

CATHOLIC CHARITIES, INC.

June 30, 2018

*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, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 11, 2018

CATHOLIC CHARITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

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	\$ 678,785	\$ 7,329	\$	686,114
Accounts Receivable	114,219	-		114,219
Investments	2,639,374	-		2,639,374
Prepaid Expenses	4,017	-		4,017
Property and Equipment, Net	1,546,904	-		1,546,904
Total Assets	\$ 4,983,299	\$ 7,329	\$	4,990,628

LIABILITIES AND NET ASSETS

Note Payable	\$ 22,354	\$ -	\$	22,354
Accounts Payable and Accrued Liabilities	18,635	-		18,635
Total Liabilities	40,989	-		40,989
Net Assets	4,942,310	7,329		4,949,639
Total Liabilities and Net Assets	\$ 4,983,299	\$ 7,329	\$	4,990,628

See accompanying notes.

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

ASSETS

	Unrestricted	Temporarily Restricted	
	Operating	Diocesan	Total
	Fund	Director	Fund
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
Total Assets	\$ 4,831,792	\$ 8,664	\$ 4,840,456

LIABILITIES AND NET ASSETS

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

See accompanying notes.

**CATHOLIC CHARITIES, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted Operating Fund</u>	<u>Temporarily Restricted Diocesan Director Fund</u>	<u>Total</u>
Revenue and Support			
United Way and Community Chest	\$ 289,315	\$ -	\$ 289,315
Program Service Fees	185,986	-	185,986
Fees and Grants From Government Agencies	403,420	-	403,420
Diocese of Covington	262,000	-	262,000
Trust, Interest and Dividend Income	73,780	-	73,780
Annual Campaign	232,488	-	232,488
Contributions	297,671	-	297,671
Special Fundraising Events	63,838	-	63,838
Other	117,089	-	117,089
	<u>1,925,587</u>	<u>-</u>	<u>1,925,587</u>
Reclassifications			
Net Assets Released From Restrictions	1,335	(1,335)	-
	<u>1,926,922</u>	<u>(1,335)</u>	<u>1,925,587</u>
Expenses			
Program Services			
Parenting Programs	71,609	-	71,609
Safe Passage Housing Counseling	111,457	-	111,457
Substance Use Disorder Services	103,527	-	103,527
Therapeutic Counseling	247,586	-	247,586
School Based Programs	333,731	-	333,731
Adoption, Pregnancy and Other Programs	151,204	-	151,204
Parish Kitchen	309,148	-	309,148
St. Joseph Apartments	212,945	-	212,945
	<u>1,541,207</u>	<u>-</u>	<u>1,541,207</u>
Overhead Expenses			
Management and General	319,531	-	319,531
Fundraising	119,824	-	119,824
	<u>439,355</u>	<u>-</u>	<u>439,355</u>
	<u>1,980,562</u>	<u>-</u>	<u>1,980,562</u>
Deficit of Revenue, Support and Reclassifications Over Expenses	(53,640)	(1,335)	(54,975)
Net Realized and Unrealized Gains on Investments			
	<u>214,726</u>	<u>-</u>	<u>214,726</u>
Change in Net Assets	161,086	(1,335)	159,751
Net Assets, Beginning of Period	<u>4,781,224</u>	<u>8,664</u>	<u>4,789,888</u>
Net Assets, End of Period	<u>\$ 4,942,310</u>	<u>\$ 7,329</u>	<u>\$ 4,949,639</u>

See accompanying notes.

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

	<u>Unrestricted Operating Fund</u>	<u>Temporarily Restricted Diocesan Director Fund</u>	<u>Total</u>
Revenue and Support			
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
	<u>2,032,252</u>	<u>-</u>	<u>2,032,252</u>
Reclassifications			
Net Assets Released From Restrictions	14,304	(14,304)	-
	<u>2,046,556</u>	<u>(14,304)</u>	<u>2,032,252</u>
Expenses			
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
	<u>1,531,868</u>	<u>-</u>	<u>1,531,868</u>
Overhead Expenses			
Management and General	306,127	-	306,127
Fundraising	123,823	-	123,823
	<u>429,950</u>	<u>-</u>	<u>429,950</u>
	<u>1,961,818</u>	<u>-</u>	<u>1,961,818</u>
Excess (Deficit) of Revenue, Support and Reclassifications Over Expenses	84,738	(14,304)	70,434
Net Realized and Unrealized Gains on Investments			
	<u>277,227</u>	<u>-</u>	<u>277,227</u>
Change in Net Assets	361,965	(14,304)	347,661
Net Assets, Beginning of Period	<u>4,419,259</u>	<u>22,968</u>	<u>4,442,227</u>
Net Assets, End of Period	<u>\$ 4,781,224</u>	<u>\$ 8,664</u>	<u>\$ 4,789,888</u>

