

**Secretariat for Catholic Charities
Health & Human Services**

**Combined Financial Report
12.31.10**

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Independent Auditor's Report

Secretariat for Catholic Charities Health & Human Services
Cleveland, Ohio

We have audited the accompanying combined statements of financial position of the Secretariat for Catholic Charities Health & Human Services as of December 31, 2010 and 2009, and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Secretariat for Catholic Charities Health & Human Services as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Cleveland, Ohio
August 8, 2011

Secretariat for Catholic Charities Health & Human Services

Combined Statements of Financial Position December 31, 2010 and 2009

Assets	2010	2009
Current Assets		
Cash and cash equivalents	\$ 12,719,092	\$ 13,649,591
Receivables:		
Trade, net	10,092,206	9,438,966
Pledges	820,180	1,690,102
Related party	246,270	216,814
Inventory	256,243	288,593
Other	426,221	453,142
Total current assets	24,560,212	25,737,208
Investments	39,410,569	37,216,915
Other Assets		
Notes and interest receivable - related party	2,652,830	2,486,720
Funds held in trust by others	10,818,093	9,499,110
Property, plant and equipment, net	47,242,386	50,445,486
Land held for future development	99,564	99,564
Assets in consolidated partnership and LLC	6,574,481	6,834,226
Goodwill	345,000	-
Other	15,410	34,880
Total other assets	67,747,764	69,399,986
Total assets	\$ 131,718,545	\$ 132,354,109
Liabilities and Net Assets		
Current Liabilities		
Current portion of debt	\$ 748,798	\$ 702,591
Liabilities in consolidated partnership and LLC	205,824	201,114
Accounts payable	2,255,829	2,645,055
Due to third party payors	467,561	945,825
Accrued expenses	4,312,803	4,198,642
Deferred revenue	2,347,055	2,069,943
Total current liabilities	10,337,870	10,763,170
Other Liabilities		
Debt	6,567,376	7,108,000
Interest rate swap	435,186	365,572
Other	472,766	473,145
Accrued employee obligations	3,998,731	4,034,553
Liabilities in consolidated partnership and LLC	2,685,268	2,865,091
Total liabilities	24,497,197	25,609,531
Non-controlling interest	3,021,681	3,129,628
Net Assets		
Unrestricted:		
Undesignated	52,667,491	54,576,081
Board designated	5,668,007	6,258,727
Member's equity in consolidated entities	1,166	1,199
	58,336,664	60,836,007
Temporarily restricted	24,117,928	22,366,471
Permanently restricted	21,745,075	20,412,472
Total net assets	104,199,667	103,614,950
Total liabilities and net assets	\$ 131,718,545	\$ 132,354,109

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Combined Statement of Activities Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Catholic Charities:				
Annual appeal contributions	\$ 9,879,361	\$ -	\$ -	\$ 9,879,361
Bequests and special gifts	788,177	-	-	788,177
United Way	2,013,055	820,180	-	2,833,235
Program fees	9,273,111	-	-	9,273,111
Governmental	62,455,141	-	-	62,455,141
Contributions				
Foundations, trusts and individuals	3,878,233	245,608	402,880	4,526,721
Donated goods, facilities, services	595,778	-	-	595,778
Rental	1,820,134	-	-	1,820,134
Related party	74,748	158,000	-	232,748
Operating investment income	313,935	(29,052)	-	284,883
Distributable investment income	1,425,174	-	-	1,425,174
Change in value of funds held in trust by others	-	-	918,983	918,983
Special events, net	161,638	-	-	161,638
Consolidated partnership and LLC	349,096	-	-	349,096
Miscellaneous	564,992	-	-	564,992
Net assets reclassified	-	(10,740)	10,740	-
Net assets released from restrictions	2,041,244	(2,041,244)	-	-
Total revenues and support	95,633,817	(857,248)	1,332,603	96,109,172
Expenses				
Older adults	33,596,761	-	-	33,596,761
Children and family services	20,119,209	-	-	20,119,209
Disabilities	9,863,046	-	-	9,863,046
Behavioral health	10,575,484	-	-	10,575,484
Emergency and transitional	4,492,834	-	-	4,492,834
Parish/pastoral	6,260,705	-	-	6,260,705
Total programs	84,908,039	-	-	84,908,039
Management and general	11,079,767	-	-	11,079,767
Fundraising	2,513,735	-	-	2,513,735
Total expenses	98,501,541	-	-	98,501,541
Increase (decrease) from operating activity	(2,867,724)	(857,248)	1,332,603	(2,392,369)
Non-Operating Activity				
(Loss) on disposal of assets	(2,843)	-	-	(2,843)
Change in value of interest rate swaps	(69,614)	-	-	(69,614)
Non-operating investment activity	-	4,033,879	-	4,033,879
Investment income distributed to operations	-	(1,425,174)	-	(1,425,174)
	(72,457)	2,608,705	-	2,536,248
Increase (decrease) in net assets before effect of postretirement benefits, non-controlling interest and contributions by minority shareholders	(2,940,181)	1,751,457	1,332,603	143,879
Postretirement related changes	133,576	-	-	133,576
Non-controlling interest	107,947	-	-	107,947
Contributions by minority shareholders	199,315	-	-	199,315
Increase (decrease) in net assets	(2,499,343)	1,751,457	1,332,603	584,717
Net assets - beginning	60,836,007	22,366,471	20,412,472	103,614,950
Net assets - ending	\$ 58,336,664	\$ 24,117,928	\$ 21,745,075	\$ 104,199,667

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Combined Statement of Activities Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Catholic Charities:				
Annual appeal contributions	\$ 9,992,805	\$ -	\$ -	\$ 9,992,805
Bequests and special gifts	1,367,756	-	-	1,367,756
United Way	1,958,384	775,682	-	2,734,066
Program fees	8,491,892	-	-	8,491,892
Governmental	62,162,179	-	-	62,162,179
Contributions				
Foundations, trusts and individuals	3,965,899	1,244,391	260,425	5,470,715
Donated goods, facilities, services	686,142	-	-	686,142
Rental	1,861,029	-	-	1,861,029
Operating investment income	499,359	-	-	499,359
Distributable investment income	1,393,823	-	-	1,393,823
Change in value of funds held in trust by others	-	-	1,056,805	1,056,805
Special events, net	177,023	-	-	177,023
Consolidated partnership and LLC	361,010	-	-	361,010
Miscellaneous	634,228	-	-	634,228
Net assets reclassified	143,600	(19,225)	(124,375)	-
Net assets released from restrictions	1,885,316	(1,885,316)	-	-
Total revenues and support	95,580,445	115,532	1,192,855	96,888,832
Expenses				
Older adults	32,693,862	-	-	32,693,862
Children and family services	22,888,727	-	-	22,888,727
Disabilities	9,535,192	-	-	9,535,192
Behavioral health	11,275,746	-	-	11,275,746
Emergency and transitional	4,248,699	-	-	4,248,699
Parish/pastoral	5,940,771	-	-	5,940,771
Total programs	86,582,997			86,582,997
Management and general	11,653,865	-	-	11,653,865
Fundraising	2,465,033	-	-	2,465,033
Total expenses	100,701,895	-	-	100,701,895
Increase (decrease) from operating activity	(5,121,450)	115,532	1,192,855	(3,813,063)
Non-Operating Activity				
(Loss) on disposal of assets	(3,416)	-	-	(3,416)
Change in value of interest rate swaps	279,615	-	-	279,615
Non-operating investment activity	-	4,542,232	-	4,542,232
Investment income distributed to operations	-	(1,393,823)	-	(1,393,823)
	276,199	3,148,409	-	3,424,608
Increase (decrease) in net assets before effect of postretirement benefits, non-controlling interest and contributions by minority shareholders	(4,845,251)	3,263,941	1,192,855	(388,455)
Postretirement related changes	(263,838)	-	-	(263,838)
Non-controlling interest	95,298	-	-	95,298
Contributions by minority shareholders	216,299	-	-	216,299
Increase (decrease) in net assets	(4,797,492)	3,263,941	1,192,855	(340,696)
Net assets - beginning	65,637,972	19,102,530	19,219,617	103,960,119
Transfer of net assets - Project Hope	(4,473)	-	-	(4,473)
Net assets - ending	\$ 60,836,007	\$ 22,366,471	\$ 20,412,472	\$ 103,614,950

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Combined Statement of Functional Expenses Year Ended December 31, 2010

	Total	Older Adults	Children and Family Services	Disabilities	Behavioral Health	Emergency and Transitional	Parish/ Pastoral	Total Programs	Management and General	Fundraising
Salaries	\$ 49,614,507	\$ 15,719,356	\$ 10,756,975	\$ 5,942,399	\$ 6,049,841	\$ 2,198,502	\$ 2,574,664	\$ 43,241,737	\$ 5,960,167	\$ 412,603
Employee benefits	9,493,155	2,589,318	2,306,218	995,829	1,285,017	293,981	654,791	8,125,154	1,285,700	82,301
Payroll taxes	5,050,800	1,702,254	1,155,164	588,345	601,263	186,669	185,052	4,418,747	589,998	42,055
Total salaries and related expenses	64,158,462	20,010,928	14,218,357	7,526,573	7,936,121	2,679,152	3,414,507	55,785,638	7,835,865	536,959
Purchased services	5,784,823	1,979,509	575,278	599,685	700,667	97,086	940,851	4,893,076	845,613	46,134
Supplies	6,707,628	4,261,057	1,203,567	562,949	246,556	80,907	131,248	6,486,284	205,112	16,232
Occupancy	5,769,749	1,861,688	1,425,831	401,378	426,005	397,897	713,200	5,225,999	536,766	6,984
Special assistance	2,637,367	4,770	780,668	-	205,521	971,953	662,594	2,625,506	11,861	-
Depreciation and amortization	4,643,596	2,686,759	606,654	314,562	583,507	102,421	6,284	4,300,187	343,409	-
Appeal and fund administration fee	1,875,000	-	-	-	-	-	-	-	-	1,875,000
Repairs and maintenance	1,397,369	459,230	181,709	126,788	92,023	28,174	34,485	922,409	473,884	1,076
Travel	1,350,410	304,691	306,662	209,372	270,852	50,906	133,039	1,275,522	74,603	285
Miscellaneous	384,976	106,703	58,739	12,662	10,338	4,238	34,762	227,442	157,388	146
Telephone	469,785	68,540	74,452	46,586	54,607	28,466	28,244	300,895	168,609	281
Organization and membership fees	1,272,112	1,088,026	9,079	28,319	15,899	1,055	11,785	1,154,163	117,949	-
Interest expense	368,180	59,238	308,942	-	-	-	-	368,180	-	-
Bad debt	318,794	318,794	-	-	-	-	-	318,794	-	-
Conferences and meetings	194,441	1,657	41,243	19,287	21,099	3,592	51,786	138,664	54,667	1,110
Printing and publications	142,914	2,117	13,637	6,152	7,264	2,670	23,130	54,970	69,746	18,198
Postage	124,294	1,627	18,524	8,733	5,025	2,692	16,685	53,286	59,678	11,330
Catholic Charities - allocation	46,154	-	-	-	-	-	-	-	46,154	-
Other Catholic distributions	130,327	-	20,903	-	-	41,482	9,682	72,067	58,260	-
Investments in consolidated partnership and LLC	656,391	381,427	274,964	-	-	-	-	656,391	-	-
Awards and grants	68,769	-	-	-	-	143	48,423	48,566	20,203	-
Total expenses	\$ 98,501,541	\$ 33,596,761	\$ 20,119,209	\$ 9,863,046	\$ 10,575,484	\$ 4,492,834	\$ 6,260,705	\$ 84,908,039	\$ 11,079,767	\$ 2,513,735

