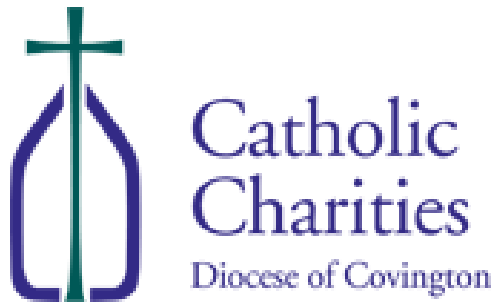


**CATHOLIC CHARITIES, INC.**

**June 30, 2017**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



**CATHOLIC CHARITIES, INC.  
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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, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2017, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
October 11, 2017

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Total</u>
	<u>Operating</u>	<u>Diocesan</u>		
	<u>Fund</u>	<u>Director</u>		
		<u>Fund</u>		
Cash and Cash Equivalents	\$ 673,968	\$ 8,664	\$	682,632
Accounts Receivable	58,850	-		58,850
Investments	2,508,765	-		2,508,765
Prepaid Expenses	4,016	-		4,016
Property and Equipment, Net	1,586,193	-		1,586,193
	<u>1,586,193</u>	<u>-</u>		<u>1,586,193</u>
<b>Total Assets</b>	<b>\$ <u>4,831,792</u></b>	<b>\$ <u>8,664</u></b>	<b>\$</b>	<b><u>4,840,456</u></b>

**LIABILITIES AND NET ASSETS**

Note Payable	\$ 31,604	\$ -	\$	31,604
Accounts Payable and Accrued Liabilities	18,964	-		18,964
	<u>18,964</u>	<u>-</u>		<u>18,964</u>
<b>Total Liabilities</b>	<b>50,568</b>	<b>-</b>		<b>50,568</b>
<b>Net Assets</b>	<b><u>4,781,224</u></b>	<b><u>8,664</u></b>		<b><u>4,789,888</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>4,831,792</u></b>	<b>\$ <u>8,664</u></b>	<b>\$</b>	<b><u>4,840,456</u></b>

See accompanying notes.

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

**ASSETS**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
	<b>Operating Fund</b>	<b>Diocesan Director Fund</b>	
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
<b>Total Assets</b>	<b>\$ 4,524,793</b>	<b>\$ 22,968</b>	<b>\$ 4,547,761</b>

**LIABILITIES AND NET ASSETS**

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

See accompanying notes.

**CATHOLIC CHARITIES, INC.  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	
	<b>Operating Fund</b>	<b>Diocesan Director Fund</b>	<b>Total</b>
<b>Revenue and Support</b>			
United Way and Community Chest	\$ 328,070	\$ -	\$ 328,070
Program Service Fees	256,504	-	256,504
Fees and Grants From Government Agencies	408,894	-	408,894
Diocese of Covington	262,000	-	262,000
Trust, Interest and Dividend Income	84,787	-	84,787
Annual Campaign	227,903	-	227,903
Contributions	289,080	-	289,080
Special Fundraising Events	68,611	-	68,611
Other	106,403	-	106,403
	2,032,252	-	2,032,252
<b>Total Revenue and Support</b>			
<b>Reclassifications</b>			
Net Assets Released From Restrictions	14,304	(14,304)	-
	2,046,556	(14,304)	2,032,252
<b>Total Revenue, Support and Reclassifications</b>			
<b>Expenses</b>			
Program Services			
Parenting Programs	58,796	-	58,796
Safe Passage Housing Counseling	105,145	-	105,145
Substance Use Disorder Services	112,592	-	112,592
Therapeutic Counseling	269,747	-	269,747
School Based Programs	372,979	-	372,979
Adoption, Pregnancy and Other Programs	157,835	-	157,835
Parish Kitchen	284,162	-	284,162
St. Joseph Apartments	170,612	-	170,612
	1,531,868	-	1,531,868
<b>Total Program Services</b>			
Overhead Expenses			
Management and General	306,127	-	306,127
Fundraising	123,823	-	123,823
	429,950	-	429,950
<b>Total Overhead Expenses</b>			
	1,961,818	-	1,961,818
<b>Total Expenses</b>			
Excess (Deficit) of Revenue, Support and Reclassifications Over Expenses	84,738	(14,304)	70,434
<b>Net Realized and Unrealized Gains on Investments</b>			
	277,227	-	277,227
Change in Net Assets	361,965	(14,304)	347,661
<b>Net Assets, Beginning of Period</b>			
	4,419,259	22,968	4,442,227
<b>Net Assets, End of Period</b>			
	\$ 4,781,224	\$ 8,664	\$ 4,789,888

