

Financial Statements for

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

Years Ended June 30, 2025 and 2024

With Independent Auditor's Report

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
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INDEPENDENT AUDITOR'S 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, 2025 and 2024, 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, 2025 and 2024, 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.

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 Auditor's 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.

Auditor's 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 auditor's 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 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.

Dean Dotson Allen Ford, PLLC

Fort Wright, Kentucky
November 19, 2025

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash	\$ 434,728	\$ 212,346	\$ 647,074
Accounts Receivable, Net of Allowance for Credit Losses of \$1,951	16,255	-	16,255
Investments	3,098,978	-	3,098,978
Prepaid Expenses	4,030	-	4,030
Other Assets	60,626	-	60,626
Unconditional Promises to Give	5,000	95,000	100,000
Property and Equipment, Net	2,527,939	-	2,527,939
Right of Use Asset - Operating Lease	20,522	-	20,522
Total Assets	\$ 6,168,078	\$ 307,346	\$ 6,475,424

LIABILITIES AND NET ASSETS

Liabilities			
Accounts Payable and Accrued Liabilities	\$ 75,458	\$ -	\$ 75,458
Deferred Revenue	16,012	-	16,012
Operating Lease Liability	20,522	-	20,522
Total Liabilities	111,992	-	111,992
Net Assets	6,056,086	307,346	6,363,432
Total Liabilities and Net Assets	\$ 6,168,078	\$ 307,346	\$ 6,475,424

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash	\$ 335,913	\$ 51,678	\$ 387,591
Accounts Receivable, Net of Allowance for Credit Losses of \$4,784	36,107	-	36,107
Investments	2,730,053	-	2,730,053
Prepaid Expenses	3,535	-	3,535
Other Assets	56,684	-	56,684
Unconditional Promises to Give	5,000	50,000	55,000
Property and Equipment, Net	2,606,823	-	2,606,823
Right of Use Asset - Operating Lease	31,793	-	31,793
	<u>5,805,908</u>	<u>101,678</u>	<u>5,907,586</u>
Total Assets	\$ 5,805,908	\$ 101,678	\$ 5,907,586

LIABILITIES AND NET ASSETS

Liabilities			
Accounts Payable and Accrued Liabilities	\$ 77,568	\$ -	\$ 77,568
Deferred Revenue	26,928	-	26,928
Operating Lease Liability	31,793	-	31,793
	<u>136,289</u>	<u>-</u>	<u>136,289</u>
Total Liabilities	136,289	-	136,289
Net Assets	<u>5,669,619</u>	<u>101,678</u>	<u>5,771,297</u>
Total Liabilities and Net Assets	\$ 5,805,908	\$ 101,678	\$ 5,907,586

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program Service Fees	\$ 209,821	\$ -	\$ 209,821
Fees and Grants From Government Agencies	362,025	-	362,025
Diocese of Covington	333,000	-	333,000
Private Grants	132,500	-	132,500
Net Investment Return	510,155	-	510,155
Trust Income	49,841	-	49,841
Contributions	896,620	262,817	1,159,437
In-Kind Contributions	420,519	-	420,519
Special Fundraising Events, Net	164,871	-	164,871
Other	65,269	-	65,269
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	3,144,621	262,817	3,407,438
Net Assets Released From Restriction	<hr/>	<hr/>	<hr/>
	57,149	(57,149)	-
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	3,201,770	205,668	3,407,438
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Expenses			
Program Services			
Parenting Programs	41,176	-	41,176
Safe Passage Housing Counseling	103,294	-	103,294
Therapeutic Counseling	205,918	-	205,918
School Based Programs	299,675	-	299,675
Mobile Food Pantry	479,525	-	479,525
Adoption, Pregnancy and Other Programs	96,318	-	96,318
Parish Kitchen	424,196	-	424,196
St. Joseph Apartments	227,873	-	227,873
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Total Program Services	1,877,975	-	1,877,975
	<hr/>	<hr/>	<hr/>
Overhead Expenses			
Management and General	673,376	-	673,376
Fundraising	263,952	-	263,952
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Total Overhead Expenses	937,328	-	937,328
	<hr/>	<hr/>	<hr/>
Total Expenses	2,815,303	-	2,815,303
	<hr/>	<hr/>	<hr/>
Change in Net Assets	386,467	205,668	592,135
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	5,669,619	101,678	5,771,297
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Net Assets, End of Year	\$ <u>6,056,086</u>	\$ <u>307,346</u>	\$ <u>6,363,432</u>