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Combined Statement of Functional Expenses Year Ended December 31, 2009

	Total	Older Adults	Children and Family Services	Disabilities	Behavioral Health	Emergency and Transitional	Parish/ Pastoral	Total Programs	Management and General	Fundraising
Salaries	\$ 50,558,132	\$ 15,573,212	\$ 12,112,113	\$ 5,634,976	\$ 6,269,470	\$ 1,703,512	\$ 2,640,714	\$ 43,933,997	\$ 6,286,198	\$ 337,937
Employee benefits	9,195,651	2,408,168	2,687,066	916,007	1,284,974	306,561	617,785	8,220,561	918,583	56,507
Payroll taxes	5,604,305	1,905,931	1,367,814	642,438	609,748	165,295	198,483	4,889,709	677,027	37,569
Total salaries and related expenses	65,358,088	19,887,311	16,166,993	7,193,421	8,164,192	2,175,368	3,456,982	57,044,267	7,881,808	432,013
Purchased services	5,931,107	1,532,145	752,151	612,768	849,794	354,961	722,056	4,823,875	1,032,100	75,132
Supplies	6,749,856	4,138,352	1,157,842	564,395	325,780	107,127	180,188	6,473,684	249,107	27,065
Occupancy	5,942,840	1,835,844	1,845,502	362,023	510,509	313,773	497,104	5,364,755	568,968	9,117
Special assistance	2,820,454	10,509	840,505	-	441,358	971,332	543,386	2,807,090	13,364	-
Depreciation and amortization	4,400,485	2,500,862	633,176	263,744	440,446	73,756	7,335	3,919,319	481,166	-
Appeal and fund administration fee	1,875,000	-	-	-	-	-	-	-	-	1,875,000
Repairs and maintenance	1,192,688	364,734	173,802	108,208	99,990	33,955	37,522	818,211	372,891	1,586
Travel	1,660,445	289,489	341,538	302,277	329,787	81,189	212,863	1,557,143	103,072	230
Miscellaneous	519,763	92,297	32,733	13,031	11,664	4,454	39,203	193,382	319,947	6,434
Telephone	519,377	68,159	82,358	44,624	68,908	30,555	31,273	325,877	193,198	302
Organization and membership fees	1,076,092	916,901	10,563	25,778	4,012	1,420	10,980	969,654	106,438	-
Interest expense	523,956	60,716	463,121	-	-	-	-	523,837	119	-
Bad debt	614,454	614,454	-	-	-	-	-	614,454	-	-
Conferences and meetings	271,143	1,664	55,168	35,936	12,511	5,198	104,846	215,323	54,806	1,014
Printing and publications	150,027	531	16,211	2,764	10,710	2,253	17,688	50,157	71,276	28,594
Postage	123,965	1,703	13,231	6,223	6,085	3,178	20,398	50,818	64,601	8,546
Catholic Charities - allocation	57,841	-	-	-	-	-	-	-	57,841	-
Other Catholic distributions	175,020	6,384	3,000	-	-	90,180	17,452	117,016	58,004	-
Investments in consolidated partnership and LLC	672,640	371,807	300,833	-	-	-	-	672,640	-	-
Awards and grants	66,654	-	-	-	-	-	41,495	41,495	25,159	-
Total expenses	\$ 100,701,895	\$ 32,693,862	\$ 22,888,727	\$ 9,535,192	\$ 11,275,746	\$ 4,248,699	\$ 5,940,771	\$ 86,582,997	\$ 11,653,865	\$ 2,465,033

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Combined Statements of Cash Flows Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 584,717	\$ (340,696)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,643,596	4,400,485
Non-controlling interest	(107,947)	(95,298)
Contributions by minority shareholders	(199,315)	(216,299)
Realized (gain) loss on sale of investments	(2,715,657)	5,586,646
Unrealized (gain) on investments	(1,138,906)	(9,770,500)
Increase (decrease) in interest rate swap liability	69,614	(374,822)
Change in value of funds held in trust by others	(918,983)	(1,056,805)
Contributions restricted for endowment	(2,880)	(260,245)
Contributions to funds held in trust by others	(400,000)	-
Change in:		
Accounts receivable	187,226	1,430,018
Inventory	32,350	100,416
Other assets	46,391	272,303
Accounts payable	(389,226)	312,262
Due to third-party payors	(478,264)	42,693
Accrued expenses	114,161	99,426
Deferred revenue	277,112	231,983
Other liabilities	(379)	(1,249)
Accrued employee obligations	(35,822)	9,615
Net cash provided by (used in) operating activities	(432,212)	369,933
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,440,496)	(6,180,325)
Net change in investment from partnerships and LLC's	(23,315)	(11,530)
Change in non-controlling interest	107,947	95,298
Contributions by minority shareholders	199,315	216,299
Purchase of goodwill	(345,000)	-
Use of bond funds	-	3,064,001
Net change in investments	1,660,909	6,540,063
Net cash provided by investing activities	159,360	3,723,806
Cash Flows From Financing Activities		
(Increase) in notes receivable - related party	(166,110)	(155,556)
Proceeds from note	249,000	-
Principal payments on debt	(743,417)	(1,739,393)
Transfer of net assets	-	(4,473)
Proceeds from contributions received for endowment	2,880	260,245
Net cash (used in) financing activities	(657,647)	(1,639,177)
Net (decrease) increase in cash and cash equivalents	(930,499)	2,454,562
Cash and cash equivalents		
Beginning	13,649,591	11,195,029
Ending	\$ 12,719,092	\$ 13,649,591
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 368,180	\$ 691,115

See Notes to Combined Financial Statements.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Purpose: The Secretariat for Catholic Charities Health & Human Services is the unincorporated, administrative organization through which the Roman Catholic Bishop of the Diocese of Cleveland provides and oversees the delivery of health and human services to the people of the Diocese. These services are principally delivered through the nine incorporated entities presented in this report. The Organization continues the mission of Jesus by providing vision and leadership for those who respond to the health and human needs and the social concerns of the people of the Diocese of Cleveland. The Organization extends the reign of God in this time and place as the Organization works with others to build a just and compassionate society that respects the dignity of every person.

Principles of combination: The combined financial statements for the Secretariat for Catholic Charities Health & Human Services (collectively the Organization) include the accounts of Catholic Charities Health & Human Services (CCHHS), Catholic Charities Corporation (CCC), Catholic Charities Facilities Corporation and Subsidiaries (CCFC), Catholic Charities Services Corporation (CCSC), Catholic Charities Community Services Corporation (CCCSC), St. Augustine Manor and Affiliates (Manor), Rose-Mary Center (RMC) and CYO and Community Services, Inc. (CYO). In addition, the Catholic Diocese of Cleveland Foundation (CDCF) holds assets for the benefit of the Secretariat for Catholic Charities Health & Human Services of the Diocese of Cleveland. Such assets in the amount of \$32,468,589 and \$29,953,050 at December 31, 2010 and 2009, respectively, and the related financial activity have been included in these combined financial statements. The financial activity of these entities has been combined. All significant intercompany accounts and transactions have been eliminated in the combination.

Significant accounting policies consist of the following:

Basis of presentation: The accompanying combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Temporarily restricted net assets are funds whose use by the Organization have been limited by donor stipulations that limit the use of the contributed assets to (a) later periods or after specific dates (time restrictions), (b) specific purposes (purpose restrictions) or (c) both. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Permanently restricted net assets represent endowment funds which are subject to the restriction of donors that the principal be invested in perpetuity and only the income be utilized. In addition, included in the balance is the value of perpetual trusts. The trusts are to be held in perpetuity by an outside trustee. The Organization has no control of the assets or the investment of the assets. The value of future distributions is estimated based on the fair value of the assets.

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

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Concentration of credit risk: The Organization places its cash and investments with financial institutions. Deposits with financial institutions may exceed Federal Depository Insurance Corporation insurance limits. Management believes the risk associated with exceeding these limits is balanced by the stability of the financial institutions involved.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, receivables, accounts payable, accrued expenses, deferred revenue and short-term borrowings approximates fair value due to the short-term nature of these instruments. The fair value of investments is estimated based on quoted market prices, when available, or market prices provided by recognized broker dealers using nationally known pricing service. Funds held in trust by others are reported at fair value based on the Organization's proportionate interest in the fair value of the trusts. The carrying amount of long-term debt and the interest rate swap approximates fair value because the interest rates fluctuate with market interest rates offered to the Organization for debt with similar terms and maturities.

Receivables trade: These receivables are due primarily from government agencies and residents. The Organization provides for uncollectible accounts receivable using the allowance method. At December 31, 2010 and 2009, the allowance for uncollectible accounts and contractual allowances totaled \$3,197,180 and \$2,459,762, respectively. Management estimates an allowance for delinquent accounts based on their review of delinquent accounts and an assessment of the Organization's historical evidence of collections.

Pledges receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Inventory: Inventories are stated at the lower of cost or market derived by use of the first-in, first-out valuation method. Inventories consist primarily of medical supplies and pharmaceuticals.

