CATHOLIC CHARITIES, INC.

June 30, 2016

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

Catholic Charities
Diocese of Covington

VonLehman
CPA & ADVISORY FIRM
VonLehman & Company Inc. Kentucky Ohio Indiana 800.887.0437 vlcpa.com

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities, Inc.
Covington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Inc., a non-profit organization, (Catholic Charities), which comprise the statements of financial position as of June 30, 2016 and December 31, 2014 and the related statements of activities, functional expenses and cash flows for the period of January 1, 2015 through June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Inc. as of June 30, 2016 and December 31, 2014, and the changes in its net assets and its cash flows for the period of January 1, 2015 through June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
October 24, 2016

CATHOLIC CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

	Unrestricted	Temporarily Restricted	
	Operating Fund	Diocesan Director Fund	Total
Cash and Cash Equivalents	$ 533,307	$ 22,968	$ 556,275
Accounts Receivable	75,106	-	75,106
Investments	2,308,379	-	2,308,379
Property and Equipment, Net	1,608,001	-	1,608,001
Total Assets	$ 4,524,793	$ 22,968	$ 4,547,761

LIABILITIES AND NET ASSETS

Note Payable	$ 40,854	$ -	$ 40,854
Accounts Payable and Accrued Liabilities	64,680	-	64,680
Total Liabilities	105,534	-	105,534
Net Assets	4,419,259	22,968	4,442,227
Total Liabilities and Net Assets	$ 4,524,793	$ 22,968	$ 4,547,761

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

	Unrestricted	Temporarily Restricted		
	Operating Fund	Building Fund	Diocesan Director Fund	Total
Cash and Cash Equivalents	$ 504,579	$ -	$ 22,714	$ 527,293
Accounts Receivable	114,145	-	-	114,145
Investments	2,106,780	-	-	2,106,780
Prepaid Expenses	1,070	-	-	1,070
Property and Equipment, Net	570,118	1,051,318	-	1,621,436
Total Assets	$ 3,296,692	$ 1,051,318	$ 22,714	$ 4,370,724

LIABILITIES AND NET ASSETS

Note Payable	$ 54,729	$ -	$ -	$ 54,729
Accounts Payable and Accrued Liabilities	17,136	-	-	17,136
Total Liabilities	71,865	-	-	71,865
Net Assets	3,224,827	1,051,318	22,714	4,298,859
Total Liabilities and Net Assets	$ 3,296,692	$ 1,051,318	$ 22,714	$ 4,370,724

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF ACTIVITIES
EIGHTEEN MONTHS ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted		
	Operating Fund	Building Fund	Diocesan Director Fund	Total
Revenue and Support				
United Way and Community Chest	$ 576,797	$ -	$ -	$ 576,797
Program Service Fees	367,023	-	-	367,023
Fees and Grants from Government Agencies	590,028	-	-	590,028
Diocese of Covington	400,750	-	-	400,750
Trust, Interest and Dividend Income	113,230	-	-	113,230
Annual Campaign	228,840	-	-	228,840
Contributions	690,795	-	13,254	704,049
Special Fundraising Events	59,944	-	-	59,944
Other	216,288	-	-	216,288
Total Revenue and Support	3,243,695	-	13,254	3,256,949
Reclassifications				
Net Assets Released from Restrictions	1,064,318	(1,051,318)	(13,000)	-
Total Revenue, Support and Reclassifications	4,308,013	(1,051,318)	254	3,256,949
Expenses				
Program Services				
Asset Building for Children	66,969	-	-	66,969
Parent/Child Program	62,588	-	-	62,588
Positive Parenting Education	63,306	-	-	63,306
Safe Passage Housing Counseling	189,243	-	-	189,243
Substance Abuse Treatment	201,346	-	-	201,346
Therapeutic Counseling	421,165	-	-	421,165
Therapeutic Counseling in Schools	518,305	-	-	518,305
Parish Kitchen, Youth Development Services and Other Programs	994,950	-	-	994,950
Total Program Services	2,517,872	-	-	2,517,872
Overhead Expenses				
Management and General	444,531	-	-	444,531
Fundraising	165,977	-	-	165,977
Total Overhead Expenses	610,508	-	-	610,508
Total Expenses	3,128,380	-	-	3,128,380
Excess (Deficit) of Revenue, Support and Reclassifications Over Expenses	1,179,633	(1,051,318)	254	128,569
Net Realized and Unrealized Gains on Investments	14,799	-	-	14,799
Change in Net Assets	1,194,432	(1,051,318)	254	143,368
Net Assets, Beginning of Period	3,224,827	1,051,318	22,714	4,298,859
Net Assets, End of Period	$ 4,419,259	$ -	$ 22,968	$ 4,442,227