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2018

	<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	\$ 45,395	\$ 68,042	\$ 65,340	\$ 158,295	\$ 224,177	\$ 84,403	\$ 147,805	\$ 66,076	\$ 859,533	\$ 190,621	\$ 65,390	\$ 1,115,544
Employee Benefits and Payroll Taxes	15,453	21,986	22,604	48,462	53,437	17,858	43,909	22,118	245,827	56,343	18,133	320,303
Total Salaries, Wages and Related Expenses	60,848	90,028	87,944	206,757	277,614	102,261	191,714	88,194	1,105,360	246,964	83,523	1,435,847
Professional Fees	850	1,888	1,223	4,258	4,196	6,288	3,601	1,572	23,876	26,448	1,661	51,985
Supplies	299	448	430	1,646	2,299	584	64,596	513	70,815	2,502	444	73,761
Telephone	422	633	608	1,472	2,085	1,140	1,628	1,394	9,382	1,774	608	11,764
Postage and Shipping	154	344	222	537	760	351	2,425	224	5,017	648	2,361	8,026
Occupancy, Building and Grounds	2,182	3,271	3,141	7,609	10,775	4,057	20,270	92,837	144,142	9,160	3,143	156,445
Maintenance of Equipment	1,964	2,945	2,828	6,885	9,702	4,108	4,511	3,364	36,307	8,282	2,830	47,419
Printing and Publications	655	307	745	1,284	1,863	1,329	4,983	298	11,464	861	11,909	24,234
Travel	-	347	875	289	5,690	1,729	130	2,144	11,204	4,244	484	15,932
Conferences, Conventions and Meetings	103	753	473	426	913	5,583	215	255	8,721	1,683	7,445	17,849
Staff Education Expenses	210	315	303	1,250	1,588	426	150	306	4,548	2,608	303	7,459
Specific Assistance to Individuals	672	5,305	55	3,835	189	17,204	-	2,264	29,524	203	55	29,782
Membership Dues	20	31	29	71	101	138	25	30	445	586	404	1,435
Programs and Activities	569	852	819	1,983	2,809	1,057	-	828	8,917	2,388	819	12,124
Miscellaneous	105	157	151	366	518	195	530	1,207	3,229	441	151	3,821
Insurance Premiums	311	468	449	1,089	1,542	580	2,613	3,425	10,477	1,311	450	12,238
Total Expenses Before Depreciation	69,364	108,092	100,295	239,757	322,644	147,030	297,391	198,855	1,483,428	310,103	116,590	1,910,121
Depreciation	2,245	3,365	3,232	7,829	11,087	4,174	11,757	14,090	57,779	9,428	3,234	70,441
Total Expenses	\$ 71,609	\$ 111,457	\$ 103,527	\$ 247,586	\$ 333,731	\$ 151,204	\$ 309,148	\$ 212,945	\$ 1,541,207	\$ 319,531	\$ 119,824	\$ 1,980,562

See accompanying notes.

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

	<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	\$ 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
Total Salaries, Wages and Related Expenses	52,786	87,355	98,743	236,948	327,463	119,863	169,222	72,420	1,164,800	254,506	87,186	1,506,492
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
Total Expenses Before Depreciation	57,028	102,187	109,258	261,659	361,505	153,476	272,479	157,919	1,475,511	297,386	120,733	1,893,630
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
Total Expenses	\$ 58,796	\$ 105,145	\$ 112,592	\$ 269,747	\$ 372,979	\$ 157,835	\$ 284,162	\$ 170,612	\$ 1,531,868	\$ 306,127	\$ 123,823	\$ 1,961,818

See accompanying notes.

CATHOLIC CHARITIES, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2018

	<u>Unrestricted Operating Fund</u>	<u>Temporarily Restricted Diocesan Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Change in Net Assets	\$ 161,086	\$ (1,335)	\$ 159,751
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Depreciation	70,441	-	70,441
Net Realized and Unrealized Gains on Investments	(214,726)	-	(214,726)
Loss on Disposal of Property and Equipment	3,291	-	3,291
Changes in			
Accounts Receivable	(55,369)	-	(55,369)
Prepaid Expenses	(1)	-	(1)
Accounts Payable and Accrued Liabilities	(329)	-	(329)
	<u>(35,607)</u>	<u>(1,335)</u>	<u>(36,942)</u>
Cash Used by Operating Activities			
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(34,443)	-	(34,443)
Proceeds From Sale of Investments	100,986	-	100,986
Purchases of Investments	(16,869)	-	(16,869)
	<u>49,674</u>	<u>-</u>	<u>49,674</u>
Cash Provided by Investing Activities			
Cash Flows From Financing Activities			
Payments on Note Payable	(9,250)	-	(9,250)
	<u>4,817</u>	<u>(1,335)</u>	<u>3,482</u>
Change in Cash and Cash Equivalents			
Cash and Cash Equivalents, Beginning of Period	<u>673,968</u>	<u>8,664</u>	<u>682,632</u>
Cash and Cash Equivalents, End of Period	<u>\$ 678,785</u>	<u>\$ 7,329</u>	<u>\$ 686,114</u>

See accompanying notes.

