



Catholic Charities of the Diocese of Covington, Inc.

June 30, 2022

Financial Statements and Independent Auditors' Report

**CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Financial Statements	
Statements of Financial Position.....	1
Statements of Activities.....	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	9

INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities of the Diocese of Covington, Inc.
Covington, Kentucky

Opinion

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Covington, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Covington, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of the Diocese of Covington, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of the Diocese of Covington, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Catholic Charities of the Diocese of Covington, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of the Diocese of Covington, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 28, 2022

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	ASSETS		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Assets			
Cash	\$ 528,729	\$ 18,855	\$ 547,584
Accounts Receivable	36,550	-	36,550
Investments	2,711,794	-	2,711,794
Prepaid Expenses	6,494	-	6,494
Other Assets	44,412	-	44,412
Unconditional Promises to Give	15,000	-	15,000
Property and Equipment, Net	<u>2,712,263</u>	<u>-</u>	<u>2,712,263</u>
Total Assets	<u>\$ 6,055,242</u>	<u>\$ 18,855</u>	<u>\$ 6,074,097</u>

LIABILITIES AND NET ASSETS

Liabilities			
Accounts Payable and Accrued Liabilities	\$ 54,501	\$ -	\$ 54,501
Deferred Revenue	<u>22,220</u>	<u>-</u>	<u>22,220</u>
Total Liabilities	76,721	-	76,721
Net Assets	<u>5,978,521</u>	<u>18,855</u>	<u>5,997,376</u>
Total Liabilities and Net Assets	<u>\$ 6,055,242</u>	<u>\$ 18,855</u>	<u>\$ 6,074,097</u>

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	ASSETS		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	
Assets			
Cash	\$ 880,824	\$ 13,362	\$ 894,186
Accounts Receivable	87,561	-	87,561
Investments	2,592,846	-	2,592,846
Prepaid Expenses	12,277	-	12,277
Other Assets	54,372	-	54,372
Unconditional Promises to Give	50,000	73,903	123,903
Property and Equipment, Net	2,674,759	-	2,674,759
	<u>2,674,759</u>	<u>-</u>	<u>2,674,759</u>
Total Assets	\$ 6,352,639	\$ 87,265	\$ 6,439,904

LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 106,740	\$ -	\$ 106,740
Deferred Revenue	6,057	-	6,057
	<u>112,797</u>	<u>-</u>	<u>112,797</u>
Total Liabilities	112,797	-	112,797
Net Assets	<u>6,239,842</u>	<u>87,265</u>	<u>6,327,107</u>
Total Liabilities and Net Assets	\$ 6,352,639	\$ 87,265	\$ 6,439,904

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Revenue, Support, and Gains			
United Way and Community Chest	\$ 75,155	\$ -	\$ 75,155
Program Service Fees	186,397	-	186,397
Fees and Grants From Government Agencies	337,013	-	337,013
Diocese of Covington	275,133	-	275,133
Private Grants	25,000	-	25,000
Net Investment Loss	(423,522)	-	(423,522)
Trust Income	52,737	-	52,737
Contributions	847,159	6,883	854,042
Special Fundraising Events, Net	95,642	-	95,642
Other	35,035	-	35,035
	<u>1,505,749</u>	<u>6,883</u>	<u>1,512,632</u>
Net Assets Released From Restriction	<u>75,293</u>	<u>(75,293)</u>	<u>-</u>
	<u>1,581,042</u>	<u>(68,410)</u>	<u>1,512,632</u>
Expenses			
Program Services			
Parenting Programs	37,674	-	37,674
CARE Programs	30,641	-	30,641
Safe Passage Housing Counseling	108,478	-	108,478
Therapeutic Counseling	279,519	-	279,519
School Based Programs	233,937	-	233,937
Adoption, Pregnancy and Other Programs	149,275	-	149,275
Parish Kitchen	336,321	-	336,321
St. Joseph Apartments	155,195	-	155,195
	<u>1,331,040</u>	<u>-</u>	<u>1,331,040</u>
Overhead Expenses			
Management and General	385,050	-	385,050
Fundraising	126,273	-	126,273
	<u>511,323</u>	<u>-</u>	<u>511,323</u>
Total Expenses	<u>1,842,363</u>	<u>-</u>	<u>1,842,363</u>
Change in Net Assets	(261,321)	(68,410)	(329,731)
Net Assets, Beginning of Year	<u>6,239,842</u>	<u>87,265</u>	<u>6,327,107</u>
Net Assets, End of Year	<u>\$ 5,978,521</u>	<u>\$ 18,855</u>	<u>\$ 5,997,376</u>