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
EIGHTEEN MONTHS ENDED JUNE 30, 2016

	Asset Building for Children	Parent/ Child Program	Positive Parenting Education	Safe Passage Housing Counseling	Substance Abuse Treatment	Therapeutic Counseling	Therapeutic Counseling in Schools	Parish Kitchen, Youth Development Services & Other Programs	Program Total	Management and General	Fundraising	Total
Salaries and Wages	$ 45,486	$ 42,500	$ 42,500	$ 121,790	$ 133,018	$ 280,911	$ 369,809	$ 470,472	$ 1,506,486	$ 293,586	$ 103,254	$ 1,903,326
Employee Benefits and Payroll Taxes	14,270	13,562	13,562	39,918	44,214	82,670	86,881	138,159	433,236	80,818	20,609	534,663
Total Salaries, Wages and Related Expenses	59,756	56,062	56,062	161,708	177,232	363,581	456,690	608,631	1,939,722	374,404	123,863	2,437,989
Professional Fees	510	481	481	3,028	2,003	4,660	3,975	9,042	24,180	24,418	1,581	50,179
Supplies	353	334	628	1,460	1,069	3,185	3,058	108,256	118,343	2,291	1,183	121,817
Telephone	518	486	486	1,401	1,537	3,151	3,959	6,082	17,620	3,243	1,073	21,936
Postage and Shipping	144	137	137	567	430	877	1,108	4,462	7,862	903	3,112	11,877
Occupancy, Building and Grounds	1,656	1,561	1,561	4,473	4,918	10,072	12,677	153,576	190,494	- 10,370	3,419	204,283
Maintenance of Equipment	572	533	533	2,082	1,694	3,484	4,363	9,412	22,673	3,589	1,194	27,456
Printing and Publications	232	317	818	532	2,491	1,978	2,007	7,640	16,015	1,063	20,293	37,371
Travel	479	52	-	461	1,284	245	8,298	5,334	16,153	3,444	442	20,039
Conferences, Conventions and Meetings	127	124	124	1,248	632	922	1,581	8,955	13,713	2,133	4,304	20,150
Staff Education Expenses	182	196	171	856	725	1,291	1,896	1,030	6,347	2,976	485	9,808
Specific Assistance to Individuals	-	-	-	4,841	-	12,630	-	16,660	34,131	-	-	34,131
Membership Dues	34	33	33	93	183	460	266	495	1,597	637	70	2,304
Programs and Activities	213	208	208	565	639	1,288	1,650	1,219	5,990	1,325	424	7,739
Miscellaneous	2	2	2	6	6	13	16	125	172	12	4	188
Insurance Premiums	363	347	347	972	1,080	2,199	2,787	13,711	21,806	2,263	737	24,806
Total Expenses Before Depreciation	65,141	60,873	61,591	184,293	195,923	410,036	504,331	954,630	2,436,818	433,071	162,184	3,032,073
Depreciation	1,828	1,715	1,715	4,950	5,423	11,129	13,974	40,320	81,054	11,460	3,793	96,307
Total Expenses	$ 66,969	$ 62,588	$ 63,306	$ 189,243	$ 201,346	$ 421,165	$ 518,305	$ 994,950	$ 2,517,872	$ 444,531	$ 165,977	$ 3,128,380