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program Service Fees	\$ 207,937	\$ -	\$ 207,937
Fees and Grants From Government Agencies	316,160	-	316,160
Diocese of Covington	289,500	-	289,500
Private Grants	2,683	-	2,683
Net Investment Return	356,963	-	356,963
Trust Income	49,915	-	49,915
Contributions	659,795	105,827	765,622
In-Kind Contributions	426,654	-	426,654
Special Fundraising Events, Net	171,211	-	171,211
Other	53,257	-	53,257
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	2,534,075	105,827	2,639,902
Net Assets Released From Restriction	<hr/>	<hr/>	<hr/>
	19,835	(19,835)	-
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	2,553,910	85,992	2,639,902
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Expenses			
Program Services			
Parenting Programs	67,030	-	67,030
Safe Passage Housing Counseling	96,039	-	96,039
Therapeutic Counseling	282,653	-	282,653
School Based Programs	296,830	-	296,830
Mobile Food Pantry	492,083	-	492,083
Adoption, Pregnancy and Other Programs	100,390	-	100,390
Parish Kitchen	439,472	-	439,472
St. Joseph Apartments	185,080	-	185,080
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Total Program Services	1,959,577	-	1,959,577
	<hr/>	<hr/>	<hr/>
Overhead Expenses			
Management and General	573,282	-	573,282
Fundraising	234,943	-	234,943
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Total Overhead Expenses	808,225	-	808,225
	<hr/>	<hr/>	<hr/>
Total Expenses	2,767,802	-	2,767,802
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(213,892)	85,992	(127,900)
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Net Assets, Beginning of Year	5,883,511	15,686	5,899,197
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Net Assets, End of Year	\$ 5,669,619	\$ 101,678	\$ 5,771,297
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See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2025

	Program Services									Management and General	Fundraising	Total
	Parenting Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Mobile Food Pantry	Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total			
Salaries and Wages	\$ 26,271	\$ 55,944	\$ 136,978	\$ 199,331	\$ 42,971	\$ 59,998	\$ 161,704	\$ 62,194	\$ 745,391	\$ 420,059	\$ 154,575	\$ 1,320,025
Employee Benefits and Payroll Taxes	8,875	19,045	39,110	54,557	6,035	17,870	42,288	25,801	213,581	151,245	39,357	404,183
Total Salaries, Wages and Related Expenses	35,146	74,989	176,088	253,888	49,006	77,868	203,992	87,995	958,972	571,304	193,932	1,724,208
Professional Fees	349	1,088	2,654	3,575	829	1,644	13,754	1,738	25,631	22,869	1,526	50,026
Office Supplies	54	8,418	472	1,395	1,033	560	1,794	730	14,456	1,595	711	16,762
Household Supplies	16	39	78	124	39	55	6,878	408	7,637	265	101	8,003
Telephone	87	206	431	609	157	283	2,766	839	5,378	1,385	530	7,293
Postage and Shipping	71	178	301	563	183	661	710	166	2,833	1,229	816	4,878
Occupancy, Building and Grounds	1,272	3,050	6,262	9,150	3,031	4,204	30,585	94,235	151,789	20,679	7,877	180,345
Maintenance of Equipment	50	159	264	410	1,051	471	6,135	3,827	12,367	830	317	13,514
Information Technology	839	2,012	4,936	6,970	1,979	2,782	6,617	2,182	28,317	13,644	6,585	48,546
Printing, Subscriptions, and Publications	352	1,807	2,322	2,277	685	1,211	14,565	419	23,638	3,105	18,338	45,081
Marketing and Development	-	-	-	-	3,034	-	725	-	3,759	-	2,632	6,391
Travel	16	7	383	2,387	3,951	104	-	2,647	9,495	1,045	826	11,366
Conferences, Conventions and Meetings	18	46	92	147	46	64	153	127	693	2,908	730	4,331
Staff Education Expenses	137	246	1,198	1,568	208	306	859	1,388	5,910	1,598	666	8,174
Specific Assistance to Individuals	1,246	7,242	2,575	4,542	365	755	9,167	2,598	28,490	3,253	583	32,326
Membership Dues	-	-	-	-	-	-	-	-	-	1,782	1,631	3,413
Miscellaneous	40	100	(49)	318	245	160	837	4,388	6,039	682	261	6,982
Credit Loss Recovery	-	-	498	-	-	-	-	(3,331)	(2,833)	-	-	(2,833)
Special Events	-	-	-	-	-	-	-	-	-	-	73,140	73,140
Food	-	-	-	-	399,456	-	77,250	-	476,706	-	-	476,706
Insurance Premiums	334	834	1,668	2,644	3,672	1,168	4,515	8,852	23,687	5,670	2,168	31,525
Total Expenses Before Depreciation	40,027	100,421	200,173	290,567	468,970	92,296	381,302	209,208	1,782,964	653,843	313,370	2,750,177
Depreciation	1,149	2,873	5,745	9,108	10,555	4,022	42,894	18,665	95,011	19,533	7,469	122,013
Total Expenses by Function	41,176	103,294	205,918	299,675	479,525	96,318	424,196	227,873	1,877,975	673,376	320,839	2,872,190
Less Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(56,887)	(56,887)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 41,176	\$ 103,294	\$ 205,918	\$ 299,675	\$ 479,525	\$ 96,318	\$ 424,196	\$ 227,873	\$ 1,877,975	\$ 673,376	\$ 263,952	2,815,303