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Revenue, Support, and Gains			
United Way and Community Chest	\$ 75,621	\$ 73,903	\$ 149,524
Program Service Fees	187,135	-	187,135
Fees and Grants From Government Agencies	338,237	-	338,237
Diocese of Covington	270,300	-	270,300
Private Grants	25,000	-	25,000
Net Investment Return	593,289	-	593,289
Trust Income	56,719	-	56,719
Contributions	868,748	-	868,748
Special Fundraising Events, Net	70,545	-	70,545
Other	42,432	-	42,432
Loss on Sale of Property and Equipment	(2,707)	-	(2,707)
Payroll Protection Program Revenue	41,277	-	41,277
	<u>2,566,596</u>	<u>73,903</u>	<u>2,640,499</u>
Total Revenue, Support, and Gains			
	<u>84,270</u>	<u>(84,270)</u>	<u>-</u>
Net Assets Released From Restriction			
	<u>2,650,866</u>	<u>(10,367)</u>	<u>2,640,499</u>
Total Revenue, Support, Gains and Reclassifications			
Expenses			
Program Services			
Parenting Programs	36,691	-	36,691
CARE Programs	32,345	-	32,345
Safe Passage Housing Counseling	113,913	-	113,913
Therapeutic Counseling	122,295	-	122,295
School Based Programs	358,516	-	358,516
Adoption, Pregnancy and Other Programs	146,706	-	146,706
Parish Kitchen	382,159	-	382,159
St. Joseph Apartments	182,431	-	182,431
	<u>1,375,056</u>	<u>-</u>	<u>1,375,056</u>
Total Program Services			
Overhead Expenses			
Management and General	377,140	-	377,140
Fundraising	124,866	-	124,866
	<u>502,006</u>	<u>-</u>	<u>502,006</u>
Total Overhead Expenses			
	<u>1,877,062</u>	<u>-</u>	<u>1,877,062</u>
Total Expenses			
	773,804	(10,367)	763,437
Change in Net Assets			
	<u>5,466,038</u>	<u>97,632</u>	<u>5,563,670</u>
Net Assets, Beginning of Year			
	<u>\$ 6,239,842</u>	<u>\$ 87,265</u>	<u>\$ 6,327,107</u>
Net Assets, End of Year			

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2022

	Program Services										Fundraising	Total
	Parenting Programs	CARE Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total	Management and General		
Salaries and Wages	\$ 24,439	\$ 20,484	\$ 67,303	\$ 213,647	\$ 135,614	\$ 82,375	151,731	57,675	\$ 753,268	\$ 154,724	83,644	\$ 991,636
Employee Benefits and Payroll Taxes	8,185	6,993	22,182	39,930	50,836	20,561	47,143	21,209	217,039	59,833	12,059	288,931
Total Salaries, Wages and Related Expenses	32,624	27,477	89,485	253,577	186,450	102,936	198,874	78,884	970,307	214,557	95,703	1,280,567
Professional Fees	166	161	74	619	7,468	167	7,206	248	16,109	34,343	751	51,203
Office Supplies	-	-	92	55	307	192	223	418	1,287	3,457	11	4,755
Household Supplies	-	-	-	-	260	409	4,266	678	5,613	1,549	35	7,197
Telephone	-	-	-	-	-	159	2,378	373	2,910	11,145	-	14,055
Postage and Shipping	-	-	11	-	-	44	228	15	298	1,244	2,889	4,431
Occupancy, Building and Grounds	-	-	-	-	-	-	19,420	61,551	80,971	37,253	-	118,224
Maintenance of Equipment	-	-	-	-	1,840	3,491	5,333	129	10,793	3,200	-	13,993
Information Technology	-	-	1,071	624	-	-	139	275	2,109	31,373	2,655	36,137
Printing, Subscriptions, and Publications	-	-	357	357	1,706	1,632	12,995	-	17,047	12,031	12,664	41,742
Marketing and Development	-	73	-	-	-	1,914	-	-	1,987	91	2,246	4,324
Travel	17	-	-	633	3,131	1,922	40	174	5,917	3,566	370	9,853
Conferences, Conventions and Meetings	-	-	35	-	359	548	-	-	942	3,975	1,424	6,341
Staff Education Expenses	-	-	-	-	500	630	100	-	1,230	5,557	-	6,787
Specific Assistance to Individuals	1,364	-	6,411	4,183	1,119	21,015	135	3,312	37,539	967	-	38,506
Membership Dues	-	-	1,298	-	-	-	-	-	1,298	1,473	410	3,181
Miscellaneous	-	-	-	-	246	2,176	457	883	3,762	2,627	7,115	13,504
Special Events	-	-	-	-	-	-	-	-	-	-	41,307	41,307
Food	-	-	-	-	-	-	62,662	-	62,662	-	-	62,662
Insurance Premiums	-	-	-	-	-	260	217	-	477	16,642	-	17,119
Total Expenses Before Depreciation	34,171	27,711	98,834	260,048	203,386	137,495	314,673	146,940	1,223,258	385,050	167,580	1,775,888
Depreciation	3,503	2,930	9,644	19,471	30,551	11,780	21,648	8,255	107,782	-	-	107,782
Total Expenses by Function	37,674	30,641	108,478	279,519	233,937	149,275	336,321	155,195	1,331,040	385,050	167,580	1,883,670
Less Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(41,307)	(41,307)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 37,674	\$ 30,641	\$ 108,478	\$ 279,519	\$ 233,937	\$ 149,275	\$ 336,321	\$ 155,195	\$ 1,331,040	\$ 385,050	\$ 126,273	\$ 1,842,363