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF CASH FLOWS
EIGHTEEN MONTHS ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted		
	Operating Fund	Building Fund	Diocesan Director Fund	Total
Cash Flows from Operating Activities				
Change in Net Assets	$ 1,194,432	$ (1,051,318)	$ 254	$ 143,368
Adjustments to Reconcile Change in Net Assets to Net Cash Provide (Used) by Operating Activities				
Depreciation	96,307	-	-	96,307
Net Realized and Unrealized Gains on Investments	(14,799)	-	-	(14,799)
Changes in				
Accounts Receivable	39,039	-	-	39,039
Prepaid Expenses	1,070	-	-	1,070
Accounts Payable and Accrued Liabilities	47,544	-	-	47,544
Cash Provided by Operating Activities	1,363,593	(1,051,318)	254	312,529
Cash Flows from Investing Activities				
Acquisition of Property and Equipment	(82,872)	-	-	(82,872)
Proceeds from Sale of Investments	130,776	-	-	130,776
Purchases of Investments	(317,576)	-	-	(317,576)
Cash Used by Investing Activities	(269,672)	-	-	(269,672)
Cash Flows from Financing Activities				
Payments on Note Payable	(13,875)	-	-	(13,875)
Change in Cash and Cash Equivalents	1,080,046	(1,051,318)	254	28,982
Cash and Cash Equivalents, Beginning of Period	504,579	-	22,714	527,293
Cash and Cash Equivalents, End of Period	$ 1,584,625	$ (1,051,318)	$ 22,968	$ 556,275

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Catholic Charities, Inc. (Catholic Charities) was incorporated and commenced operations as a not-for-profit agency in September, 1978 under the laws of the State of Kentucky.

Catholic Charities provides counseling and social services in the Greater Cincinnati and Northern Kentucky areas.

Through December 31, 2014, Catholic Charities operated on a calendar year basis. As of January 1, 2015, Catholic Charities changes its fiscal year end to June 30th. As a result, these financial statements cover the eighteen month period ended June 30, 2016.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts. The main estimates used by Catholic Charities relate to depreciation expense and the allowance for uncollectible receivables, if any.

Net Asset Classifications

The financial statements have been prepared in accordance with U.S. GAAP which, among other things, requires that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. Catholic Charities has no permanently restricted net assets.

The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net assets class includes general and board designated assets and liabilities of Catholic Charities. The unrestricted net assets of Catholic Charities may be used at the discretion of management to support Catholic Charities' purposes and operations.

Temporarily Restricted Net Assets

The temporarily restricted net assets class consists of funds which are restricted only by donor-imposed restrictions on its use.

Accounts Receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. Catholic Charities begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for uncollectible accounts based on Catholic Charities' collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after Catholic Charities has used reasonable collection efforts and deems them uncollectible. Based on these criteria, Catholic Charities has estimated no allowance for uncollectible accounts receivable at June 30, 2016 and December 31, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to Catholic Charities that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. No pledges receivable have been recorded in these financial statements for 2016.

Investments

Accounting principles require that investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized.

The useful lives of property and equipment for purposes of computing depreciation are:

Building	39 Years
Furniture, Equipment and Autos	5 – 10 Years
Leasehold Improvements	5 – 10 Years

Revenue and Support

Catholic Charities reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, Catholic Charities reports the support as unrestricted.

Donated Services, Food, and Items

No amounts have been reflected in the financial statements for donated services. Catholic Charities pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Catholic Charities with specific assistance programs, campaign solicitations, and various committee assignments. These services, however, do not require specialized skill or knowledge and do not meet the criteria for recording in these financial statements.

Donated food for the Parish Kitchen program estimated to be valued at $21,297 has been recorded in these financial statements for the period ended June 30, 2016.

Four HVAC units donated for Catholic Charities' rental apartments estimated to be valued at $16,590 have been recorded in these financial statements for the period ended June 30, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants

Support funded by grants is recognized as Catholic Charities performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audits, adjustments could be required.

Functional Allocation of Expenses

The costs of providing various programs and services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Tax Sheltered Annuity Plan

Catholic Charities has a tax sheltered annuity plan and custodial account covering substantially all of its employees. By its nature, the plan is fully funded.

Income Taxes

Catholic Charities is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Catholic Charities is not considered to be a private foundation.

Catholic Charities has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. Catholic Charities recognized no interest or penalties in the statements of activities for the period ended June 30, 2016. If the situation arose in which Catholic Charities would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. Catholic Charities is not currently under audit nor has Catholic Charities been contacted by these jurisdictions.

Based on the evaluation of Catholic Charities' tax positions, management believes all positions taken would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for period ended June 30, 2016.

Subsequent Events

Catholic Charities evaluated subsequent events through October 24, 2016, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH FLOW INFORMATION

At various times throughout the year, Catholic Charities may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor. As of June 30, 2016 and December 31, 2014, Catholic Charities had no cash in financial institutions in excess of insured limits.