Investments: Investments are reported at fair value with any realized and unrealized gains and losses reported in the combined statements of activities. Interest and dividends are recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Property, plant and equipment: Except as outlined below, property, plant and equipment are stated at cost or fair value at the date of donation. Expenditures that significantly increase values, change capacities or extend useful lives are capitalized. Depreciation and amortization are computed over the estimated useful life of the asset using the straight-line method. Leasehold improvements are amortized over the lease term. Repairs and maintenance costs are expensed as incurred.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

As it relates to CCFC, the land at the Fatima Family Center, the Father Albert House and St. Clarence is recorded at cost; all other land, the St. Augustine Manor property and the St. Augustine Towers property are recorded at fair value at the date of the gift or transfer from third party; all other buildings are recorded at estimated replacement cost less accumulated depreciation at the date of transfer to CCFC.

Impairment: In accordance with the accounting standards on accounting for the impairment or disposal of long-lived assets, the Organization reviews for the impairment of long-lived assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows is less than the carrying amount of the asset. No impairment losses were recognized in 2010 or 2009.

Environmental expenditures: Environmental expenditures are expensed or capitalized depending upon their future economic benefits. Liabilities for such expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. There were no such expenditures during the years ended December 31, 2010 or 2009.

Pension and postretirement plans: The Organization recognizes the funded status of its postretirement benefit and pension plans in the statement of financial position. The funded status is the difference between the fair value of the plan assets and the benefit obligation.

Revenue recognition: Contributions are recognized as revenue when received or unconditionally pledged and are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of the restrictions. Governmental and program fee revenue is recognized when the services associated with those revenue streams have been provided. The United Way allocation is recognized as revenue when received or when the promise to give has been committed. The Catholic Charities revenue is recognized ratably over the course of the year in which it is allocated.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, including meals, facilities, and teachers, are recognized at estimated fair value when the service is rendered.

Deferred revenue: Deferred revenue includes advances from governmental agencies and program service fees. This revenue is recognized when services are performed and expenses are incurred.

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 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.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Allocation of functional expenses: Allocation of functional expenses to program services is determined by management of the Organization.

Tax status: The entities that comprise the Organization are tax exempt under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Entities qualify as charitable contributions.

Reclassification: Certain reclassifications of 2009 amounts have been made to conform to the 2010 presentation.

Risk and uncertainties: The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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 the statement of financial position.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through August 8, 2011, the date the financial statements were available to be issued.

Uncertain income tax positions: The Financial Accounting Standards Board (FASB) provides guidance for how uncertain income 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 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 benefit or expense and liability in the current year. For the years ended December 31, 2010 and 2009, management has determined that there are no uncertain tax positions. With few exceptions, the entities that comprise the Organization are no longer subject to tax examinations by the tax authorities for years prior to 2007.

Recent accounting pronouncements: The Financial Accounting Standards Board issued an Amendment, “Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements” (ASU 2010-06), which requires new disclosures and reasons for transfers of financial assets and liabilities between Level 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about the inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that a reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes.

With respect to matters other than Level 3 measurements, the amendment is effective for periods beginning on or after December 15, 2009. The guidance related to Level 3 measurement is effective for periods beginning on or after December 15, 2010 and has not yet been adopted. The Organization is currently evaluating the impact of the guidance related to Level 3 measurements on financial statement disclosures.

Note 2. Reorganization

Effective April 1, 2009, Catholic Youth Organization and Catholic Social Services of Summit County merged as one organization called CYO and Community Services.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 3. Fair Value Disclosures

The Organization measures financial instruments at fair value, which 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. Accounting principles and standards established a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 — Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair value of investment securities is the fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers using nationally known pricing services.

Investments – pooled funds: The Organization participates in a pooled fund held and managed by the CDCF. CDCF provides the fair value of the Organization's proportionate interest in the CDCF's pooled fund. The underlying assets in the pooled fund investment portfolio consist of securities, whose fair value is based on quoted market prices.

Funds held in trust by others: The fair value of the funds held in trust by others represents the Organization's proportionate interest in the value of the trusts. The fair value of the beneficial interest in perpetual trust is based on the expected estimated future cash flows to be received by the Organization.

Interest rate swap liability: The fair value of the Organization's interest rate swap liability was provided by valuation experts. This instrument was valued using externally developed models that consider observable market parameters.

In September 2009, the accounting guidance related to fair value measurements was amended. If the Organization has the ability to redeem an investment at its net asset value or its equivalent at the measurement date, the investment should be categorized as a Level 2. If the Organization cannot redeem an investment at net asset value or its equivalent at the measurement date, but the investment may be redeemable at a future date, the Organization should consider the length of time until the investment will be redeemable in determining whether it will be categorized as a Level 2 or Level 3. This amendment is effective for periods ending after December 15, 2009. Accordingly, effective January 1, 2009, the Organization's pooled investments were categorized as Level 2.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 3. Fair Value Disclosures (Continued)

Fair value on a recurring basis: The table below presents the balance of assets and liabilities measured at fair value on a recurring basis:

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Financial Assets				
Investments				
Pooled funds at the CDCF	\$ 32,414,425	\$ -	\$ 32,414,425	\$ -
Brokered certificates of deposit	2,438,258	-	2,438,258	-
Common stock				
Domestic	1,234,412	1,234,412	-	-
Foreign	313,268	313,268	-	-
Money market funds	991,166	991,166	-	-
Government securities	1,231,988	1,231,988	-	-
Bonds - corporate	659,204	659,204	-	-
Mutual funds	126,848	126,848	-	-
Real estate partnerships	1,000	-	-	1,000
Funds held in trust by others	10,818,093	-	-	10,818,093
Total assets	\$ 50,228,662	\$ 4,556,886	\$ 34,852,683	\$ 10,819,093
Financial Liabilities				
Interest rate swap liability	\$ (435,186)	\$ -	\$ (435,186)	\$ -
Total liabilities	\$ (435,186)	\$ -	\$ (435,186)	\$ -

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 3. Fair Value Disclosures (Continued)

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Financial Assets				
Investments				
Pooled funds at the CDCF	\$ 29,565,685	\$ -	\$ 29,565,685	\$ -
Brokered certificates of deposit	3,156,050	-	3,156,050	-
Common stock	1,448,348	1,448,348	-	-
Money market funds	1,161,546	1,161,546	-	-
Government securities	394,024	394,024	-	-
Mortgage backed securities	154,372	154,372	-	-
Bonds	1,331,155	1,331,155	-	-
Mutual funds	4,735	4,735	-	-
Real estate partnerships	1,000	-	-	1,000
Funds held in trust by others	9,499,110	-	-	9,499,110
Total assets	\$ 46,716,025	\$ 4,494,180	\$ 32,721,735	\$ 9,500,110
Financial Liabilities				
Interest rate swap liability	\$ (365,572)	\$ -	\$ (365,572)	\$ -
Total liabilities	\$ (365,572)	\$ -	\$ (365,572)	\$ -

The underlying investments of the pooled funds at the CDCF are measured at fair value based on quoted prices in active markets and were comprised of the following at December 31:

	2010	2009
Equities	75.81%	64.93%
Fixed income	20.17%	25.46%
Cash	4.02%	9.61%
Total	100.00%	100.00%

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 3. Fair Value Disclosures (Continued)

The changes to fair value of the Level 3 assets are summarized as follows:

	Investments	Funds Held in Trust by Others	Interest Rate Swap Liability
Balance, January 1, 2009	\$ 26,964,392	\$ 8,442,305	\$ (740,394)
Reclassification of categorization of level of fair value hierarchy	(26,963,392)	-	740,394
Change in fair value	-	1,056,805	-
Balance, December 31, 2009	1,000	9,499,110	-
Contribution	-	400,000	-
Change in fair value	-	918,983	-
Balance, December 31, 2010	\$ 1,000	\$ 10,818,093	\$ -

Note 4. Related Party Transactions

Receivables – related party: Consists of amounts due from various affiliates, and primarily relates to housing initiatives.

Notes and interest receivable: The Organization has entered into several housing arrangements which have resulted in related party notes receivable. These arrangements are summarized as follows and are more fully explained below:

	2010	2009
Ascension Village Limited Partnership	\$ 1,447,356	\$ 1,360,808
Annunciation Terrace Limited Partnership	1,176,974	1,097,412
Kirby Manor Housing LP	28,500	28,500
	\$ 2,652,830	\$ 2,486,720

CCFC holds certain notes receivable from Ascension Village Limited Partnership. These notes accrue interest at 6.36% per annum and are due July 31, 2014. During 2010 and 2009, no principal payments were received on the notes. The interest has been recorded as deferred revenue. CCFC through its ownership in Elder Housing One Corporation coordinated all activities related to the construction of Ascension Village Limited Partnership. Elder Housing One Corporation has a .0051% interest in Ascension Village Limited Partnership and is a general partner.

CCFC loaned \$545,000 to Annunciation Terrace Limited Partnership to construct a 50 unit low-income housing project in Akron, Ohio. This amount includes a \$245,000 note bearing interest at 5.10% due December 2016. CCFC also received a grant from the State of Ohio in the amount of \$301,000, of which \$300,000 was then loaned to Annunciation Terrace Limited Partnership. The note bears interest at 7.25% and is due December 2019. Interest began to accrue on both notes during January 2000. The interest has been recorded as deferred revenue. CCFC through its ownership in Elder Housing Two Corporation coordinated all activities related to the construction of Annunciation Terrace. Elder Housing Two Corporation has a .0051% interest in Annunciation Terrace Limited Partnership and is a general partner.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 4. Related Party Transactions (Continued)

During 2006, CCFC through its ownership in Elder Housing IV, earned development fees of \$135,000 related to Kirby Manor LP. During 2010 and 2009 CCFC received no development fees. The remaining \$28,500 will be received over 10 years.

Revenue – related party

During 2010, the Bishop of Cleveland asked CCHHS to operate a homeless shelter in the City of Lorain on property owned by the Diocese. In order to subsidize the costs of operating the shelter, CCHHS received \$94,390 from the parish which previously sponsored the shelter and \$138,358 from the separately incorporated entity that previously operated the shelter. Of these amounts, \$158,000 and \$74,748 is included on the statement of activities as temporarily restricted and unrestricted related party income, respectively.

Note 5. Investments

Under the Organization's endowment policy governing transfer of funds for operations, 5% of the weighted average fair value of the endowment for the proceeding three-year period is available for current operations. This calculation equated to \$1,425,174 and \$1,393,823 in endowment funds available for operations for the years ended December 31, 2010 and 2009, respectively.