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR YEAR ENDED JUNE 30, 2017**

	Parenting Programs	Safe Passage Housing Counseling	Substance Use Disorder Services	Therapeutic Counseling	School Based Programs	Adoption/Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total	Management and General	Fundraising	Total
Salaries and Wages	\$ 39,634	\$ 66,322	\$ 74,762	\$ 181,359	\$ 257,291	\$ 97,755	\$ 131,947	\$ 54,745	\$ 903,815	\$ 196,022	\$ 69,283	\$ 1,169,120
Employee Benefits and Payroll Taxes	13,152	21,033	23,981	55,589	70,172	22,108	37,275	17,675	260,985	58,484	17,903	337,372
<b>Total Salaries, Wages and Related Expenses</b>	<b>52,786</b>	<b>87,355</b>	<b>98,743</b>	<b>236,948</b>	<b>327,463</b>	<b>119,863</b>	<b>169,222</b>	<b>72,420</b>	<b>1,164,800</b>	<b>254,506</b>	<b>87,186</b>	<b>1,506,492</b>
Professional Fees	468	1,279	1,063	2,853	3,500	1,817	1,496	1,252	13,728	20,231	1,264	35,223
Supplies	242	430	457	1,349	1,760	766	65,205	566	70,775	1,295	617	72,687
Telephone	390	652	735	1,783	2,530	1,661	1,901	1,224	10,876	1,927	681	13,484
Postage and Shipping	94	209	176	428	607	513	2,167	129	4,323	962	3,011	8,296
Occupancy, Building and Grounds	1,088	1,820	2,052	4,977	7,061	2,683	18,732	73,449	111,862	5,379	1,901	119,142
Maintenance of Equipment	676	7,223	1,277	3,097	5,611	1,717	4,683	959	25,243	3,347	1,183	29,773
Printing and Publications	531	450	1,185	1,005	2,665	1,440	5,474	145	12,895	896	15,715	29,506
Travel	-	76	829	194	5,819	822	-	1,759	9,499	3,589	529	13,617
Conferences, Conventions and Meetings	90	867	865	568	811	4,764	430	587	8,982	1,121	7,202	17,305
Staff Education Expenses	252	840	1,102	1,757	1,014	876	-	1,007	6,848	1,604	425	8,877
Specific Assistance to Individuals	84	441	159	5,204	547	15,649	34	660	22,778	416	147	23,341
Membership Dues	6	11	12	30	42	116	(10)	9	216	532	311	1,059
Programs and Activities	78	132	149	361	512	194	-	109	1,535	390	138	2,063
Miscellaneous	5	2	3	12	12	6	161	4	205	10	5	220
Insurance Premiums	238	400	451	1,093	1,551	589	2,984	3,640	10,946	1,181	418	12,545
<b>Total Expenses Before Depreciation</b>	<b>57,028</b>	<b>102,187</b>	<b>109,258</b>	<b>261,659</b>	<b>361,505</b>	<b>153,476</b>	<b>272,479</b>	<b>157,919</b>	<b>1,475,511</b>	<b>297,386</b>	<b>120,733</b>	<b>1,893,630</b>
Depreciation	1,768	2,958	3,334	8,088	11,474	4,359	11,683	12,693	56,357	8,741	3,090	68,188
<b>Total Expenses</b>	<b>\$ 58,796</b>	<b>\$ 105,145</b>	<b>\$ 112,592</b>	<b>\$ 269,747</b>	<b>\$ 372,979</b>	<b>\$ 157,835</b>	<b>\$ 284,162</b>	<b>\$ 170,612</b>	<b>\$ 1,531,868</b>	<b>\$ 306,127</b>	<b>\$ 123,823</b>	<b>\$ 1,961,818</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Change in Net Assets	\$ 361,965	\$ (14,304)	\$ 347,661
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Depreciation	68,188	-	68,188
Net Realized and Unrealized Gains on Investments	(277,227)	-	(277,227)
Changes in			
Accounts Receivable	16,256	-	16,256
Prepaid Expenses	(4,016)	-	(4,016)
Accounts Payable and Accrued Liabilities	(45,716)	-	(45,716)
	<u>119,450</u>	<u>(14,304)</u>	<u>105,146</u>
Cash Provided (Used) by Operating Activities			
<b>Cash Flows From Investing Activities</b>			
Acquisition of Property and Equipment	(46,380)	-	(46,380)
Proceeds From Sale of Investments	94,788	-	94,788
Purchases of Investments	(17,947)	-	(17,947)
	<u>30,461</u>	<u>-</u>	<u>30,461</u>
Cash Provided by Investing Activities			
<b>Cash Flows From Financing Activities</b>			
Payments on Note Payable	(9,250)	-	(9,250)
	<u>140,661</u>	<u>(14,304)</u>	<u>126,357</u>
Change in Cash and Cash Equivalents			
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>533,307</u>	<u>22,968</u>	<u>556,275</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 673,968</u>	<u>\$ 8,664</u>	<u>\$ 682,632</u>