Catholic Charities also has uninsured cash held at the Diocese of Covington. The amounts of uninsured cash held at the Diocese as of June 30, 2016 and December 31, 2014, was $339,176 and $231,091, respectively.

No cash was paid for interest for the period ended June 30, 2016.

NOTE 3 - INVESTMENTS

Investments are stated at fair value and consist of money market accounts, mutual funds and common stocks. The Diocese of Covington (the Diocese) is the custodian of these investments and maintains them in a pooled investment account. Therefore, the value of each category is maintained at the Diocese level for the entire pooled investment account and is not available at Catholic Charities level. Fair values and unrealized appreciation are as follows:

	June 30, 2016		
	Cost	Fair Value	Unrealized Appreciation
Investments Restricted to Operating Fund	$ 1,818,547	$ 2,308,379	$ 489,832

	December 31, 2014		
	Cost	Fair Value	Unrealized Appreciation
Investments Restricted to Operating Fund	$ 1,584,922	$ 2,106,780	$ 521,858

Investment return is summarized as follows:

	Period Ended June 30, 2016
Interest and Dividend Income	$ 23,020
Realized Gain on Investments	46,817
Net Unrealized Loss on Investments	(32,018)
Total Investment Gain	$ 37,819

NOTE 4 - PROPERTY AND EQUIPMENT

Catholic Charities' property and equipment consist of the following:

	June 30, 2016	December 31, 2014
Building	$ 1,950,741	$ 1,950,741
Furniture and Equipment	324,285	278,827
Leasehold Improvements	336,419	317,775
Autos	17,099	17,099
Construction in Progress	18,770	-
	2,647,314	2,564,442
Less Accumulated Depreciation	1,039,313	943,006
Total Property and Equipment	$ 1,608,001	$ 1,621,436

NOTE 5 - NOTE PAYABLE

	June 30, 2016	December 31, 2014
Catholic Charities has a note payable that was incurred for the purchase of rental property. Principal payments of $771 are required monthly through December 1, 2020, when all unpaid principal and accrued but unpaid interest, if any, becomes due. No interest on the outstanding balance of the note shall accrue so long as the principal is repaid as required. The note is not collateralized.	$ 40,854	$ 54,729

Remaining maturities on the note payable are as follows:

Years Ending June 30,	
2017	$ 9,252
2018	9,252
2019	9,252
2020	9,252
2021	3,846
	$ 40,854

NOTE 6 - TRUST FUNDS

Catholic Charities is the beneficiary of two trust funds (Langhammer Brothers Trust and The EOK Trust for the Benefit of the Parish Kitchen) which are under the control of US Bank. Accounting standards for recording trust funds do not apply and therefore these trusts are not recorded on the financial statements of Catholic Charities. The cost and fair market value of these trust funds are as follows:

	June 30, 2016		December 31, 2014	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	$ 795,101	$ 871,042	$ 898,171	$ 976,669
EOK Trust	379,383	392,705	419,213	432,847
	$ 1,174,484	$ 1,263,747	$ 1,317,384	$ 1,409,516

Income from the above trusts was $105,146 for the period ended June 30, 2016. The income is included in the trust, interest, and dividend income line item on the statements of activities.

NOTE 7 - GRANTS

Grants from the United Way are reviewed and revised annually by the United Way Board of Directors. The Board awarded grants of $576,797 to Catholic Charities for the period ended June 30, 2016.

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for the period ended June 30, 2016 were $400,750.

Government grants normally cover a period of one year and are applied for annually.

NOTE 8 - EMPLOYEE BENEFITS

Contributions to Catholic Charities' tax sheltered annuity plan are based upon a percentage of all eligible employees' salaries. The contributions for the period ended June 30, 2016 were $122,711.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were $22,968 and $1,074,032 at June 30, 2016 and December 31, 2014, respectively. The Diocesan Director Fund Net Assets are restricted for operations of the Alliance of Catholic Urban Education (A.C.U.E.) School Counseling Program and laundry facility at St. Joseph apartments.