An analysis of operating and non-operating investment activity is as follows for the years ended December 31:

	2010		
	Operating Investment Income (Loss)	Non-operating Investment Income	Total
Interest and dividends	\$ 52,035	\$ 435,683	\$ 487,718
Investment management fees	(23,519)	-	(23,519)
Realized gain on sale of investments	31,704	2,683,953	2,715,657
Unrealized gain on investments	224,663	914,243	1,138,906
	<u>\$ 284,883</u>	<u>\$ 4,033,879</u>	<u>\$ 4,318,762</u>

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 5. Investments (Continued)

	2009		
	Operating Investment Income (Loss)	Non-operating Investment Income (Loss)	Total
Interest and dividends	\$ 333,163	\$ 544,830	\$ 877,993
Investment management fees	(20,256)	-	(20,256)
Realized (loss) on sale of investments	(11,766)	(5,574,880)	(5,586,646)
Unrealized gain on investments	198,218	9,572,282	9,770,500
	<u>\$ 499,359</u>	<u>\$ 4,542,232</u>	<u>\$ 5,041,591</u>

Note 6. Pledges Receivable

Pledges receivable consist of unconditional promises by individuals, foundations and other entities. At December 31, 2010 and 2009, all pledges receivable represent future contributions that are receivable in less than one year. No allowance for uncollectible pledges was deemed necessary.

Note 7. Funds Held in Trust by Others

CCC, RMC, the Manor, CCCSC and CCSC are the irrevocable beneficiaries and recipients of income from funds held in trust by others, which operate in perpetuity. The Organizations have no control of the fund assets, as the trustees of these funds have discretion over the investment of the fund assets. Changes in fair value of the beneficial interest in the trust assets in the amount of \$918,983 and \$1,056,805 and for the years ended December 31, 2010 and 2009, respectively, are included in permanently restricted revenue and support on the statement of activities. The Organization's share of the present value of the funds held by others is \$10,818,093 and \$9,499,110 at December 31, 2010 and 2009, respectively.

Note 8. Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

	2010	2009
Land and improvements	\$ 8,964,985	\$ 8,869,292
Building and improvements	78,006,254	77,169,586
Furniture and equipment	18,234,833	17,732,975
Leasehold improvements	2,724,421	2,585,326
Vehicles	1,897,798	1,854,130
Construction in progress	13,110	254,138
	<u>109,841,401</u>	<u>108,465,447</u>
Less accumulated depreciation and amortization	(62,599,015)	(58,019,961)
	<u>\$ 47,242,386</u>	<u>\$ 50,445,486</u>

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 were \$4,643,596 and \$4,400,485, respectively.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC

This report includes the accounts of Catholic Charities Housing Corporation (CCHC) which is a wholly-controlled subsidiary of CCFC.

Nativity Manor L.P. (Nativity Manor) was formed in March 2001 for the purpose of constructing and operating an affordable housing project consisting of 38 units in Lorain, Ohio. Nativity Manor qualified for federal low-income housing tax credits in which Elder Housing Three Corporation, a wholly-controlled subsidiary of CCFC is a .025% managing general partner, Nativity Housing LLC is a .075% general partner, and Ohio Equity Fund For Housing Limited Partnership XII is the 99.90% limited partner. The limited partner purchased the low-income housing tax credits for the benefit of the flow-through losses and dollar for dollar tax benefits during the 15-year credit period.

Nativity Homes LLC (Nativity Homes) was formed in July 2005 for the purpose of constructing and operating an affordable housing project consisting of 18 single family homes in Lorain, Ohio. Nativity Homes qualified for federal low-income housing tax credits in which Elder Housing Six Corporation, a wholly-controlled subsidiary of CCHC is a .051% managing member and Ohio Equity Fund for Housing Limited Partnership XV is the 99.90% investor member. Wallick Asset Management LLC is the remaining .049% project member. The limited partner purchased the low-income housing tax credits for the benefit of the flow-through losses and dollar for dollar tax benefits during the 15-year credit period.

CCFC is required to consolidate Nativity Manor and Nativity Homes based on its controlling interest as managing general partner and managing member, respectively. The profits and losses are allocated between partners/members as defined in the respective Partnership and Operating Agreements.

The summary financial information shown below is presented before the effects of eliminating entries in the amount of \$676,160 and \$655,211 related to mortgage and notes payable at December 31, 2010 and 2009, respectively. The statement of financial position disclosures are presented after the effect of the eliminations.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC (Continued)

A summary of the financial information of Nativity Manor and Nativity Homes is as follows:

Statement of Assets, Liabilities and Partners' Equity December 31, 2010

Assets	Nativity Manor, L.P.	Nativity Homes, LLC	Total
Rental property (net of accumulated depreciation of \$957,383 and \$489,773, respectively)	\$ 3,445,734	\$ 2,756,807	\$ 6,202,541
Other	213,276	158,664	371,940
Total assets	\$ 3,659,010	\$ 2,915,471	\$ 6,574,481
Liabilities and Partners' Equity			
Mortgage and notes payable	\$ 1,829,458	\$ 1,275,641	\$ 3,105,099
Other	383,503	63,032	446,535
Total liabilities	2,212,961	1,338,673	3,551,634
Partners' Equity	1,446,049	1,576,798	3,022,847
Total liabilities and partners' equity	\$ 3,659,010	\$ 2,915,471	\$ 6,574,481

Statement of Revenue and Expenses Year Ended December 31, 2010

	Nativity Manor, L.P.	Nativity Homes, LLC	Total
Revenue	\$ 209,307	\$ 139,789	\$ 349,096
Expenses	381,427	274,964	656,391
Net (loss)	\$ (172,120)	\$ (135,175)	\$ (307,295)

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC (Continued)

Statement of Assets, Liabilities and Partners' Equity December 31, 2009

Assets	Nativity Manor, L.P.	Nativity Homes, LLC	Total
Rental property (net of accumulated depreciation of \$798,444 and \$366,807, respectively)	\$ 3,604,673	\$ 2,879,773	\$ 6,484,446
Other	208,546	141,234	349,780
Total assets	\$ 3,813,219	\$ 3,021,007	\$ 6,834,226
Liabilities and Partners' Equity			
Mortgage and notes payable	\$ 1,908,865	\$ 1,350,589	\$ 3,259,454
Other	375,675	68,270	443,945
Total liabilities	2,284,540	1,418,859	3,703,399
Partners' Equity	1,528,679	1,602,148	3,130,827
Total liabilities and partners' equity	\$ 3,813,219	\$ 3,021,007	\$ 6,834,226

Statement of Revenue and Expenses Year Ended December 31, 2009

	Nativity Manor, L.P.	Nativity Homes, LLC	Total
Revenue	\$ 220,874	\$ 140,136	\$ 361,010
Expenses	371,807	300,833	672,640
Net (loss)	\$ (150,933)	\$ (160,697)	\$ (311,630)

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC (Continued)

Nativity Manor

At December 31, 2010 and 2009, Nativity Manor has an equity commitment from the Limited Partner in the amount of \$447,448 and \$536,938, respectively. The amount is for the subscribed capital contributions and is secured by the Limited Partner's interest in the Partnership. The balance is due and payable in non-interest bearing annual installments upon the satisfaction of certain conditions by the Managing General Partner as specified in an unconditional note assigned to the Ohio Housing Finance Agency. The equity receivable will be utilized for debt service of the bridge loan. This amount will be recorded upon the successful completion of certain conditions by the Managing Partner. In addition, the 2007 installment included \$29,970 to fund the Operating Reserve. The note is expected to be paid to the Partnership in an annual amount of \$89,490 for the years 2009 through 2015.

Nativity Manor shall pay to an affiliate of the Limited Partner a cumulative asset management fee in the amount of \$4,000, increasing annually in amounts determined by the Partnership Agreement for its services in assisting in monitoring partnership activities. Asset management fees charged by the Limited Partner totaled \$4,668 and \$4,488 in 2010 and 2009, respectively. Accrued and unpaid asset management fees totaled \$4,846 and \$11,668 at December 31, 2010 and 2009, respectively.

Nativity Manor has entered into a mortgage payable to Key Bank, N.A. totaling \$1,154,000 and bears interest at 4.0% per annum. The Partnership has received a below market interest rate, through its commitment to maintain certain affordable rent levels, as part of the Federal Home Loan Bank's Affordable Housing Program. Principal and interest are due and payable in monthly installments of \$5,532 on the first of each month, commencing on November 1, 2005. The entire unpaid principal balance and all accrued interest are due and payable on December 1, 2019. The mortgage is collateralized by the real estate and assignment of rents and security. As of December 31, 2010 and 2009 accrued and unpaid interest totaled \$3,245 and \$3,591, respectively.

Nativity Manor has entered into a note payable with the Ohio Housing Finance Agency totaling \$250,000 and bearing interest at 6.75% compounded semiannually on the last day of June and December. The \$250,000 received from the Ohio Housing Finance Agency are HOME funds granted through the State of Ohio Department of Development and Housing Development Assistance Program. The note is collateralized by the real estate and assignment of rents and security. Principal and interest shall be deferred and payable to the extent that the borrower's cash flow permits such payments as detailed in the Funding Agreement and promissory note. The entire unpaid principal balance and all accrued interest is due and payable on April 17, 2038. Accrued and unpaid interest was \$122,025 and \$98,130 and at December 31, 2010 and 2009 respectively.

Nativity Manor has entered into a note payable in the amount of \$730,800 with the Ohio Housing Finance Agency bearing interest at the rate of 2% per annum. Principal and interest are due and payable in annual installments of \$89,490, commencing April 15, 2007 through April 15, 2015. The note is secured by the Limited Partner's assignment to the Partnership of the Investor notes receivable for future capital contribution installments. The total outstanding balance is \$421,788 and \$501,247 with accrued and unpaid interest of \$5,976 and \$7,101 as of December 31, 2010 and 2009, respectively.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC (Continued)

Nativity Manor (Continued)

The amounts due at December 31 are as follows:

	2010	2009
KeyBank, N.A.	\$ 1,035,645	\$ 1,059,488
Ohio Housing Finance Agency	421,788	501,247
Ohio Housing Finance Agency	372,025	348,130
	<u>\$ 1,829,458</u>	<u>\$ 1,908,865</u>

Maturities of the mortgage and notes in each of the next five years are approximated as follows:

2011	\$ 106,698
2012	109,365
2013	112,108
2014	114,926
2015	117,825

There has been no significant change in interest rates available to the Partnership. Therefore, the fair value of the mortgage and notes approximates the book value.

Nativity Manor shall pay to the Managing General Partner a noncumulative incentive management fee. The fee shall be payable from available cash flow and is equal to 80% of any remaining cash flow available for distribution. No incentive management fee was paid in 2010 and 2009.