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2021

	Program Services										Management and General	Fundraising	Total
	Parenting Programs	CARE Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total				
Salaries and Wages	\$ 25,639	\$ 22,599	\$ 70,611	\$ 70,933	\$ 273,996	\$ 98,602	\$ 164,146	\$ 60,413	\$ 786,939	\$ 158,507	\$ 74,918	\$ 1,020,364	
Employee Benefits and Payroll Taxes	8,132	7,338	22,262	21,978	61,532	20,088	52,107	21,192	214,629	53,200	17,530	285,359	
Total Salaries, Wages and Related Expenses	33,771	29,937	92,873	92,911	335,528	118,690	216,253	81,605	1,001,568	211,707	92,448	1,305,723	
Professional Fees	393	31	356	247	8,389	344	7,571	145	17,476	32,018	370	49,864	
Office Supplies	-	-	-	-	73	222	223	-	518	3,839	246	4,603	
Household Supplies	-	-	-	-	422	390	4,266	1,002	6,080	1,851	-	7,931	
Telephone	-	-	-	-	-	158	2,378	380	2,916	12,011	-	14,927	
Postage and Shipping	-	-	30	-	-	127	228	-	385	3,322	1,486	5,193	
Occupancy, Building and Grounds	-	-	-	-	-	54	20,319	84,918	105,291	31,578	-	136,869	
Maintenance of Equipment	-	-	-	-	-	-	3,528	-	3,528	571	-	4,099	
Information Technology	-	-	1,309	-	-	-	65	275	1,649	28,525	3,973	34,147	
Printing, Subscriptions, and Publications	150	-	1,058	24	1,336	1,675	12,995	-	17,238	8,776	10,181	36,195	
Marketing and Development	-	-	-	-	-	-	-	-	-	-	7,917	7,917	
Travel	-	-	-	-	3,962	4,259	134	1,618	9,973	426	95	10,494	
Conferences, Conventions and Meetings	-	-	20	-	141	776	60	-	997	1,875	-	2,872	
Staff Education Expenses	-	-	-	-	-	15	-	-	15	4,957	-	4,972	
Specific Assistance to Individuals	-	-	10,540	5,384	-	10,109	137	1,832	28,002	-	-	28,002	
Membership Dues	-	-	-	-	-	-	-	-	-	1,305	335	1,640	
Miscellaneous	-	-	-	-	-	121	435	704	1,260	6,428	-	7,688	
Special Events	-	-	-	-	-	-	-	-	-	-	29,574	29,574	
Food	-	-	-	-	-	-	93,665	-	93,665	-	-	93,665	
Insurance Premiums	-	-	-	-	-	-	2,713	2,969	5,682	10,377	-	16,059	
Total Expenses Before Depreciation	34,314	29,968	106,186	98,566	349,851	136,940	364,970	175,448	1,296,243	359,566	146,625	1,802,434	
Depreciation	2,377	2,377	7,727	23,729	8,665	9,766	17,189	6,983	78,813	17,574	7,815	104,202	
Total Expenses by Function	36,691	32,345	113,913	122,295	358,516	146,706	382,159	182,431	1,375,056	377,140	154,440	1,906,636	
Less Expenses Included with Revenues on the Statements of Activities													
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(29,574)	(29,574)	
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 36,691	\$ 32,345	\$ 113,913	\$ 122,295	\$ 358,516	\$ 146,706	\$ 382,159	\$ 182,431	\$ 1,375,056	\$ 377,140	\$ 124,866	\$ 1,877,062	