See accompanying notes.



**CATHOLIC CHARITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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.

The prior year's audit covered an eighteen month period due to Catholic Charities changing year ends to June 30<sup>th</sup>. This explains why the statement of activities, functional expenses and cash flows are not shown comparatively.

**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 both June 30, 2017 and 2016.

**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 2017 or 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 above \$5,000 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 \$11,053 has been recorded in these financial statements for the year ended June 30, 2017.

**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 year ended June 30, 2017. 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 the year ended June 30, 2017.

**Subsequent Events**

Catholic Charities evaluated subsequent events through October 11, 2017, 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 both June 30, 2017 and 2016 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 amount of uninsured cash held at the Diocese as of June 30, 2017 and 2016, was \$345,564 and \$339,176, respectively.

Catholic Charities only debt is a non-interest note payable (see Note Payable note), therefore no cash was paid for interest for the year ended June 30, 2017.

**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, 2017		
	Cost	Fair Value	Unrealized Appreciation
	Unrestricted Operating Fund Investments	\$ 1,782,785	\$ 2,508,765

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

Investment return is summarized as follows:

	Year Ended June 30, 2017
Interest and Dividend Income	\$ 24,334
Realized Gain on Investments	41,079
Net Unrealized Gain on Investments	236,148
Total Investment Gain	\$ 301,561

Investment fees are included in the professional fees line item on the statement of activities.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Catholic Charities' property and equipment consist of the following:

	June 30,	
	2017	2016
Building	\$ 1,950,741	\$ 1,950,741
Furniture and Equipment	348,074	324,285
Leasehold Improvements	377,779	336,419
Autos	17,099	17,099
Construction in Progress	-	18,770
	2,693,693	2,647,314
Less Accumulated Depreciation	1,107,500	1,039,313
Total Property and Equipment	\$ 1,586,193	\$ 1,608,001

**NOTE 5 - NOTE PAYABLE**

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.

June 30,	
2017	2016
\$ <u>31,604</u>	\$ <u>40,854</u>

Remaining maturities on the note payable are as follows:

Years Ending June 30,	
2018	\$ 9,252
2019	9,252
2020	9,252
2021	<u>3,848</u>
	<u>\$ 31,604</u>

**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,			
	2017		2016	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$ 758,710	\$ 926,939	\$ 795,101	\$ 871,042
EOK Trust	<u>356,630</u>	<u>360,906</u>	<u>379,383</u>	<u>392,705</u>
	<u>\$ 1,115,340</u>	<u>\$ 1,287,845</u>	<u>\$ 1,174,484</u>	<u>\$ 1,263,747</u>

Income from the above trusts was \$60,453 for the year ended June 30, 2017. The income is included in the trust, interest, and dividend income line item on the statement 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 \$328,070 to Catholic Charities for the year ended June 30, 2017.

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for the year ended June 30, 2017 were \$262,000.