Nativity Homes

Nativity Homes has an equity commitment from the Investor Member in the amount of \$768,783 and \$878,608 at December 31, 2010 and 2009, respectively, and is for subscribed capital contributions. The note is secured by the Investor Member's interest in the Company. Upon the closing of the equity bridge loan, the balance is due and payable in non-interest bearing annual installments upon satisfaction of certain conditions by the Project Members as specified in an unconditional note assigned to the Ohio Housing Finance Agency. This amount will be recorded upon the successful completion of certain conditions by the Project Members. The note is expected to be paid to the Partnership in an annual amount of \$109,825 for the years 2011 through 2017.

Nativity Homes shall pay to an affiliate of the Project Member a cumulative asset management fee in the amount of \$4,000, increasing annually in amounts determined by the Operating Agreement for its services in assisting in monitoring company activities. Asset management fees charged totaled \$4,368 and \$4,236 in 2010 and 2009, respectively. Accrued and unpaid asset management fees as of December 31, 2010 and 2009 totaled \$0 and \$7,313, respectively.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 9. Investments in Consolidated Partnership and LLC (Continued)

Nativity Homes (Continued)

Nativity Homes entered into a mortgage payable to Charter One totaling \$250,000 and bears interest at 6% per annum. Principal and interest are due and payable in monthly installments of \$1,499 on the first of each month, commencing on November 1, 2007. The entire unpaid principal balance and all accrued interest are due and payable on November 1, 2023. The mortgage is collateralized by the real estate and assignment of rents and security. Accrued and unpaid interest totaled \$1,218 as of December 31, 2010 and 2009.

Nativity Homes entered into a note payable with the Ohio Housing Finance Agency totaling \$1,000,000 and bearing interest at 2% per annum. Principal and interest are due and payable in annual installments of \$109,825, commencing April 15, 2008 through April 15, 2017. The note is secured by the Investor Member's assignment to the Company of the Investor Notes receivable for future capital contribution installments. Accrued and unpaid interest as of December 31, 2010 and 2009 totaled \$10,058 and \$11,383, respectively.

The amounts due at December 31 are as follows:

	2010	2009
Charter One Bank	\$ 240,620	\$ 243,636
Ohio Housing Finance Agency	709,995	803,509
	<u>\$ 950,615</u>	<u>\$ 1,047,145</u>

Maturities of the mortgage and notes in each of the next five years are approximated as follows:

2011	\$ 99,126
2012	101,293
2013	103,514
2014	105,788
2015	108,118

There had been no significant change in interest rates available to the Company. Therefore, the fair value of the mortgage and notes approximate the book value.

Nativity Homes entered into a management agreement with Wallick Properties Midwest, LLC, an affiliate of one of the Project Members to manage the rental operations. Property management fees charged totaled \$8,400 in both 2010 and 2009. The amount due to the management agent related to management fees as of December 31, 2010 and 2009 totaled \$763.

As part of a recurring relationship, the management agent and one of the Project Members or one of its affiliates provides services to Nativity Homes that assist in its operations. Nativity Homes reports its payroll under a common paymaster. The management agent was reimbursed \$25,881 and \$48,494 for the costs of site employee payroll and benefits in 2010 and 2009, respectively.

Nativity Homes shall pay to the Project Members a noncumulative incentive management fee from available cash flow. No incentive management fee was paid in 2010 and 2009.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 10. Debt

The Organization has entered into various debt arrangements which are summarized as follows and are more fully explained below:

	2010	2009
Express Credit Line - CCHHS	\$ 751,182	\$ 1,252,591
Bonds payable	5,500,000	5,700,000
Notes payable - CCFC	363,000	363,000
Notes payable - CCFC	245,000	245,000
Notes payable - CCHC	250,000	250,000
Notes payable - Manor	206,992	-
	<u>\$ 7,316,174</u>	<u>\$ 7,810,591</u>

Future minimum principal payments on the debt are as follows:

2011	\$ 748,798
2012	514,556
2013	271,574
2014	636,676
2015	244,570
Thereafter	4,900,000
	<u>\$ 7,316,174</u>

Express Credit Line

CCHHS has available for its use an express credit line at a maximum amount of \$1,500,000. The credit line is collateralized by certain marketable securities and the agreement does contain collateral coverage requirements. Market fluctuations or future withdrawals may affect the maximum amount of the loan. The credit line bears interest at the LIBOR swap index plus 2.5% that existed at the date of the financing, for the term of each investment that provided the corresponding collateral. These rates varied from 4.15% to 4.95% per annum. The interest rates at December 31, 2010 and 2009 were 4.55% and 4.35%, respectively.

Bonds - St. Augustine Manor

To finance certain rehabilitation costs at St. Augustine Manor, CCFC issued through Cuyahoga County, Ohio, \$4,900,000 Variable Rate Health Care Facilities Revenue Bonds, Series 1997. These bonds were payable over fifteen years and initially bore interest at 3.50% per annum. The bonds bore interest at a variable rate determined weekly and interest was payable quarterly. The bonds were collateralized by a letter of credit. The outstanding bond balance of \$1,615,000 was paid in full during the year ended 2009.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 10. Debt (Continued)

Bonds – Parmadale

On September 11, 2008, the City of Parma, Ohio issued \$5,800,000 Ohio Healthcare Facilities Revenue Bonds, Series 2008 (the Bonds) to assist in the financing the costs of acquiring, constructing and equipping three new residential intensive treatment facilities to adjoin two existing healthcare facilities and a multipurpose center on property owned by CCFC. The Bonds mature October 1, 2029. The Bonds are subject to redemption or mandatory tender prior to maturity under the terms of the Bond Indenture. Under certain circumstances CCFC may be required to purchase Bonds tendered prior to their maturity date.

As part of the transaction, CCFC leased the property to the City of Parma for a nominal rental and the City of Parma, in turn, leased the property to CCFC under leases expiring when all of the conditions for the release and discharge of the Bond Indenture are satisfied. The rentals payable by CCFC under its lease are equal to the amounts payable, from time-to-time under the Bond Indenture. Additionally, CCFC is required to pay all the expenses, including taxes, relating to the property. The City of Parma has assigned the lease and the right to receive payments required under the lease to the Bond Trustee.

The Bonds are secured by a \$5,858,000 irrevocable direct-pay letter of credit issued by RBS Citizens, National Association (RBS) for the account of CCFC with an initial maturity date of September 11, 2011. The irrevocable direct-pay letter of credit was subsequently renewed through September 11, 2014. The letter of credit terminates on the earlier of its maturity date (which may be extended from time-to-time by RBS) or when none of the Bonds remain outstanding. Should the letter of credit terminate, the outstanding Bonds will be subject to mandatory redemption by CCFC. The letter of credit is secured by a mortgage on the leased premises and by any Bonds acquired and held by CCFC.

CCFC and CCHHS, as co-borrowers, entered into a Reimbursement Agreement with RBS providing for the repayment of amounts drawn by the Bond Trustee from the letter of credit (if any). The agreement provides that any amounts not otherwise repaid within 90 days of the expiration of the agreement, convert to a 60 month term loan bearing interest at the RBS's Bank Interest Rate (as defined) plus 1% per annum. The agreement terminates on the same date as the letter of credit terminates. CCFC and CCHHS have agreed to pay RBS an administrative fee under this agreement of .6% of the amount of the letter of credit. Additionally, if the letter of credit is terminated prior to the third anniversary of its issue, CCFC and CCHHS will pay a termination fee to RBS. The agreement requires that CCFC and CCHHS comply with certain financial and reporting covenants.

Fifth Third Securities, Inc. (Fifth Third) is responsible to remarket the Bonds and receives a fee of .085% of the principal amount of the Bonds as long as the Bonds bear interest at the Weekly Rate. The bonds bear interest at the Weekly Rate which is variable and is determined weekly by Fifth Third as remarketing agent unless the rate is converted to an Other Rate or to a Term Rate as defined in the bond indenture. Interest is payable monthly commencing October 1, 2008 unless the rate is converted to a Term Rate. The maximum rate for which the letter of credit facility provides coverage is 8%. The weekly rate is the interest rate necessary to enable the remarketing agent to sell the bonds at a price equal to the principal plus accrued interest based upon current transactions in comparable securities in which the remarketing agent is involved. At December 31, 2010 and 2009, the bonds bore interest at the rate of .91% and 1.35%, respectively. Interest expense for the years ended December 31, 2010 and 2009 was \$48,463 and \$172,345, respectively. The bonds were issued and are secured by the Bond Indenture between the City of Parma and the trustee.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 10. Debt (Continued)

The Bond Indenture provides for payments of rent under the lease to be deposited in a fund maintained by the Bond Trustee. Payments to the fund commence July 1, 2009 in amounts equal to the aggregate principal amounts as required in the Indenture until their maturity on October 1, 2029. Amounts outstanding on the Bonds were \$5,500,000 and \$5,700,000 at December 31, 2010 and 2009, respectively.

In the event the bonds bear interest at the Term Rate or Other Rate, the bonds are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount of the bonds redeemed plus interest accrued to the redemption date on the dates and in the principal amounts required for redemption in the reimbursement agreement. These mandatory sinking fund requirements would then apply for the remaining term for which the bonds are outstanding.

CCFC maintains an interest rate risk management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. CCFC's specific goal is to lower (where possible) the cost of its borrowed funds.

Notes Payable

CCFC has a note payable to the City of Cleveland related to Ascension Village in the amount of \$363,000. The note bears interest at 1% and is due July 31, 2014. Interest payments on the note are contingent upon receipt of interest on the Ascension Village Limited Partnership notes receivable and are, therefore, expensed when paid. No interest was received from Ascension Village or remitted to the City of Cleveland for the years ending December 31, 2010 or 2009.

To finance the loan to Annunciation Terrace Limited Partnership for construction of the low-income housing project in Akron, Ohio, CCFC entered into a note agreement with an Ohio non-profit corporation in the amount of \$245,000. The note is non-interest bearing, matures on December 31, 2016 and is collateralized by a mortgage on the Annunciation Terrace Limited Partnership property.

CCHC entered into a note payable with the Ohio Housing Finance Agency totaling \$250,000 and bearing interest at 2.0% annually. The funds are HDAP (Housing Development Assistance Program) funds and were secured for the purpose of constructing Nativity Homes. This note is collateralized by the real estate and assignment of rents and security. Principal and interest shall be deferred and payable to the extent that Nativity Homes cash flow permits such payments as detailed in the promissory note. The entire unpaid principal balance and all accrued interest are due and payable on August 3, 2036. Accrued and unpaid interest totaled \$21,191 and \$15,122 at December 31, 2010 and 2009, respectively.