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Change in Net Assets	\$ (261,321)	\$ (68,410)	\$ (329,731)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Depreciation	107,782	-	107,782
Net Realized and Unrealized Losses on Investments	446,129	-	446,129
Changes in			
Accounts Receivable	51,011	-	51,011
Prepaid Expenses	5,783	-	5,783
Other Assets	9,960	-	9,960
Unconditional Promises to Give	35,000	73,903	108,903
Accounts Payable and Accrued Liabilities	(52,239)	-	(52,239)
Deferred Revenue	16,163	-	16,163
	<u>358,268</u>	<u>5,493</u>	<u>363,761</u>
Cash Provided by Operating Activities			
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(145,286)	-	(145,286)
Proceeds From Sale of Investments	104,800	-	104,800
Purchases of Investments	(669,877)	-	(669,877)
	<u>(710,363)</u>	<u>-</u>	<u>(710,363)</u>
Cash Used by Investing Activities			
Net Change in Cash	(352,095)	5,493	(346,602)
Cash, Beginning of Year	<u>880,824</u>	<u>13,362</u>	<u>894,186</u>
Cash, End of Year	<u>\$ 528,729</u>	<u>\$ 18,855</u>	<u>\$ 547,584</u>

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Change in Net Assets	\$ 773,804	\$ (10,367)	\$ 763,437
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Depreciation	104,202	-	104,202
Loss on Sale of Property and Equipment	2,707	-	2,707
Net Realized and Unrealized Gains on Investments	(576,667)	-	(576,667)
Changes in			
Accounts Receivable	(70,521)	-	(70,521)
Prepaid Expenses	(776)	-	(776)
Other Assets	(13,343)	-	(13,343)
Unconditional Promises to Give	51,000	9,697	60,697
Accounts Payable and Accrued Liabilities	52,123	-	52,123
Deferred Revenue	(35,220)	-	(35,220)
	<u>287,309</u>	<u>(670)</u>	<u>286,639</u>
Cash Provided (Used) by Operating Activities			
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(149,093)	-	(149,093)
Proceeds From Sale of Investments	112,053	-	112,053
Purchases of Investments	(14,577)	-	(14,577)
	<u>(51,617)</u>	<u>-</u>	<u>(51,617)</u>
Cash Used by Investing Activities			
Cash Flows From Financing Activities			
Payments on Note Payable	(3,853)	-	(3,853)
Construction Accounts Payable	(108,723)	-	(108,723)
	<u>(112,576)</u>	<u>-</u>	<u>(112,576)</u>
Cash Used by Financing Activities			
Net Change in Cash	123,116	(670)	122,446
Cash, Beginning of Year	<u>757,708</u>	<u>14,032</u>	<u>771,740</u>
Cash, End of Year	<u>\$ 880,824</u>	<u>\$ 13,362</u>	<u>\$ 894,186</u>

See accompanying notes.

**CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Catholic Charities of the Diocese of Covington, Inc. (Catholic Charities) was incorporated and commenced operations as a nonprofit agency in September 1978 under the laws of the Commonwealth of Kentucky. Catholic Charities provides child and family, counseling, housing, and community outreach services for individuals, children, and parents in the Greater Cincinnati and Northern Kentucky areas through varying emotional, financial, and physical programs to empower them to reach their full potential.

Catholic Charities' viability is depending on contributions and the ability to collect on its contracts with customers.

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.

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 or the anticipated due date. 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 grantors and clients, 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, no allowance for doubtful accounts has been provided at both June 30, 2022 and 2021 since Catholic Charities does not expect any material losses.

Promises to Give

Catholic Charities records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Catholic Charities determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, no allowance for uncollectible promises to give has been provided at either June 30, 2022 or 2021 since Catholic Charities does not expect any material losses.

Contract Assets and Liabilities

There are no contract assets to report in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments, if purchased, are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, trust income, and realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$5,000.

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	10 – 40 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Catholic Charities reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue from Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. Catholic Charities recognizes contract revenue for financial reporting purposes over time and at a point in time. Depending on the terms of the contract, Catholic Charities may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Catholic Charities recognizes revenue from rental units monthly in line with the terms of the contract with the customers and event revenues are recognized at the time of the event.