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 year ended June 30, 2017 were \$78,183.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were \$8,664 and \$22,968 at June 30, 2017 and 2016, 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**

Fundraising events included raffles and sporting events, and incurred gross revenues and expenses as follows:

	<u>Year Ended June 30, 2017</u>
Gross Revenues	\$ 116,221
Fundraising Expenses	<u>(47,610)</u>
Net Fundraising Income	<u><u>\$ 68,611</u></u>

**NOTE 11 - OPERATING LEASES**

Catholic Charities leases office equipment under non-cancelable operating leases from unrelated parties. The leases expire at various dates through January, 2022. Total lease expense for the year ended June 30, 2017 was \$9,850.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2017, for the remainder of the leases are as follows:

Year Ending June 30,		
2018	\$	6,183
2019		5,835
2020		5,719
2021		5,719
2022		477
	\$	<u>23,933</u>

**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 methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2017.

*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 method 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 method is 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.

**NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, Catholic Charities' assets at fair value as of June 30, 2017 and 2016.

	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, 2017				
Pooled Investments	\$ <u>          -</u>	\$ <u>  2,508,765</u>	\$ <u>          -</u>	\$ <u>  2,508,765</u>
Assets at Fair Value as of June 30, 2016				
Pooled Investments	\$ <u>          -</u>	\$ <u>  2,308,379</u>	\$ <u>          -</u>	\$ <u>  2,308,379</u>

**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.



**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 year ended June 30, 2017, and our report thereon dated October 11, 2017, 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 year ended June 30, 2016, 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 Wright, Kentucky  
October 11, 2017

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Total</u>
	<u>Operating Fund</u>	<u>Building Fund</u>	<u>Diocesan Director Fund</u>	
<b>Revenue and Support</b>				
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	108,384	-	-	108,384
Annual Campaign	200,941	-	-	200,941
Contributions	594,997	-	13,254	608,251
Special Fundraising Events	55,305	-	-	55,305
Other	115,483	-	-	115,483
Total Revenue and Support	<u>2,373,625</u>	<u>-</u>	<u>13,254</u>	<u>2,386,879</u>
<b>Reclassifications</b>				
Net Assets Released from Restrictions	<u>1,041,448</u>	<u>(1,032,782)</u>	<u>(8,666)</u>	<u>-</u>
Total Revenue, Support and Reclassifications	<u>3,415,073</u>	<u>(1,032,782)</u>	<u>4,588</u>	<u>2,386,879</u>
<b>Expenses</b>				
Program Services				
Parenting Programs	80,962	-	-	80,962
Safe Passage Housing Counseling	129,699	-	-	129,699
Substance Use Disorder Services	132,753	-	-	132,753
Therapeutic Counseling	276,535	-	-	276,535
School Based Programs	385,739	-	-	385,739
Adoption, Pregnancy and Other Programs	206,029	-	-	206,029
Parish Kitchen	291,438	-	-	291,438
St. Joseph Apartments	149,898	-	-	149,898
Total Program Services	<u>1,653,053</u>	<u>-</u>	<u>-</u>	<u>1,653,053</u>
Overhead Expenses				
Management and General	292,237	-	-	292,237
Fundraising	121,026	-	-	121,026
Total Overhead Expenses	<u>413,263</u>	<u>-</u>	<u>-</u>	<u>413,263</u>
Total Expenses	<u>2,066,316</u>	<u>-</u>	<u>-</u>	<u>2,066,316</u>
Excess (Deficit) of Revenue, Support and Reclassifications Over Expenses	1,348,757	(1,032,782)	4,588	320,563
<b>Net Realized and Unrealized Gains on Investments</b>	<u>10,803</u>	<u>-</u>	<u>-</u>	<u>10,803</u>
Change in Net Assets	1,359,560	(1,032,782)	4,588	331,366
<b>Net Assets, Beginning of Year</b>	<u>3,059,699</u>	<u>1,032,782</u>	<u>18,380</u>	<u>4,110,861</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,419,259</u>	<u>\$ -</u>	<u>\$ 22,968</u>	<u>\$ 4,442,227</u>

Note: As of January 1, 2015, Catholic Charities, Inc. changed its year end from December 31st to June 30th. The prior year audited financial statements are based on an 18 month audit period ended June 30, 2016. The unaudited pro forma information presented here is used for comparative purposes showing income related information based on the 12 month period ended June 30, 2016.