The purchase price on the acquisition of GenerationsCare Health Services LLC by the Manor in 2010 was partially paid by issue of note in the amount of \$249,000. Monthly interest and principal payments are due on the note, which matures January 31, 2015. Interest on the note is payable at the rate of 4% per annum and compounds monthly. The amount outstanding as of December 31, 2010 was \$206,992.

In order to finance the energy retrofit renovations of the Bishop Wm. Cosgrove Center and St. Augustine Towers, CCFC entered into a note agreement on August 18, 1999 with a bank in the amount of \$250,000. The note required monthly principal and interest payments of \$3,107, bore interest at 7.65% and matured in 2009. The note was paid in full in 2009. The note was guaranteed by certain corporations that comprise the Catholic Charities system.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 10. Debt (Continued)

The Ohio Department of Mental Health holds an Open End Mortgage on the Parmadale intensive treatment center and multi-purpose facility. The 40-year, \$2,000,000 mortgage was entered into July, 1993. The mortgage bears no interest and requires no payments if the facility continues to be utilized for mental health services. In the event the facility is used for a purpose other than approved mental health service as determined by the mortgagee, payments would be required in an amount equal to the balance of \$1,129,167 and \$1,179,167 at December 31, 2010 and 2009, respectively.

Note 11. Interest Rate Swap Liability

On November 19, 2001, CCFC entered into an interest rate swap agreement on the \$4,900,000 Variable Rate Health Care Facilities Revenue Bonds, Series 1997 with KeyBank. Amounts receivable or payable under the swap were settled by the parties quarterly and recognized when incurred as an adjustment to interest expense. The net change in the swap each year was recognized in other income and expenses on the combined statements of activities. As a result of this swap agreement, the cumulative interest expense was increased by \$23,029 in 2009. The swap agreement was terminated during 2009 and CCFC was charged a termination fee of \$88,036.

As it relates to the Parmadale bonds, CCFC and CCHHS entered into an interest rate swap agreement, effective October 1, 2008. The original notional principal amount under this agreement was \$5,500,000, which reduces as debt principal payments are made. The interest rate swap agreement matures in October 2029. The notional amount at December 31, 2010 and 2009 is \$5,215,517 and \$5,405,172, respectively. Based on the swap agreement, CCFC receives payments calculated at a variable rate equal to the prevailing USD-SIFMA (Securities Industry and Financial Markets) rate from the counter party to the swap. In return, CCFC makes payments to the counter party based on the fixed rate of 3.82%. From January 1, 2010 to December 31, 2010, the variable rate ranged from .15% to .34% and from January 1, 2009 to December 31, 2009, the variable rate ranged from .22% to .66%. Only the net difference in payments is exchanged with the counter party. The notional amount is not exchanged as it is only the basis on which the interest payments are calculated. CCFC and CCHHS are exposed to credit loss in the event of nonperformance by the counter party to the interest rate swap agreement. However, CCFC and CCHHS do not anticipate nonperformance by the counter party. At December 31, 2010 and 2009, the fair value of the swap agreement was \$435,186 and \$365,572, respectively.

Note 12. Accrued Employee Obligations

Defined Contribution Plans

The Organization provides a variety of defined contribution plans which cover all employees who meet certain requirements. For the years ended December 31, 2010 and 2009, the Organization made contributions in the amount of \$1,568,056 and \$1,635,037, respectively, for these plans.

Defined Benefit Plans

In 2010, the IRS issued a favorable determination letter and the Catholic Charities Services of Cuyahoga County non-qualified frozen defined benefit pension plan assets and liabilities were settled in 2010. During 2010, the Organization incurred a total expense of approximately \$113,000, which was principally comprised of a final employer contribution. The remaining expense was due to revised actuarial assumptions, return on assets, and other costs associated with the termination of the plan.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 12. Accrued Employee Obligations (Continued)

Defined Benefit Plans (Continued)

In addition, RMC participates in the Catholic Diocese of Cleveland Pension Plan which is a multi-employer plan to which RMC is required to make an annual contribution based on earnings of participants for the year. The plan is administered by the Diocese Group Life and Pension Office. RMC has no other obligations or responsibilities with respect to the plan. Expenses under the plan were \$339,703 and \$299,102 in 2010 and 2009, respectively.

Post-Retirement Benefit Plans

CCHHS, CCSC and CCCSC have postretirement benefit plans which provide medical and life insurance coverage for retirees who meet their years of service requirement. Information relative to the Organization's postretirement benefit plan as of and for the years ended December 31 is presented below:

	2010	2009
Accumulated postretirement benefit obligation	\$ (3,998,731)	\$ (4,034,553)
Fair value of plan assets	-	-
Unfunded status	<u>\$ (3,998,731)</u>	<u>\$ (4,034,553)</u>
Amounts recognized on the statement of financial position consist of:		
Current	\$ -	\$ -
Long-term	3,998,731	4,034,553
	<u>\$ 3,998,731</u>	<u>\$ 4,034,553</u>
Amounts recognized for the year:		
Employer contributions	\$ 100,763	\$ 90,332
Benefits paid	100,763	90,332
Components of Net Periodic Benefit Cost:		
Service cost	\$ 34,721	\$ 39,133
Interest cost	209,907	227,595
Prior service cost amortization	(66,747)	(141,490)
Net loss amortization	20,636	51,737
Net Periodic Benefit Cost	<u>\$ 198,517</u>	<u>\$ 176,975</u>
Amounts not yet recognized in the Net Periodic Benefit Cost:		
Unrecognized prior service credit	\$ (220,500)	\$ (287,247)
Unrecognized net loss	640,335	841,678
Total	<u>\$ 419,835</u>	<u>\$ 554,431</u>

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 12. Accrued Employee Obligations (Continued)

Post-retirement Benefit Plans (Continued)

Amounts expected to be recognized during the year ended December 31, 2011:

Amortization of net prior service credit	<u>\$ 38,124</u>
Amortization of net loss	<u>\$ 30,091</u>
Weighted average assumptions:	
Discount rate	<u>5.25%</u>
Rate of increase in the per capita cost of covered health care benefits	<u>7.00%</u>

Expected benefit payments during the year ending December 31:

2011	\$ 199,912
2012	213,329
2013	230,032
2014	245,137
2015	256,625
2016-2020	1,397,189

Employer contributions expected to be paid during the year ended December 31, 2011 are approximately \$200,000.

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7.0% is assumed for 2010. This rate is assumed to decrease at 1.0% per year until reaching 5.0% in 2011 and remains level thereafter. The effect of a 1% increase or decrease in the medical cost trend rate would result in a \$189,410 increase or \$165,400 decrease in the accumulated postretirement benefit obligation, respectively.

The plans are not eligible for Medicaid Part D prescription drug subsidy.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 13. Board Designated Net Assets

A portion of unrestricted net assets for the Secretariat for Catholic Charities Health & Human Services has been designated for the following purposes at December 31:

	2010	2009
Capital replacement, acquisition and improvement	\$ 3,844,997	\$ 5,020,204
Future operational reserve	810,796	311,784
Special projects	353,620	335,895
Scholarships for camping	382,624	393,672
Cleveland Diocese Evaluation for Marriage program	113,332	112,594
Inner City Athletics	78,060	-
Land held for future development	84,578	84,578
	<u>\$ 5,668,007</u>	<u>\$ 6,258,727</u>

The Organization maintains reserves for the benefit of the Catholic Charities entities within the Diocese of Cleveland. The future operational reserve is primarily intended to provide organizational stability in the event that funds raised annually by Catholic Charities Corporation fall short of a year's allocation commitments. It is funded in years of excess fundraising and drawn down when commitments exceed funds raised. The size of the fund is limited to ten percent of the annual fundraising target.

The capital replacement and/or major repair fund exists to provide funding for large capital projects or significant capital repairs. It is funded when fundraising exceeds allocation commitments and from the sale of property.

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	2010	2009
General health and welfare - Diocese of Cleveland	\$ 13,142,690	\$ 11,680,073
Children and family services	5,684,987	5,168,775
Older adults	1,210,931	1,816,852
Disabilities	1,668,541	1,532,154
Time restrictions	743,061	879,015
Community development/foster care	729,133	729,133
Emergency and transitional	712,517	383,698
Social action	67,195	71,031
Parish and community ministries	3,252	54,010
Capital projects	155,621	35,954
Special purposes	-	15,776
	<u>\$ 24,117,928</u>	<u>\$ 22,366,471</u>

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 15. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	2010	2009
General health and welfare - Diocese of Cleveland	\$ 10,814,815	\$ 10,356,255
End of life care	5,239,264	4,822,823
Children and family services	2,485,332	2,057,179
Disabilities	1,291,668	1,265,099
Older adults	1,176,879	1,173,999
Emergency and transitional	737,117	737,117
	<u>\$ 21,745,075</u>	<u>\$ 20,412,472</u>

Note 16. Goodwill

During 2010, the Manor acquired GenerationsCare Health Services. Goodwill, which is the excess cost of the acquired entity over the amounts assigned to the assets acquired and liabilities assumed, amounted to \$345,000. As of December 31, 2010 there was no impairment of this valuation.

Note 17. Appeal and Fund Administration Fee

CCC contracted with The Catholic Diocese of Cleveland Foundation (CDCF) to provide operational and fundraising support. CCC was charged a net fee of \$1,875,000 by CDCF in 2010 and 2009.

Note 18. Donated Goods, Facilities and Services

The Organization received in kind contributions and related expenses with a value of \$595,778 and \$686,142 for the years ended December 31, 2010 and 2009, respectively. These donated goods and services were utilized to further the charitable purpose of the Organization.

Note 19. Lease Commitments

The Organization leases various items under noncancelable long-term leases expiring over the next five years. Rental expense for these various items, including various items leased under month to month leases, for the years ended December 31, 2010 and 2009 was \$1,727,429 and \$1,572,663, respectively. The future minimum lease payments at December 31, 2010 are as follows:

2011	\$ 357,147
2012	279,852
2013	139,169
2014	53,002
2015	10,250
	<u>\$ 839,420</u>

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 20. Endowment Funds

The Organization's endowment primarily consists of assets held at the CDCF which consist of donor restricted endowment funds established for a variety of purposes. As the assets are held by the CDCF for the sole benefit of the Organization, the CDCF's investment policies are described below to illustrate the strategies and return objectives for these assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: The Organization has interpreted 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, the Organization 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 portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is considered to be temporarily restricted, and may be available to support operations, in accordance with the established distribution policy.