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2024

	Program Services									Management and General	Fundraising	Total
	Parenting Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Mobile Food Pantry	Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total			
Salaries and Wages	\$ 41,718	\$ 58,217	\$ 163,537	\$ 203,259	\$ 41,872	\$ 64,876	\$ 152,796	\$ 47,953	\$ 774,228	\$ 350,508	\$ 138,634	\$ 1,263,370
Employee Benefits and Payroll Taxes	15,802	21,398	54,548	60,341	5,384	19,931	42,489	22,241	242,134	125,666	35,529	403,329
Total Salaries, Wages and Related Expenses	57,520	79,615	218,085	263,600	47,256	84,807	195,285	70,194	1,016,362	476,174	174,163	1,666,699
Professional Fees	497	828	3,439	2,593	585	700	16,359	731	25,732	21,154	1,802	48,688
Office Supplies	298	419	886	1,920	1,197	359	2,294	197	7,570	1,875	727	10,172
Household Supplies	22	30	125	123	21	33	2,267	168	2,789	313	72	3,174
Telephone	239	334	1,145	-	-	334	2,584	477	5,113	1,957	763	7,833
Postage and Shipping	113	157	516	632	111	372	1,391	135	3,427	1,005	841	5,273
Occupancy, Building and Grounds	2,669	3,745	12,853	332	200	3,752	22,719	65,506	111,776	21,961	8,565	142,302
Maintenance of Equipment	423	592	2,044	676	2,101	600	3,737	4,153	14,326	3,514	1,359	19,199
Information Technology	1,407	1,953	7,661	7,865	1,351	2,126	5,594	1,857	29,814	12,907	5,980	48,701
Printing, Subscriptions, and Publications	470	2,027	3,605	3,015	582	1,984	16,513	610	28,806	5,092	13,246	47,144
Marketing and Development	29	40	145	162	1,986	24	3,093	13	5,492	147	3,782	9,421
Travel	27	-	974	2,424	4,642	913	60	3,480	12,520	1,001	846	14,367
Conferences, Conventions and Meetings	71	99	486	474	15	281	300	80	1,806	2,271	772	4,849
Staff Education Expenses	166	319	2,907	1,964	190	251	857	922	7,576	2,057	1,045	10,678
Specific Assistance to Individuals	556	2,375	6,075	1,327	11	130	7,476	5,214	23,164	99	635	23,898
Membership Dues	26	29	150	116	20	31	123	23	518	574	698	1,790
Miscellaneous	70	98	4,619	394	68	111	280	(449)	5,191	606	230	6,027
Credit Losses	-	-	4,954	-	-	-	-	5,246	10,200	-	-	10,200
Special Events	-	-	-	-	-	-	-	-	-	-	61,399	61,399
Food	-	-	-	-	420,152	-	105,690	-	525,842	-	-	525,842
Insurance Premiums	779	1,091	3,739	-	2,330	1,091	4,019	7,493	20,542	6,389	2,493	29,424
Total Expenses Before Depreciation	65,382	93,751	274,408	287,617	482,818	97,899	390,641	166,050	1,858,566	559,096	279,418	2,697,080
Depreciation	1,648	2,288	8,245	9,213	9,265	2,491	48,831	19,030	101,011	14,186	5,388	120,585
Total Expenses by Function	67,030	96,039	282,653	296,830	492,083	100,390	439,472	185,080	1,959,577	573,282	284,806	2,817,665
Less Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(49,863)	(49,863)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 67,030	\$ 96,039	\$ 282,653	\$ 296,830	\$ 492,083	\$ 100,390	\$ 439,472	\$ 185,080	\$ 1,959,577	\$ 573,282	\$ 234,943	\$ 2,767,802