Service revenue is recognized over time utilizing an input method and aligns with when services are provided. Typically, revenue is recognized in the amount of the invoices since that amount corresponds directly to the value of Catholic Charities' performance to date as Catholic Charities bills the customer a predetermined rate for each type of service performed.

Determining when control transfers requires management to make judgments that affect the timing of revenue recognized. Catholic Charities believes that this method provides a faithful depiction of the transfer of control of its products.

Revenue from Contributions

Catholic Charities recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Catholic Charities' federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, no conditional contributions, for which no amounts had been received in advance, have been recognized in the accompanying financial statements at both June 30, 2022 and 2021.

Paycheck Protection Program Funding

In April 2020, Catholic Charities received funding in the amount of \$272,875, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest were forgivable within a 24-week period as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained other designated thresholds. The unforgiven portion of the PPP loan was payable over five years at an interest rate of 1%, with a deferral of payments until the date that the lender received the forgiveness amount from the SBA. Catholic Charities intended to use the proceeds for purposes consistent with the PPP. Catholic Charities accounted for the PPP Funding in accordance with ASC 958-605 *Revenue Recognition for Nonprofit Entities*. Revenue was recognized as eligible expenses and other conditions were substantially met or incurred. At June 30, 2020, Catholic Charities had recognized revenue of \$231,598 as it had determined eligible expenses and other conditions have been met regarding a portion of the funding, and \$41,277 as deferred revenue for the remainder of the funding yet to satisfy the conditions. In December 2020, Catholic Charities received full forgiveness of the loan and for the year ended June 30, 2021, the remaining \$41,277 was recognized as revenue on the statement of activities.

Donated Services, Food, and Items

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Catholic Charities.

Catholic Charities has significant time contributed to its mission through volunteers, however, the statements of activities does not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Retirement 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis as well as salaries and wages, benefits, payroll taxes, professional services, office and household expenses, telecommunications, shipping, maintenance, information technology, printing, subscriptions, travel, special events, meetings, education, special assistance, dues, food, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Tax Status

Catholic Charities is a Kentucky nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

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 either of the years ended June 30, 2022 or 2021. 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 either of the years ended June 30, 2022 or 2021.

Recently Issued Significant Accounting Standard

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, 2021.

Catholic Charities is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events

Catholic Charities has evaluated subsequent events through October 28, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

Financial assets available for general use and without donor or other restrictions limiting their use, within one year of the statements of financial position are comprised of the following:

	June 30,	
	2022	2021
Cash, Without Restrictions	\$ 528,729	\$ 880,824
Accounts Receivable	36,550	87,561
Unconditional Promises to Give	5,000	50,000
Investments	2,711,794	2,592,846
	\$ 3,282,073	\$ 3,611,231

As part of Catholic Charities' liquidity management, Catholic Charities will invest cash in excess of the requirements of operating activities. These funds are available if deemed necessary.

NOTE 3 – CASH AND CASH FLOWS

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.

For purposes of the cash flows statements, cash includes cash on hand, cash held in a checking account, and cash held by the Diocese of Covington.

No cash was paid for interest for either of the years ended June 30, 2022 or 2021.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

Amounts Promised		
Within One Year	\$ 5,000	\$ 108,903
One to Five Years	10,000	15,000
Unconditional Promises to Give	\$ 15,000	\$ 123,903

During the years ended June 30, 2022 and 2021, Catholic Charities spent \$15,000 and \$50,000, respectively, more than received in cash from promises to give for the updates and renovations to a building placed in service as of June 30, 2020. Therefore \$15,000 and \$50,000 of the promises to give for the years ended June 30, 2022 and 2021, respectively, are considered without donor restrictions. These funds will not be used to pay down any future outstanding debt.

NOTE 5 – INVESTMENTS

Investments are stated at fair value and consist of money market accounts, mutual funds and common stocks. 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 gains are as follows:

	June 30, 2022		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,610,208	\$ 2,711,794	\$ 1,101,586
	June 30, 2021		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,025,300	\$ 2,592,846	\$ 1,567,546

Net investment return is summarized as follows:

	Years Ended June 30,	
	2022	2021
Interest and Dividend Income, Net	\$ 22,607	\$ 16,622
Realized Gain on Investments	22,783	74,195
Unrealized (Loss) Gain on Investments	(468,912)	502,472
Net Investment Return	\$ (423,522)	\$ 593,289

Investment fees of \$2,856 and \$2,310 for the years ended June 30, 2022 and 2021, respectively, are netted against interest and dividend income above.