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

	<u>Parenting Programs</u>	<u>Safe Passage Housing Counseling</u>	<u>Substance Use Disorder Services</u>	<u>Therapeutic Counseling</u>	<u>School Based Programs</u>	<u>Adoption/Pregnancy and Other Programs</u>	<u>Parish Kitchen</u>	<u>St. Joseph Apartments</u>	<u>Program Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 55,026	\$ 83,143	\$ 88,377	\$ 189,074	\$ 275,967	\$ 135,713	\$ 129,082	\$ 41,976	\$ 998,358	\$ 196,518	\$ 70,148	\$ 1,265,024
Employee Benefits and Payroll Taxes	17,562	26,886	29,391	55,613	66,748	33,407	41,265	13,301	284,173	55,695	15,443	355,311
<b>Total Salaries, Wages and Related Expenses</b>	<b>72,588</b>	<b>110,029</b>	<b>117,768</b>	<b>244,687</b>	<b>342,715</b>	<b>169,120</b>	<b>170,347</b>	<b>55,277</b>	<b>1,282,531</b>	<b>252,213</b>	<b>85,591</b>	<b>1,620,335</b>
Professional Fees	580	1,995	1,219	3,002	2,807	2,059	2,406	1,241	15,309	11,623	684	27,616
Supplies	672	1,081	633	1,276	2,136	1,235	69,527	571	77,131	1,394	902	79,427
Telephone	618	938	1,004	2,086	2,921	1,811	1,737	658	11,773	2,149	730	14,652
Postage and Shipping	140	391	227	472	661	331	2,713	107	5,042	487	2,982	8,511
Occupancy, Building and Grounds	1,882	2,853	3,054	6,345	8,887	4,385	21,069	72,290	120,765	6,540	2,219	129,524
Maintenance of Equipment	766	1,691	1,244	2,584	3,619	1,786	4,081	1,330	17,101	2,664	904	20,669
Printing and Publications	735	206	1,666	652	1,142	626	4,253	192	9,472	292	19,051	28,815
Travel	-	461	708	15	6,166	1,538	2	1,736	10,626	2,723	320	13,669
Conferences, Conventions and Meetings	66	658	357	373	581	5,320	582	461	8,398	1,568	4,127	14,093
Staff Education Expenses	229	485	517	715	1,426	477	-	156	4,005	835	351	5,191
Specific Assistance to Individuals	-	4,841	-	5,027	-	10,986	-	1,498	22,352	-	-	22,352
Membership Dues	34	50	54	362	157	177	50	25	909	536	39	1,484
Programs and Activities	92	141	151	313	439	216	-	71	1,423	323	110	1,856
Miscellaneous	4	6	6	13	18	9	113	3	172	12	4	188
Insurance Premiums	314	475	508	1,056	1,480	730	2,928	3,527	11,018	1,089	369	12,476
<b>Total Expenses Before Depreciation</b>	<b>78,720</b>	<b>126,301</b>	<b>129,116</b>	<b>268,978</b>	<b>375,155</b>	<b>200,806</b>	<b>279,808</b>	<b>139,143</b>	<b>1,598,027</b>	<b>284,448</b>	<b>118,383</b>	<b>2,000,858</b>
Depreciation	2,242	3,398	3,637	7,557	10,584	5,223	11,630	10,755	55,026	7,789	2,643	65,458
<b>Total Expenses</b>	<b>\$ 80,962</b>	<b>\$ 129,699</b>	<b>\$ 132,753</b>	<b>\$ 276,535</b>	<b>\$ 385,739</b>	<b>\$ 206,029</b>	<b>\$ 291,438</b>	<b>\$ 149,898</b>	<b>\$ 1,653,053</b>	<b>\$ 292,237</b>	<b>\$ 121,026</b>	<b>\$ 2,066,316</b>

Note: As of January 1, 2015, Catholic Charities, Inc. changed its year end from December 31st to June 30th. The prior year audited financial statements are based on an 18 month audit period ended June 30, 2016. The unaudited pro forma information presented here is used for comparative purposes showing income related information based on the 12 month period ended June 30, 2016.