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Cash Flows From Operating Activities			
Change in Net Assets	\$ 386,467	\$ 205,668	\$ 592,135
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities			
Depreciation	122,013	-	122,013
Net Realized and Unrealized Gains on Investments	(448,755)	-	(448,755)
Changes in			
Accounts Receivable, Net	19,852	-	19,852
Prepaid Expenses	(495)	-	(495)
Other Assets	(3,942)	-	(3,942)
Unconditional Promises to Give	-	(45,000)	(45,000)
Right of Use Asset - Operating Lease	11,271	-	11,271
Accounts Payable and Accrued Liabilities	(2,110)	-	(2,110)
Deferred Revenue	(10,916)	-	(10,916)
Operating Lease Liability	(11,271)	-	(11,271)
	<u>62,114</u>	<u>160,668</u>	<u>222,782</u>
Cash Provided by Operating Activities			
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(43,129)	-	(43,129)
Proceeds From Sale of Investments	128,000	-	128,000
Purchases of Investments	(48,170)	-	(48,170)
	<u>36,701</u>	<u>-</u>	<u>36,701</u>
Cash Provided by Investing Activities			
Net Change in Cash	98,815	160,668	259,483
Cash, Beginning of Year	<u>335,913</u>	<u>51,678</u>	<u>387,591</u>
Cash, End of Year	<u>\$ 434,728</u>	<u>\$ 212,346</u>	<u>\$ 647,074</u>

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Cash Flows From Operating Activities			
Change in Net Assets	\$ (213,892)	\$ 85,992	\$ (127,900)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities			
Depreciation	120,585	-	120,585
Net Realized and Unrealized Gains on Investments	(319,992)	-	(319,992)
Changes in			
Accounts Receivable	94,338	-	94,338
Prepaid Expenses	15,162	-	15,162
Other Assets	(5,507)	-	(5,507)
Unconditional Promises to Give	5,000	(50,000)	(45,000)
Right of Use Asset - Operating Lease	10,951	-	10,951
Accounts Payable and Accrued Liabilities	11,141	-	11,141
Deferred Revenue	(7,766)	-	(7,766)
Operating Lease Liability	(10,951)	-	(10,951)
	<u>(300,931)</u>	<u>35,992</u>	<u>(264,939)</u>
Cash (Used) Provided by Operating Activities			
	<u>(300,931)</u>	<u>35,992</u>	<u>(264,939)</u>
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(72,723)	-	(72,723)
Proceeds From Sale of Investments	521,200	-	521,200
Purchases of Investments	(33,671)	-	(33,671)
	<u>414,806</u>	<u>-</u>	<u>414,806</u>
Cash Provided by Investing Activities			
	<u>414,806</u>	<u>-</u>	<u>414,806</u>
Net Change in Cash	113,875	35,992	149,867
Cash, Beginning of Year	<u>222,038</u>	<u>15,686</u>	<u>237,724</u>
Cash, End of Year	<u>\$ 335,913</u>	<u>\$ 51,678</u>	<u>\$ 387,591</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 dependent 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 and Allowance for Credit Losses