NOTE 10 - SPECIAL FUNDRAISING EVENTS

Third-party fundraising events included raffles and sporting events, and incurred gross revenues and expenses as follows:

	Period Ended June 30, 2016
Gross Revenues	$ 93,097
Fundraising Expenses	(33,153)
Net Fundraising Income	$ 59,944

NOTE 11 - OPERATING LEASES

Catholic Charities leases office equipment under non-cancelable operating leases from unrelated parties. The leases expire at various dates through June, 2017. Total lease expense for the period ended June 30, 2016 was $8,848.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016, for the remainder of the leases are as follows:

Year Ending June 30,	
2017	$ 7,712

NOTE 12 - FAIR VALUE MEASUREMENTS

U.S. GAAP provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Catholic Charities has the ability to access.

LEVEL 2: Inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Trusts, Stocks and Bonds (Included in Pooled Investments): Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Catholic Charities believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Catholic Charities' assets at fair value as of June 30, 2016 and December 31, 2014.

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
Assets at Fair Value as of June 30, 2016				
Pooled Investments	$ -	$ 2,308,379	$ -	$ 2,308,379
Assets at Fair Value as of December 31, 2014				
Temporary Investment	$ 890	$ -	$ -	$ 890
Pooled Investments	-	2,105,890	-	2,105,890
	$ 890	$ 2,105,890	$ -	$ 2,106,780

NOTE 13 - RISKS AND UNCERTAINTIES

Catholic Charities invests in various investment securities. Investment securities are exposed to various 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 such changes could materially affect total net assets and investment income.

VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Catholic Charities, Inc.
Covington, Kentucky

We have audited the financial statements of Catholic Charities, Inc. as of and for the eighteen months ended June 30, 2016, and our report thereon dated October 24, 2016, which expressed an unmodified opinion on those financial statements, appears earlier in the statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary pro forma financial statements of activities and functional expenses on a pro forma basis as if the fiscal period was for the twelve months ended June 30, 2016 and 2015, which are the responsibility of management, were prepared for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on the supplementary pro forma financial statements.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
October 24, 2016

CATHOLIC CHARITIES, INC.
UNAUDITED PRO FORMA STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016*

	Unrestricted	Temporarily Restricted		
	Operating Fund	Building Fund	Diocesan Director Fund	Total
Revenue and Support				
United Way and Community Chest	$ 376,318	$ -	$ -	$ 376,318
Program Service Fees	234,442	-	-	234,442
Fees and Grants from Government Agencies	423,255	-	-	423,255
Diocese of Covington	264,500	-	-	264,500
Trust, Interest and Dividend Income	86,870	-	-	86,870
Annual Campaign	200,941	-	-	200,941
Contributions	594,997	-	13,254	608,251
Special Fundraising Events	55,305	-	-	55,305
Other	136,997	-	-	136,997
Total Revenue and Support	2,373,625	-	13,254	2,386,879
Reclassifications				
Net Assets Released from Restrictions	1,041,448	(1,032,782)	(8,666)	-
Total Revenue, Support and Reclassifications	3,415,073	(1,032,782)	4,588	2,386,879
Expenses				
Program Services				
Asset Building for Children	44,399	-	-	44,399
Parent/Child Program	40,171	-	-	40,171
Positive Parenting Education	40,791	-	-	40,791
Safe Passage Housing Counseling	129,699	-	-	129,699
Substance Abuse Treatment	132,753	-	-	132,753
Therapeutic Counseling	276,535	-	-	276,535
Therapeutic Counseling in Schools	341,340	-	-	341,340
Parish Kitchen, Youth Development Services and Other Programs	647,365	-	-	647,365
Total Program Services	1,653,053	-	-	1,653,053
Overhead Expenses				
Management and General	292,237	-	-	292,237
Fundraising	121,026	-	-	121,026
Total Overhead Expenses	413,263	-	-	413,263
Total Expenses	2,066,316	-	-	2,066,316
Excess (Deficit) of Revenue, Support and Reclassifications Over Expenses	1,348,757	(1,032,782)	4,588	320,563
Net Realized and Unrealized Gains on Investments	10,803	-	-	10,803
Change in Net Assets	1,359,560	(1,032,782)	4,588	331,366
Net Assets, Beginning of Year	3,059,699	1,032,782	18,380	4,110,861
Net Assets, End of Year	$ 4,419,259	$ -	$ 22,968	$ 4,442,227

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CATHOLIC CHARITIES, INC.
UNAUDITED PRO FORMA STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015*