NOTE 6 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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 to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, 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 6 – 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 are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2022 and 2021.

Mutual Funds, including Money Market Funds (Included in Pooled Investments): Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded

Common Stocks (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.

All investments were valued at Level 1 at both June 30, 2022 and 2021.

Risks and Uncertainties

Catholic Charities invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statements of financial position.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

	June 30,	
	2022	2021
Building	\$ 3,295,006	\$ 3,295,005
Furniture and Equipment	103,669	102,408
Leasehold Improvements	245,561	178,362
Autos	93,924	17,099
	3,738,160	3,592,874
Less Accumulated Depreciation	1,025,897	918,115
Total Property and Equipment	\$ 2,712,263	\$ 2,674,759

NOTE 8 – CONTRACT BALANCES

Receivables and contract balances from contracts with customers were as follows:

	Years Ended June 30,			
	2022		2021	
Accounts Receivable				
Beginning of Year	\$	87,561	\$	17,040
End of Year	\$	36,550	\$	87,561
Deferred Revenue				
Beginning of Year	\$	6,057	\$	41,277
End of Year	\$	22,220	\$	6,057

NOTE 9 – 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,			
	2022		2021	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$ 690,005	\$ 977,966	\$ 643,378	\$ 1,174,919
EOK Trust	290,932	276,216	305,644	313,464
	\$ 980,937	\$ 1,254,182	\$ 949,022	\$ 1,488,383

NOTE 10 – GRANTS

Grants from the United Way are reviewed and revised annually by the United Way Board of Directors. The Board awarded grants of \$75,155 and \$149,524 to Catholic Charities for the years ended June 30, 2022 and 2021, respectively.

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for the years ended June 30, 2022 and 2021 were \$275,133 and \$270,300, respectively.

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

NOTE 11 – RETIREMENT PLAN EXPENSE

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, 2022 and 2021 were \$61,472 and \$59,835, respectively.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2022	2021
Subject to Expenditure for Specified Purpose		
St. Joseph Volunteers Fund	\$ 611	\$ 611
Christmas Families Fund	1,307	536
CCUSA Eviction Prevention	6,062	-
Annabelle Lee Scholarship Fund	775	775
Parents of Addicted Loved Ones Fund	2,621	2,621
Memorials for Jail Ministry	100	1,490
United Way Funds	-	73,903
St. Joseph Laundry Fund	7,379	7,329
	<u>18,855</u>	<u>87,265</u>
Total Net Assets with Donor Restrictions	<u>\$ 18,855</u>	<u>\$ 87,265</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	Years Ended June 30,	
	2021	2020
Net Assets Released from Restrictions		
Satisfaction of Purpose Restrictions		
Christmas Families Fund	\$ -	\$ 332
Memorials for Jail Ministry	1,390	338
Expiration of Time Restrictions		
United Way Funds	73,903	83,600
	<u>75,293</u>	<u>84,270</u>
Total Net Assets Released From Restrictions	<u>\$ 75,293</u>	<u>\$ 84,270</u>

NOTE 13 – DONATED SERVICES, EQUIPMENT AND IN-KIND CONTRIBUTIONS

For the years ended June 30, 2022 and 2021, Catholic Charities recognized contributed nonfinancial assets consisting of in-kind contributions of \$16,889 and \$7,050, respectively. In-kind contributions recognized are comprised of food items for the Parish Kitchen provided by various individuals. These contributions are valued and reported at the estimated fair value in the financial statements based on similar goods using pricing data under a “like-kind” methodology considering condition or use at the time of contributions.

NOTE 14 – SPECIAL FUNDRAISING EVENTS

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

	Years Ended June 30,	
	2022	2021
Gross Revenues	\$ 136,949	\$ 100,119
Fundraising Expenses	(41,307)	(29,574)
Net Fundraising Income	\$ 95,642	\$ 70,545

NOTE 15 – OPERATING LEASES

Catholic Charities leases office equipment under non-cancelable operating leases from unrelated parties. The leases expire at various dates through November 2026. Total lease expense was \$5,291 and \$5,835 for each of the years ended June 30, 2022 and 2021, respectively.

The following are the net minimum lease payments for the remainder of these leases:

Years Ending June 30,	
2023	5,252
2024	5,252
2025	5,252
2026	5,252
2027	2,189
	\$ 23,197

NOTE 16 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on Catholic Charities' financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of Catholic Charities.