Accounts receivable consists of amounts due from customers and are generally unsecured. Catholic Charities establishes allowances for credit losses on accounts receivable. The allowance for credit losses is Catholic Charities' best estimate of the amount of probable credit losses in Catholic Charities' existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. The measurement of credit losses and subsequent changes in the allowance for credit losses are recorded in the statements of activities within program expenses as the amounts expected to be collected change.

Catholic Charities uses the aging method to estimate its expected credit losses on accounts receivable. In order to estimate expected credit losses, Catholic Charities assesses recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging in the identified risk pools to determine the needed reserve allowance. In the absence of current economic conditions and/or forecasts that may affect future credit losses, Catholic Charities has determined that recent historical experience provides the best basis for estimating credit losses.

The determination of past due status on accounts receivable is based on the terms indicated on customer contracts and invoices. Accounts are written off against the allowance when deemed uncollectible by management. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of accounts receivable previously written off are recorded when received. Catholic Charities does not charge interest on its past due receivables.

Contract Liabilities

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.

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 statements 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, 2025 or 2024 since Catholic Charities does not expect any material losses.

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, 2025 and 2024.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, conditional contributions of \$50,000 and \$-0-, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements at June 30, 2025 and 2024, respectively.

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.

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 do not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Retirement Plan**

Catholic Charities has a tax sheltered annuity plan and custodial account covering substantially seven of its employees. By its nature, the Plan is fully funded. The remaining employees are part of the Roman Catholic Diocese of Covington's multi-employer defined benefit pension plan which covers all lay employees who work at least 15 hours per week and 5 or more months per year. Employees become eligible participants after reaching age 21, provided the employee agrees to make the required contribution. Participating employees are required to contribute 3.5% of their annual compensation. The Diocese has an automatic enrollment policy for all eligible employees. The Diocese contributes 4.75% of eligible compensation for participants.

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, 2025 or 2024. 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, 2025 or 2024.

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Catholic Charities has evaluated subsequent events through November 19, 2025, 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,	
	2025	2024
Cash, Without Restrictions	\$ 434,728	\$ 335,913
Accounts Receivable, Net	16,255	36,107
Unconditional Promises to Give, Current Portion	5,000	5,000
Investments	3,098,978	2,730,053
Total Financial Assets Available	\$ 3,554,961	\$ 3,107,073

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 statements of cash flows, cash includes cash on hand, cash held in checking and money market accounts, and cash held by the Diocese of Covington.

No cash was paid for interest for either of the years ended June 30, 2025 or 2024.

NOTE 4 – CONTRACT BALANCES

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

	Years Ended June 30,	
	2025	2024
Accounts Receivable		
Beginning of Year	\$ 36,107	\$ 130,445
End of Year	\$ 16,255	\$ 36,107
Deferred Revenue		
Beginning of Year	\$ 26,928	\$ 34,694
End of Year	\$ 16,012	\$ 26,928

NOTE 5 – ALLOWANCES FOR CREDIT LOSSES

The allowance for credit losses related to accounts receivable is as follows:

	Years Ended June 30,	
	2025	2024
Balance at Beginning of Year	\$ 4,784	\$ -
Current Period Provision for Expected Credit Losses	-	14,984
Writeoffs Charged Against the Allowance	3,742	(10,200)
Reversal of Allowance	(6,575)	-
Balance at End of Year	\$ 1,951	\$ 4,784

Estimating credit losses based on risk characteristics requires significant judgment by Catholic Charities. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of Catholic Charities' financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. Catholic Charities reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

	June 30,	
	2025	2024
Amounts Promised		
Within One Year	\$ 90,000	\$ 30,000
One to Five Years	10,000	25,000
Unconditional Promises to Give	\$ 100,000	\$ 55,000

During both years ended June 30, 2025 and 2024, Catholic Charities spent \$5,000 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 \$5,000 of the promises to give for both years ended June 30, 2025 and 2024 are considered without donor restrictions. These funds will not be used to pay down any future outstanding debt.