	Unrestricted	Temporarily Restricted		
	Operating Fund	Building Fund	Diocesan Director Fund	Total
Revenue and Support				
United Way and Community Chest	$ 404,753	$ -	$ -	$ 404,753
Program Service Fees	235,424	-	-	235,424
Fees and Grants from Government Agencies	376,085	-	-	376,085
Diocese of Covington	272,500	-	-	272,500
Trust, Interest and Dividend Income	70,289	-	-	70,289
Annual Campaign	164,337	-	-	164,337
Contributions	299,204	-	-	299,204
Special Fundraising Events	54,660	-	-	54,660
Other	121,181	-	-	121,181
Total Revenue and Support	1,998,433	-	-	1,998,433
Reclassifications				
Net Assets Released from Restrictions	46,906	(37,073)	(9,833)	-
Total Revenue, Support and Reclassifications	2,045,339	(37,073)	(9,833)	1,998,433
Expenses				
Program Services				
Asset Building for Children	45,620	-	-	45,620
Parent/Child Program	45,054	-	-	45,054
Positive Parenting Education	44,805	-	-	44,805
Safe Passage Housing Counseling	129,060	-	-	129,060
Substance Abuse Treatment	135,130	-	-	135,130
Therapeutic Counseling	268,584	-	-	268,584
Therapeutic Counseling in Schools	328,704	-	-	328,704
Parish Kitchen, Youth Development Services and Other Programs	730,707	-	-	730,707
Total Program Services	1,727,664	-	-	1,727,664
Overhead Expenses				
Management and General	266,040	-	-	266,040
Fundraising	97,613	-	-	97,613
Total Overhead Expenses	363,653	-	-	363,653
Total Expenses	2,091,317	-	-	2,091,317
(Deficit) Excess of Revenue, Support and Reclassifications Over Expenses	(45,978)	(37,073)	(9,833)	(92,884)
Net Realized and Unrealized Loss on Investments	(70,907)	-	-	(70,907)
Change in Net Assets	(116,885)	(37,073)	(9,833)	(163,791)
Net Assets, Beginning of Year	3,176,584	1,069,855	28,213	4,274,652
Net Assets, End of Year	$ 3,059,699	$ 1,032,782	$ 18,380	$ 4,110,861

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CATHOLIC CHARITIES, INC.
UNAUDITED PRO FORMA STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016*

	Asset Building for Children	Parent/ Child Program	Positive Parenting Education	Safe Passage Housing Counseling	Substance Abuse Treatment	Therapeutic Counseling	Therapeutic Counseling in Schools	Parish Kitchen, Youth Development Services & Other Programs	Program Total	Management and General	Fundraising	Total
Salaries and Wages	$ 30,388	$ 27,513	$ 27,513	$ 83,143	$ 88,377	$ 189,074	$ 245,578	$ 306,771	$ 998,357	$ 196,518	$ 70,148	$ 1,265,023
Employee Benefits and Payroll Taxes	9,582	8,781	8,781	26,886	29,391	55,613	57,167	87,974	284,175	55,695	15,443	355,313
Total Salaries, Wages and Related Expenses	39,970	36,294	36,294	110,029	117,768	244,687	302,745	394,745	1,282,532	252,213	85,591	1,620,336
Professional Fees	319	290	290	1,995	1,219	3,002	2,488	5,706	15,309	11,623	684	27,616
Supplies	208	189	483	1,081	633	1,276	1,928	71,333	77,131	1,394	902	79,427
Telephone	341	309	309	938	1,004	2,086	2,580	4,206	11,773	2,149	730	14,652
Postage and Shipping	77	70	70	391	227	472	584	3,151	5,042	487	2,982	8,511
Occupancy, Building and Grounds	1,036	941	941	2,853	3,054	6,345	7,851	97,744	120,765	6,540	2,219	129,524
Maintenance of Equipment	422	383	383	1,691	1,244	2,584	3,197	7,197	17,101	2,664	904	20,669
Printing and Publications	107	192	543	206	1,666	652	1,035	5,071	9,472	292	19,051	28,815
Travel	292	-	-	461	708	15	5,874	3,276	10,626	2,723	320	13,669
Conferences, Conventions and Meetings	36	33	33	658	357	373	545	6,363	8,398	1,568	4,127	14,093
Staff Education Expenses	113	127	102	485	517	715	1,313	633	4,005	835	351	5,191
Specific Assistance to Individuals	-	-	-	4,841	-	5,027	-	12,484	22,352	-	-	22,352
Membership Dues	18	17	17	50	54	362	139	252	909	536	39	1,484
Programs and Activities	51	46	46	141	151	313	388	287	1,423	323	110	1,856
Miscellaneous	2	2	2	6	6	13	16	124	171	12	4	187
Insurance Premiums	173	157	157	475	508	1,056	1,307	7,185	11,018	1,089	369	12,476
Total Expenses Before Depreciation	43,165	39,050	39,670	126,301	129,116	268,978	331,990	619,757	1,598,027	284,448	118,383	2,000,858
Depreciation	1,234	1,121	1,121	3,398	3,637	7,557	9,350	27,608	55,026	7,789	2,643	65,458
Total Expenses	$ 44,399	$ 40,171	$ 40,791	$ 129,699	$ 132,753	$ 276,535	$ 341,340	$ 647,365	$ 1,653,053	$ 292,237	$ 121,026	$ 2,066,316