Return objectives and strategies: CDCF places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling three to five year period or a market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a real annual compound rate of return, inclusive of interest income, dividends, and net capital appreciation over the measurement period, at least equal to the sum of the annual payout percentage provided for in the distribution policy plus inflation (for example 5% distribution policy + inflation + investment management cost).
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of distribution policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for CDCF's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above minimum and below maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. To ensure allocations are consistent with the allocation policy, rebalancing the portfolio is done quarterly using the quarterly end portfolio values. CDCF does not deem it acceptable to time the market with tactical allocation shifts. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 20. Endowment Funds (Continued)

Distribution policy: Distributions from the endowment funds are spent in compliance with the donor's restrictions applicable to the fund being distributed. Annual distributions from endowment funds are limited to not more than five-percent of the average weighted fair value of the investable assets for the past three years.

Endowment net asset composition by type and changes in endowment net assets for the years ended December 31, 2010 and 2009:

	Temporarily Restricted	Permanently Restricted
Endowment beginning balance, January 1, 2009	\$ 2,886,538	\$ 10,777,312
Investment Return:		
Investment income, net	274,335	-
Realized and unrealized gains	2,043,888	-
	<u>2,318,223</u>	<u>-</u>
Gifts and other additions	2,500	260,425
Expenditures and other releases	(655,713)	-
Transfer of net assets	(19,225)	(124,375)
Endowment ending balance, December 31, 2009	<u>4,532,323</u>	<u>10,913,362</u>
Investment Return:		
Investment income, net	221,372	-
Realized and unrealized gains	1,827,119	-
	<u>2,048,491</u>	<u>-</u>
Gifts and other additions	4,000	2,880
Expenditures and other releases	(726,884)	-
Transfer of net assets	(10,740)	10,740
Endowment ending balance, December 31, 2010	<u>\$ 5,847,190</u>	<u>\$ 10,926,982</u>

Note 21. Contingencies

The Organization operates in an environment subject to extensive federal and state laws, rules and regulations, including payment for services, conduct of operations and facility and professional licensure. Changes in law and regulatory interpretations could reduce the Organization's revenue. The Organization is from time to time subject to claims and suits for damages arising in the normal course of business. Management believes the ultimate resolution of any claims will not have a material adverse effect on the financial position, changes in net assets, or liquidity of the Organization.

Secretariat for Catholic Charities Health & Human Services

Notes to Combined Financial Statements

Note 22. Subsequent Events

Effective January 1, 2011, CYO and its programs merged with CCCSC, with the exception of the Parish and Community Ministries programs, which transferred to CCHHS.

In 2011, CCFC changed its name to the Diocese of Cleveland Facilities Services Corporation, amended its articles of incorporation to a sole member, The Bishop of the Roman Catholic Diocese of Cleveland, and expanded its purpose to providing facilities services to the greater Diocese of Cleveland.

Subsequent to December 31, 2010, CDCF changed its name to the Catholic Community Foundation (CCF).



**Independent Auditor's Report
on the Supplementary Information**

Secretariat for Catholic Charities Health & Human Services
Cleveland, Ohio

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combined supplementary information is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

McGladrey & Pullen, LLP

Cleveland, Ohio
August 8, 2011

Secretariat for Catholic Charities Health & Human Services

Details of Combined Statement of Financial Position
December 31, 2010

Assets

	Catholic Charities Health & Human Services	Catholic Charities Services Corporation	Catholic Charities Community Services Corporation	Catholic Diocese of Cleveland Foundation for the Benefit of the Organization	St. Augustine Manor and Affiliate	Catholic Charities Facilities Corporation	Catholic Charities Corporation	Rose-Mary Center	CYO and Community Services, Inc.	Eliminations	Total
Current Assets											
Cash and cash equivalents	\$ 3,214,607	\$ 1,282,316	\$ 641,586	\$ 145,851	\$ 1,033,998	\$ 905,948	\$ 1,884,168	\$ 1,367,502	\$ 2,243,116	\$ -	\$ 12,719,092
Receivables:											
Trade, net	426,161	3,086,358	1,779,452	6,420	3,851,411	179,965	-	515,497	280,642	(33,700)	10,092,206
Pledges	124,819	347,184	271,058	-	-	-	-	77,119	-	-	820,180
Related party	-	-	-	-	-	246,270	215,000	-	-	(215,000)	246,270
Inventory	-	46,585	-	-	209,658	-	-	-	-	-	256,243
Other	58,686	41,527	36,948	-	23,796	16,893	137,833	93,301	20,948	(3,711)	426,221
Total current assets	3,824,273	4,803,970	2,729,044	152,271	5,118,863	1,349,076	2,237,001	2,053,419	2,544,706	(252,411)	24,560,212
Investments	3,857,681	-	-	32,316,318	1,589,861	1,000	-	2,442,063	98,107	(894,461)	39,410,569
Other Assets											
Notes and interest receivable - related party	6,815,186	-	-	-	-	3,402,830	-	-	-	(7,565,186)	2,652,830
Funds held in trust by others	-	236,100	412,738	-	5,039,264	-	4,833,126	296,865	-	-	10,818,093
Property, plant and equipment, net	442,058	520,280	241,320	-	4,483,438	40,461,595	-	457,343	636,352	-	47,242,386
Land held for future development	84,578	-	-	-	-	14,986	-	-	-	-	99,564
Assets in consolidated partnership and LLC	-	-	-	-	-	6,574,481	-	-	-	-	6,574,481
Goodwill	-	-	-	-	345,000	-	-	-	-	-	345,000
Other	-	-	-	-	14,410	-	-	-	1,000	-	15,410
Total other assets	7,341,822	756,380	654,058	-	9,882,112	50,453,892	4,833,126	754,208	637,352	(7,565,186)	67,747,764
Total assets	\$ 15,023,776	\$ 5,560,350	\$ 3,383,102	\$ 32,468,589	\$ 16,590,836	\$ 51,803,968	\$ 7,070,127	\$ 5,249,690	\$ 3,280,165	\$ (8,712,058)	\$ 131,718,545
Liabilities and Net Assets											
Current Liabilities											
Current portion of debt	\$ 701,182	\$ -	\$ -	\$ -	\$ 547,616	\$ 700,000	\$ -	\$ -	\$ -	\$ (1,200,000)	\$ 748,798
Liabilities in consolidated partnership and LLC	-	-	-	-	-	205,824	-	-	-	-	205,824
Accounts payable	184,703	317,377	332,523	94,617	1,083,530	-	11,900	143,045	95,156	(7,022)	2,255,829
Due to third party payors	-	-	-	-	467,561	-	-	-	-	-	467,561
Accrued expenses	380,332	459,348	269,796	-	2,545,134	250,400	11,955	380,386	145,452	(130,000)	4,312,803
Related party	215,000	-	-	30,389	-	-	-	-	-	(245,389)	-
Deferred revenue	347,980	96,086	103,387	-	-	1,606,343	-	-	193,259	-	2,347,055
Total current liabilities	1,829,197	872,811	705,706	125,006	4,643,841	2,762,567	23,855	523,431	433,867	(1,582,411)	10,337,870
Other Liabilities											
Debt	5,550,000	-	-	-	409,376	6,408,000	-	-	-	(5,800,000)	6,567,376
Interest rate swap	435,186	-	-	-	-	435,186	-	-	-	(435,186)	435,186
Other	98,067	104,718	170,667	-	87,151	-	-	-	12,163	-	472,766
Accrued employee obligations	1,112,093	1,927,269	959,369	-	-	-	-	-	-	-	3,998,731
Capital lease obligation	-	-	-	-	-	-	-	-	-	-	-
Liabilities in consolidated partnership and LLC	-	-	-	-	-	2,685,268	-	-	-	-	2,685,268
Total liabilities	9,024,543	2,904,798	1,835,742	125,006	5,140,368	12,291,021	23,855	523,431	446,030	(7,817,597)	24,497,197
Non-controlling interest	-	-	-	-	-	3,021,681	-	-	-	-	3,021,681
Net Assets											
Unrestricted:											
Undesignated	837,732	1,330,424	755,264	-	4,360,957	36,490,100	2,213,146	3,947,592	2,732,276	-	52,667,491
Board designated	658,594	-	-	-	885,367	-	-	-	77,121	4,046,925	5,668,007
Member's equity in consolidated entities	-	-	-	-	-	1,166	-	-	-	-	1,166
	1,496,326	1,330,424	755,264	-	5,246,324	36,491,266	2,213,146	3,947,592	2,809,397	4,046,925	58,336,664
Temporarily restricted	4,502,907	1,089,028	379,358	21,785,661	585,820	-	-	314,818	9,738	(4,549,402)	24,117,928
Permanently restricted	-	236,100	412,738	10,557,922	5,618,324	-	4,833,126	463,849	15,000	(391,984)	21,745,075
Total net assets	5,999,233	2,655,552	1,547,360	32,343,583	11,450,468	36,491,266	7,046,272	4,726,259	2,834,135	(894,461)	104,199,667
Total liabilities and net assets	\$ 15,023,776	\$ 5,560,350	\$ 3,383,102	\$ 32,468,589	\$ 16,590,836	\$ 51,803,968	\$ 7,070,127	\$ 5,249,690	\$ 3,280,165	\$ (8,712,058)	\$ 131,718,545