NOTE 7 – 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, 2025			
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ <u>1,179,930</u>	\$ <u>3,098,978</u>	\$ <u>1,919,048</u>
June 30, 2024			
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ <u>1,081,560</u>	\$ <u>2,730,053</u>	\$ <u>1,648,493</u>

Net investment return is summarized as follows:

Years Ended June 30,			
	2025		2024
Interest and Dividend Income, Net	\$ 61,400	\$	36,971
Realized Gain on Investments	232,357		46,602
Unrealized Gain on Investments	<u>216,398</u>		<u>273,390</u>
Net Investment Return	<u>\$ 510,155</u>	<u>\$</u>	<u>356,963</u>

Investment fees of \$2,784 and \$2,938 for the years ended June 30, 2025 and 2024, respectively, are netted against interest and dividend income above.

NOTE 8 – 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 8 – 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.

The following are the descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2025 and 2024.

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 Catholic Charities 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 Catholic Charities 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 2 at both June 30, 2025 and 2024.

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 9 – PROPERTY AND EQUIPMENT

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

	June 30,	
	2025	2024
Building	\$ 3,175,826	\$ 3,175,825
Furniture and Equipment	264,111	255,284
Leasehold Improvements	335,126	300,825
Autos	76,825	76,825
	3,851,888	3,808,759
Less Accumulated Depreciation	1,323,949	1,201,936
Total Property and Equipment	\$ 2,527,939	\$ 2,606,823

NOTE 10 – 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,			
		2025		2024	
		Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$	964,150	\$ 1,113,829	\$ 871,625	\$ 1,057,221
EOK Trust		264,246	250,598	270,573	250,939
	\$	<u>1,228,396</u>	<u>\$ 1,364,427</u>	<u>\$ 1,142,198</u>	<u>\$ 1,308,160</u>

NOTE 11 – LEASES

Catholic Charities has signed an operating lease for which a right of use asset was recorded on the statements of financial position of Catholic Charities as of both June 30, 2025 and 2024. The lease is for the use of telephone equipment and expires in March 2027. In addition, the Company also has various operating leases that are month-to-month or expire in twelve months or less and are not included on the statements of financial position as of both June 30, 2025 and 2024. These leases are subject to certain renewal and/or termination options, all of which were not included in the lease liability due to the options not being reasonably certain to be exercised.

The components of lease expenses that are included in the statements of activities are as follows:

		Years Ended June 30,	
		2025	2024
Lease Expense			
Operating lease expense	\$	12,010	\$ 12,010
Short-term lease expense		5,609	5,580
Variable lease expense		8,877	9,528
Total	\$	<u>26,496</u>	<u>\$ 27,118</u>

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases:

Other Information

Cash Paid for Amounts Included in the
Measurement of Lease Liabilities

Operating Cash Flows From Operating Leases	\$	12,010	\$	12,010
Weighted-Average Remaining Lease Term in Years for Operating Leases		1.75		2.75
Weighted-Average Discount Rate for Operating Leases		2.88%		2.88%

NOTE 11 – LEASES (Continued)

The maturities of operating lease liabilities are as follows:

Years Ending June 30,	
2026	\$ 12,010
2027	<u>9,007</u>
Total Undiscounted Cash Flows	21,017
Less Present Value Discount	<u>495</u>
Total Lease Liabilities	<u>\$ 20,522</u>

NOTE 12 – GRANTS

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for the years ended June 30, 2025 and 2024 were \$333,000 and \$289,500, respectively.

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

NOTE 13 – RETIREMENT PLAN EXPENSE

Tax Sheltered Annuity Plan

Contributions to Catholic Charities' tax sheltered annuity plan are based upon a percentage of seven eligible employees' salaries. The expense for the years ended June 30, 2025 and 2024 was \$35,731 and \$33,276, respectively.