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UNAUDITED PRO FORMA STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015*

	Asset Building for Children	Parent/ Child Program	Positive Parenting Education	Safe Passage Housing Counseling	Substance Abuse Treatment	Therapeutic Counseling	Therapeutic Counseling in Schools	Parish Kitchen, Youth Development Services & Other Programs	Program Total	Management and General	Fundraising	Total
Salaries and Wages	$ 31,205	$ 30,600	$ 30,600	$ 85,581	$ 90,398	$ 178,935	$ 237,168	$ 345,265	$ 1,029,752	$ 173,893	$ 60,908	$ 1,264,553
Employee Benefits and Payroll Taxes	9,511	9,529	9,529	28,139	29,209	50,975	52,978	97,787	287,657	43,506	9,945	341,108
Total Salaries, Wages and Related Expenses	40,716	40,129	40,129	113,720	119,607	229,910	290,146	443,052	1,317,409	217,399	70,853	1,605,661
Professional Fees	236	239	239	1,446	1,112	2,495	1,721	14,842	22,330	17,374	1,226	40,930
Supplies	263	259	259	732	774	2,588	1,889	78,712	85,476	2,839	466	88,781
Telephone	378	373	373	1,058	1,109	2,129	2,671	4,203	12,294	2,016	659	14,969
Postage and Shipping	148	145	145	544	437	837	1,066	3,084	6,406	923	1,249	8,578
Occupancy, Building and Grounds	1,095	1,087	1,087	3,032	3,231	6,249	7,865	110,890	134,536	6,038	1,958	142,532
Maintenance of Equipment	469	654	457	1,334	1,366	2,592	3,290	6,112	16,274	2,335	771	19,380
Printing and Publications	181	304	304	441	912	1,485	1,350	6,960	11,937	903	14,341	27,181
Travel	305	52	-	81	1,104	263	4,845	3,634	10,284	2,956	242	13,482
Conferences, Conventions and Meetings	170	163	163	1,768	489	1,020	1,773	3,531	9,077	1,542	2,849	13,468
Staff Education Expenses	192	187	187	733	560	1,226	1,390	1,263	5,738	2,689	321	8,748
Specific Assistance to Individuals	-	-	-	150	-	9,318	-	12,365	21,833	528	-	22,361
Membership Dues	25	26	26	70	155	146	176	315	939	326	48	1,313
Programs and Activities	189	194	194	509	567	1,120	1,365	1,209	5,347	1,188	380	6,915
Miscellaneous	3	4	4	9	9	17	22	103	171	13	5	189
Insurance Premiums	190	190	190	497	572	1,143	1,480	6,526	10,788	1,174	368	12,330
Total Expenses Before Depreciation	44,560	44,006	43,757	126,124	132,004	262,538	321,049	696,801	1,670,839	260,243	95,736	2,026,818
Depreciation	1,060	1,048	1,048	2,936	3,126	6,046	7,655	33,906	56,825	5,797	1,877	64,499
Total Expenses	$ 45,620	$ 45,054	$ 44,805	$ 129,060	$ 135,130	$ 268,584	$ 328,704	$ 730,707	$ 1,727,664	$ 266,040	$ 97,613	$ 2,091,317

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