Secretariat for Catholic Charities Health & Human Services

Details of Combined Statement of Activities
Year Ended December 31, 2010

	Catholic Charities Health & Human Services	Catholic Charities Services Corporation	Catholic Charities Community Services Corporation	Catholic Diocese of Cleveland Foundation for the Benefit of the Organization	St. Augustine Manor and Affiliates	Catholic Charities Facilities Corporation	Catholic Charities Corporation	Rose-Mary Center	CYO and Community Services, Inc.	Eliminations	Total
Revenues and Support											
Catholic Charities											
Annual appeal contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,879,361	\$ -	\$ -	\$ -	\$ 9,879,361
Bequests and special gifts	-	-	-	-	-	-	788,177	-	-	-	788,177
Catholic Charities - allocation	4,774,577	919,789	2,580,449	-	1,139,378	605,943	-	121,380	240,504	(10,382,020)	-
United Way	331,846	1,015,872	869,904	-	-	-	-	243,865	371,748	-	2,833,235
Program fees	1,430,962	149,021	421,546	-	5,098,441	481,845	-	23,866	1,718,836	(51,406)	9,273,111
Governmental	1,390,931	16,724,885	11,060,987	-	21,558,048	-	-	9,989,911	1,730,379	-	62,455,141
Contributions:											
Foundations, trusts and individuals	488,209	83,206	814,540	6,000	2,629,050	-	-	281,598	224,118	-	4,526,721
Donated goods, facilities, services	-	17,400	578,378	-	-	-	-	-	25,720	(25,720)	595,778
Rental	-	-	49,858	-	1,487,657	2,264,483	-	-	-	(1,981,864)	1,820,134
Related party	1,841,659	-	-	-	-	-	-	-	-	(1,608,911)	232,748
Operating investment income	82,141	4,800	(3,494)	-	64,837	51,895	5,130	279,722	12,769	(212,917)	284,883
Distributable investment income	-	-	-	1,425,174	-	-	-	-	-	-	1,425,174
Change in value of funds held in trust by others	-	15,415	12,738	-	416,441	-	447,820	26,569	-	-	918,983
Special events - net	49,487	-	15,446	-	-	-	-	-	96,705	-	161,638
Consolidated partnership and LLC	-	-	-	-	-	349,096	-	-	-	-	349,096
Miscellaneous	93,783	62,084	148,738	-	23,371	109,165	893	25,838	116,990	(15,870)	564,992
Total revenues and support	10,483,595	18,992,472	16,549,090	1,431,174	32,417,223	3,862,427	11,121,381	10,992,749	4,537,769	(14,278,708)	96,109,172
Expenses											
Salaries	4,439,075	10,411,848	8,642,761	-	16,861,453	790,911	-	6,395,188	2,061,291	11,980	49,614,507
Employee benefits	962,333	2,449,226	1,750,970	-	2,735,167	147,454	-	1,110,259	337,746	-	9,493,155
Payroll taxes	342,521	1,085,956	857,463	-	1,858,285	70,770	-	624,345	211,460	-	5,050,800
Total salaries and related expenses	5,743,929	13,947,030	11,251,194	-	21,454,905	1,009,135	-	8,129,792	2,610,497	11,980	64,158,462
Purchased services	1,007,589	1,578,303	1,478,222	-	2,300,662	114,170	7,221	604,475	346,783	(1,652,602)	5,784,823
Supplies	180,034	727,032	652,145	-	4,216,902	4,845	-	605,790	372,286	(51,406)	6,707,628
Occupancy	1,027,606	1,635,874	1,377,543	-	1,906,582	790,726	-	760,001	314,310	(2,042,893)	5,769,749
Special assistance	1,042,276	860,892	631,427	-	-	-	-	-	102,772	-	2,637,367
Depreciation and amortization	149,996	150,238	98,086	-	811,177	3,221,875	-	107,744	104,480	-	4,643,596
Appeal and fund administration fee	-	-	-	-	-	-	1,875,000	-	-	-	1,875,000
Repairs and maintenance	182,782	160,062	131,291	-	407,622	365,726	-	108,519	23,978	17,389	1,397,369
Travel	140,778	341,542	304,452	-	110,762	45,671	-	131,141	276,064	-	1,350,410
Miscellaneous	103,845	34,572	35,053	-	139,720	2,943	-	16,491	52,352	-	384,976
Telephone	85,848	115,059	123,690	-	61,577	13,819	-	51,528	18,264	-	469,785
Organization and membership fees	20,825	50,902	23,804	-	1,126,542	6,835	-	36,153	7,051	-	1,272,112
Interest expense	51,498	-	-	-	59,238	359,745	-	-	-	(102,301)	368,180
Bad debt	-	-	-	-	318,794	-	-	-	-	-	318,794
Conferences and meetings	73,000	43,252	33,817	-	-	7,540	-	22,096	14,736	-	194,441
Printing and publications	40,513	8,332	16,996	-	46,453	1,457	-	6,521	22,642	-	142,914
Postage	36,582	8,168	16,396	-	29,631	1,133	-	8,276	24,108	-	124,294
Catholic Charities - allocation	-	-	-	1,425,174	-	-	9,003,000	-	-	(10,382,020)	46,154
Other Catholic distributions	-	-	-	130,327	-	-	-	-	-	-	130,327
Consolidated partnership and LLC	-	-	-	-	-	656,391	-	-	-	-	656,391
Awards and grants	68,769	-	-	-	-	-	-	-	-	-	68,769
Total expenses	9,955,870	19,661,258	16,174,116	1,555,501	32,990,567	6,602,011	10,885,221	10,588,527	4,290,323	(14,201,853)	98,501,541
Increase (decrease) from operating activities	527,725	(668,786)	374,974	(124,327)	(573,344)	(2,739,584)	236,160	404,222	247,446	(76,855)	(2,392,369)
Non-Operating Activity											
(Loss) on disposal of assets	-	-	-	-	-	-	-	(2,843)	-	-	(2,843)
Change in value of interest rate swaps	-	-	-	-	-	(69,614)	-	-	-	-	(69,614)
Capital Lease write-off	-	-	-	-	-	-	-	-	-	-	-
Non-operating investment activity	-	-	-	4,033,879	-	-	-	-	-	-	4,033,879
Investment income distributed to operations	-	-	-	(1,425,174)	-	-	-	-	-	-	(1,425,174)
	-	-	-	2,608,705	-	(69,614)	-	(2,843)	-	-	2,536,248
Increase (decrease) in net assets before effect of postretirement benefits, noncontrolling interest and contributions by minority shareholders	527,725	(668,786)	374,974	2,484,378	(573,344)	(2,809,198)	236,160	401,379	247,446	(76,855)	143,879
Postretirement related changes	273,381	(78,350)	(61,455)	-	-	-	-	-	-	-	133,576
Non-controlling interest	-	-	-	-	-	107,947	-	-	-	-	107,947
Contributions by minority shareholders	-	-	-	-	-	199,315	-	-	-	-	199,315
Increase (decrease) in net assets	801,106	(747,136)	313,519	2,484,378	(573,344)	(2,501,936)	236,160	401,379	247,446	(76,855)	584,717
Net assets - beginning	6,503,508	2,287,688	1,233,841	29,859,205	12,023,812	39,017,821	6,595,112	4,324,880	2,586,689	(817,606)	103,614,950
Transfer of net assets	(1,305,381)	1,115,000	-	-	-	(24,619)	215,000	-	-	-	-
Net assets - ending	\$ 5,999,233	\$ 2,655,552	\$ 1,547,360	\$ 32,343,583	\$ 11,450,468	\$ 36,491,266	\$ 7,046,272	\$ 4,726,259	\$ 2,834,135	\$ (894,461)	\$ 104,199,667

Secretariat for Catholic Charities Health & Human Services

Details of Appropriations Year Ended December 31, 2010

	Annual Appeal	Foundation Investments	Total
Funds Provided	\$ 10,878,000	\$ 1,425,174	\$ 12,303,174
Cost of Contracted Fundraising	(1,875,000)	-	(1,875,000)
Funds Available for Distribution	\$ 9,003,000	\$ 1,425,174	\$ 10,428,174
Catholic Charities Health & Human Services			
Secretary for Health & Human Services	\$ 1,229,668	\$ 187,398	\$ 1,417,066
Bishop William Cosgrove Center	183,459	10,000	193,459
Diocesan Social Action Offices	397,046	10,000	407,046
Disabilities Services	164,665	10,000	174,665
Emergency Assistance Services	331,125	53,399	384,524
Emergency Assistance Grants	-	-	-
Marriage and Family Office	294,620	1,884	296,504
Migration and Refugee Services	294,164	10,000	304,164
Ministry to Persons with Disabilities	141,919	61,607	203,526
Parish & Community Ministries	410,565	10,000	420,565
Pastoral Care/Health Affairs	109,229	320,628	429,857
Pro Life Office	70,741	5,000	75,741
Special Ministry to the Aged	102,703	5,000	107,703
Youth and Young Adult Ministry and CYO	349,757	10,000	359,757
Total Catholic Charities Health & Human Services	4,079,661	694,916	4,774,577
Catholic Charities Services Corporation			
Catholic Charities Services - Central	577,088	20,000	597,088
Catholic Charities Services - Cuyahoga	122,914	23,000	145,914
Catholic Charities Services - Lake	4,760	-	4,760
Emergency Assistance Grants	449	-	449
Matt Talbot Inn	2,300	-	2,300
Matt Talbot Inn for Women	14,280	-	14,280
Parmadale	83,584	71,863	155,447
Total Catholic Charities Services Corporation	805,375	114,863	920,238
Catholic Charities Community Services Corporation			
Catholic Charities Community Services - Central	1,012,938	15,000	1,027,938
Catholic Charities Community - Ashland	45,039	10,000	55,039
Catholic Charities Community - Cuyahoga	(40,048)	58,577	18,529
Catholic Charities Community - Geauga	48,892	10,000	58,892
Catholic Charities Community - Lake	118,143	1,204	119,347
Catholic Charities Community - Lorain	133,053	10,000	143,053
Catholic Charities Community - Medina	70,514	5,221	75,735
Catholic Charities Community - Wayne	37,984	10,000	47,984
Emergency Assistance Grants	(288)	-	(288)
Fatima Family Center	255,458	53,715	309,173
Head Start	21,076	-	21,076
Hispanic Senior Center	117,054	10,000	127,054
St. Martin DePorres Family Center	349,955	6,384	356,339
St. Philip Neri Family Center	214,794	5,496	220,290
Total Catholic Charities Services Corporation	2,384,564	195,597	2,580,161
Catholic Charities Facilities Corporation	358,714	247,229	605,943
CYO and Community Services - Summit	221,914	18,590	240,504
Rose-Mary Center	60,768	60,612	121,380
St. Augustine Manor	1,046,011	93,367	1,139,378
Other allocations			
Birthcare of Medina	1,200	-	1,200
Birthright - Cuyahoga	3,600	-	3,600
Birthright - Geauga	1,200	-	1,200
Birthright - Lake	1,200	-	1,200
Birthright - Lorain	1,200	-	1,200
Pregnancy Care -Summit	1,200	-	1,200
St. Peter's - Loudonville	1,300	-	1,300
St. Vincent DePaul Society	32,693	-	32,693
Womankind, Inc.	2,400	-	2,400
Total other allocations	45,993	-	45,993
	\$ 9,003,000	\$ 1,425,174	\$ 10,428,174