Lay Employees Defined Benefit Pension Plan

Catholic Charities participate in the Employees' Pension and Investment Plan of Diocese of Covington and Other Adopting Employers (the Lay Plan). Catholic Charities has a contributory multi-employer defined benefit pension plan covering all lay employees who are at least 21 years of age and work at least 15 hours per week and five or more months per year. There are no separate valuation of plan benefits or segregation of plan assets specifically for Catholic Charities. As a religious organization, the plan is not subject to the *Employee Retirement Income Security Act of 1974* (ERISA) or the *Pension Protection Act of 2006* (PPA).

The risks of participating in these multi-employer plans are different from the risks associated with single-employer plans in the following respects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Diocese chooses to stop participating in the multi-employer plan, they may be required to pay those plans an amount based on the underfunded status of the plan.

NOTE 13 – RETIREMENT PLAN EXPENSE (Continued)

Employees become eligible to participate after reaching the age of 21, provided the employee agrees to make the required contribution. Participating employees are required to contribute 3.5% of their annual compensation. Catholic Charities has an automatic enrollment policy for all eligible employees. Catholic Charities agreed to voluntarily contribute such additional amounts that are necessary to provide assets sufficient to meet the benefits to be paid to plan members. The total pension expense was \$36,888 and \$35,232 for the years ended June 30, 2025 and 2024, respectively. Catholic Charities contributions do not represent more than 5% of total contributions received by the Lay Plan. The plan year end is June 30. As of the most recent valuation date of July 1, 2024, the plan was 86.7% funded, the actuarial value of the plan assets was \$128,301,149 and the accumulated value of the plan benefits was \$147,973,712.

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2025	2024
Subject to Expenditure for Specified Purpose		
PK Pickett Corner Fund	\$ 7,538	\$ 7,810
Christmas Families Fund	2,564	3,211
Parents of Addicted Loved Ones Fund	1,770	1,770
PK Garage Storage	200,474	38,570
Sacred Heart Funds	-	317
Total Net Assets Subject to Expenditure for Specified Purpose	212,346	51,678
Subject to the Passage of Time		
Unconditional Promises to Give	95,000	50,000
Total Net Assets with Donor Restrictions	\$ 307,346	\$ 101,678

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,	
	2025	2024
Expiration of Time Restrictions	\$ 25,000	\$ -
Satisfaction of Purpose Restrictions		
St. Joseph Move-In Fund	-	1,585
St. Joseph Laundry Fund	-	10,299
PK Pickett Corner Fund	13,652	6,949
Christmas Families Fund	1,272	550
Parents of Addicted Loved Ones Fund	-	375
Memorials for Jail Ministry	-	77
PK Garage Storage	16,908	-
Sacred Heart Funds	317	-
Total Net Assets Released From Restrictions	\$ 57,149	\$ 19,835

NOTE 15 – DONATED SERVICES, EQUIPMENT, AND IN-KIND CONTRIBUTIONS

For the years ended June 30, 2025 and 2024, Catholic Charities recognized contributed nonfinancial assets consisting of in-kind contributions of \$420,519 and \$426,654, 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 16 – LEASE INCOME

Catholic Charities has various apartment rental agreements signed with tenants as part of programming to provide affordable living spaces to qualified individuals. These leases have differing term lengths depending upon the individual’s needs, not to exceed one year. Rental income under these agreements totaled \$63,471 and \$51,578 for the years ended June 30, 2025 and 2024. There are no renewal options available with these leases.

The building related to these agreements and accumulated depreciation was as follows (building space rented is 100% of the total asset):

	June 30,	
	2025	2024
Building	\$ 92,500	\$ 92,500
Less Accumulated Depreciation	33,724	31,411
Building, Net	\$ 58,776	\$ 61,089

NOTE 17 – SPECIAL FUNDRAISING EVENTS

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

	Years Ended June 30,	
	2025	2024
Gross Revenues	\$ 221,758	\$ 221,074
Fundraising Expenses	(56,887)	(49,863)
Net Fundraising Income	\$ 164,871	\$ 171,211