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

	<u>Unrestricted</u> <u>Operating</u> <u>Fund</u>	<u>Temporarily</u> <u>Restricted</u> <u>Diocesan</u> <u>Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
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			
Cash Flows From Investing Activities			
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			
Cash Flows From Financing Activities			
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			
Cash and Cash Equivalents, Beginning of Period	<u>533,307</u>	<u>22,968</u>	<u>556,275</u>
Cash and Cash Equivalents, End of Period	<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.

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.

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, 2018 and 2017 since management expects no material losses.

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 2018 or 2017.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

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 \$14,582 and \$11,252 has been recorded in these financial statements for the years ended June 30, 2018 and 2017, respectively.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 both the years ended June 30, 2018 and 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 both the years ended June 30, 2018 and 2017.

Recently Issued Significant Accounting Standards*Lease Accounting Standard*

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2019.

Revenue Recognition Standard

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

Nonprofit Standard

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958). The core principles of the guidance are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function and underwater endowments. The ASU is effective for years beginning after December 15, 2017.

Catholic Charities is currently in the process of evaluating the impact of adoption of these ASUs on their financial statements

Subsequent Events

Catholic Charities has evaluated subsequent events through October 11, 2018, 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.

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, 2018 and 2017, was \$501,235 and \$345,564, respectively.

Catholic Charities' only debt is a non-interest note payable (see Note Payable note), therefore no cash was paid for interest for either of the years ended June 30, 2018 or 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, 2018		
	Cost	Fair Value	Unrealized Appreciation
Operating Fund Investments	\$ 1,728,883	\$ 2,639,374	\$ 910,491
	June 30, 2017		
	Cost	Fair Value	Unrealized Appreciation
Operating Fund Investments	\$ 1,782,785	\$ 2,508,765	\$ 725,980

Investment return is summarized as follows:

	Years Ended June 30,	
	2018	2017
Interest and Dividend Income	\$ 22,541	\$ 24,335
Realized Gain on Investments	30,362	41,079
Net Unrealized Gain on Investments	184,364	236,148
Total Investment Gain	\$ 237,267	\$ 301,562

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

NOTE 4 - PROPERTY AND EQUIPMENT

Catholic Charities' property and equipment consist of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Building	\$ 1,950,741	\$ 1,950,741
Furniture and Equipment	211,439	348,074
Leasehold Improvements	359,124	377,779
Autos	<u>17,099</u>	<u>17,099</u>
	2,538,403	2,693,693
Less Accumulated Depreciation	<u>991,499</u>	<u>1,107,500</u>
Total Property and Equipment	<u>\$ 1,546,904</u>	<u>\$ 1,586,193</u>

NOTE 5 - NOTE PAYABLE

	June 30,	
	<u>2018</u>	<u>2017</u>
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.	<u>\$ 22,354</u>	<u>\$ 31,604</u>

Remaining maturities on the note payable are as follows:

Years Ending <u>June 30,</u>	
2019	\$ 9,252
2020	9,252
2021	<u>3,850</u>
	<u>\$ 22,354</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,			
	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$ 726,887	\$ 962,168	\$ 758,710	\$ 926,939
EOK Trust	347,908	344,469	356,630	360,906
	<u>\$ 1,074,795</u>	<u>\$ 1,306,637</u>	<u>\$ 1,115,340</u>	<u>\$ 1,287,845</u>

Income from the above trusts was \$51,239 and \$60,452 for the years ended June 30, 2018 and 2017, respectively. 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 \$289,315 and \$328,070 to Catholic Charities for the years ended June 30, 2018 and 2017, respectively.

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for each of the years ended June 30, 2018 and 2017 was \$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 years ended June 30, 2018 and 2017 were \$68,853 and \$78,183, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were \$7,329 and \$8,664 at June 30, 2018 and 2017, respectively. The Diocesan Director Fund Net Assets are restricted for operations of the 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:

	Years Ended June 30,	
	2018	2017
Gross Revenues	\$ 108,410	\$ 116,221
Fundraising Expenses	(44,572)	(47,610)
Net Fundraising Income	\$ 63,838	\$ 68,611

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 years ended June 30, 2018 was \$6,183 and \$9,850, respectively.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2018, for the remainder of the leases are as follows:

Years Ending June 30,	
2019	\$ 5,835
2020	5,719
2021	5,719
2022	477
	\$ 17,750

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.

NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)

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, 2018.

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.

The following table sets forth by level, within the fair value hierarchy, Catholic Charities' assets at fair value as of June 30, 2018 and 2017.

	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, 2018				
Pooled Investments	\$ -	\$ 2,639,374	\$ -	\$ 2,639,374
Assets at Fair Value as of June 30, 2017				
Pooled Investments	\$ -	\$ 2,508,765	\$ -	\$ 2,508,765

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.