government agency. There are no such audits currently in process.

Post-Employment Commitments

CCUSA has signed employment agreements with certain management-level employees. Should CCUSA terminate these agreements on June 30, 2016, for other than good cause, it will be committed to pay the remainder of the contracts. In addition, in the event of a reorganization or elimination of a position, it is the policy of CCUSA to pay severance based on length of service ranging from 1.5 to 26 weeks of base pay. As of June 30, 2016, the maximum potential severance obligation approximates $1,400,000.

Hotel Commitments

CCUSA has entered into contracts with hotels for meeting space, hotel rooms and catering services for its annual gathering and a variety of other smaller events through September 2018. Event costs are recorded as expenses in the year which the meeting occurs. If these meetings are cancelled before the event occurs, CCUSA may be liable for certain amounts, depending on when cancellation occurs. At June 30, 2016, the maximum possible amount of liquidated damages is $745,000 should these events be canceled.

14. Notes Payable and Related Intangibles

Term Loan

On December 23, 2014, the LLC entered into an agreement with Capital One, for a loan of $800,000 with an interest rate of 3.4% and total monthly payments of $14,518. The purpose of this loan was for the build out of the LLC's retail tenant. The loan matures December 23, 2019. CCUSA has met all covenants associated with the loan as of June 30, 2016.

Bond Purchase and Loan Agreement

In July 2011, CCUSA entered into a bond purchase and loan agreement with the Industrial Development Authority of the City of Alexandria (the Authority) and Capital One Public Funding, LLC (Capital One). According to the agreement's provisions, the Authority issued a 27-year variable rate tax-exempt revenue bond in the amount of $5,210,000 to finance a portion of CCUSA's planned improvement of the purchased building located at 2050 Ballenger Avenue in the City of Alexandria consisting of office space to be used as the CCUSA's headquarters. The Authority sold the bond to Capital One, and the proceeds were loaned to CCUSA, through the execution of a promissory note dated with the same date as the bond issuance to evidence CCUSA's obligation to make monthly payments sufficient to pay the bond. The note, secured by the acquired real estate, was assigned by the Authority to Capital One, who became the obligation's holder. The bond has a put date of every five years, on which day Capital One may elect to receive the full principal and unpaid interest.

On August 24, 2015, all documents relating to the above transaction were modified to alter the put date of the bond to September 1, 2030. Under the modification, the bond and note both have a maturity date of December 2037. Principal payments and variable interest payments at a rate of 65% of LIBOR, plus 1.4%, are payable monthly.

CCUSA incurred related financing costs of $249,834 on the original loan and $45,427 on the refinancing. Both have been capitalized on the statement of financial position as prepaid expenses and other assets and are being amortized over the modified term. Combined accumulated amortization totaled $48,586 and $36,241 as of June 30, 2016 and 2015. Related amortization expense was $12,344 and $9,779 for the period ended June 30, 2016 and 2015, respectively.

CCUSA also entered into an interest rate swap transaction with CapitalOne, evidenced by a master agreement dated and effective July 14, 2011. The notional amount of the agreement is $5,210,000. The agreement effectively changes the CCUSA's interest exposure on the $5,210,000 loan from LIBOR-based variable to fixed rates. The swap agreement provides for a fixed interest rate of 1.3 percent. During the year ended June 30, 2016, CCUSA terminated the existing swap agreement for a fee and entered into a new swap agreement for the then-outstanding principal on the note of $4,895,000. The swap agreement extends through September 1, 2030 and provides for a fixed interest rate of 1.53 percent. The interest rate swap agreement's fair value was $311,451 and $57,503 in favor of CapitalOne at June 30, 2016 and 2015, respectively. The related fair value loss on interest rate swap agreement of $253,748 and gain of $45,805 for the year ended June 30, 2016 and 2015, respectively, have been recognized in the statement of activities. CCUSA has met all covenants associated with the agreement as of June 30, 2016.

Estimated future principal payments of the notes are as follows:

Year ending June 30,	Term loan	Bond	Total
2017	$ 151,553	$ 160,000	$ 311,553
2018	156,860	165,000	321,860
2019	162,354	170,000	332,354
2020	168,040	175,000	343,040
2021	87,385	182,000	269,385
Thereafter	-	3,928,000	3,928,000
	$ 726,192	$ 4,780,000	$ 5,506,192

15. Line of Credit

CCUSA has an unsecured line of credit from Capital One Bank in the amount of $1,000,000, which expires on March 31, 2017. The interest rate is based on the one-month LIBOR rate, plus 2.5 percent. There were no outstanding borrowings as of June 30, 2016.

16. Endowments

CCUSA has a donor-restricted endowment fund established for the purposes of providing income to support specific donor-restricted activities. Net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the CCUSA has interpreted Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CCUSA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the CCUSA in a manner consistent with the standard of prudence prescribed by UPMIFA. The CCUSA considered all amounts earned on the endowment fund to be appropriated for current use.

During the year ended June 30, 2016, CCUSA contacted the original donors of the Caritas and Tracy endowment funds. Both approved the release of the endowment funds for unrestricted use. Accordingly, the $115,000 formerly classified as permanently restricted net assets on the statement of financial position has been reclassed to unrestricted net assets as of June 30, 2016.

Also during the year ended June 30, 2016, CCUSA recorded $500,000 gift pursuant to a trust agreement. Per the agreement, all related funds received should be used to create the Joseph Asaro Perpetual Endowment for Programs and Services. This amount is reflected as an addition to permanently restricted net assets for the year ended June 30, 2016.

17. Capital Lease Obligations

CCUSA has entered into lease agreements for various office equipment. The value of the equipment, $200,290, has been capitalized and recorded as equipment and software within the consolidated statement of financial position and is being depreciated on a straight-line basis over the estimated useful life. Interest rates ranging from approximately 3.3% - 16.6% have been imputed on the minimum lease payments, which are being amortized over the lease term.

Future minimum lease payments at June 30, 2016 are as follows:

Years Ending December 31,	
2016	$ 42,088
2017	17,182
2018	7,159
Total minimum lease payments	66,429
Less: amount representing interest	(7,841)
Present value of minimum lease payments	$ 58,588

18. Related Party Transactions

On July 28, 2011, CCUSA (Sponsor) entered into an agreement with Catholic Charities USA Employee Welfare Benefit Trust (the Trust) acting through its Board of Trustees. The sponsor established the Trust with the intention that the Trust would offer a series of welfare benefit plans, which provide health, dental, vision, and other health benefits on behalf of eligible employees of the Sponsor and its member organizations, and other affiliates of the Catholic Church in a manner that is consistent with the teachings of the Catholic Church.

The Trust's Board of Trustees is chaired by CCUSA's CEO, and consists of members who are also members of the CCUSA Board of Trustees, as well as independent members. The CEO and two of the Trust Board members lead organizations that subscribe to the Trust benefit services.

CCUSA has contracted with the Trust for healthcare services for staff and paid a total of $740,300 and $704,611 during the years ended June 30, 2016 and 2015, respectively.