

Financial Statements for
**CATHOLIC CHARITIES OF
THE DIOCESE OF COVINGTON, INC.**
Years Ended June 30, 2024 and 2023
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, 2024 and 2023, 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, 2024 and 2023, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2023, were audited by VonLehman & Company, Inc., who merged with Dean Dorton Allen Ford, PLLC as of January 1, 2024.

Dean Dorton Allen Ford, PLLC

Fort Wright, Kentucky
November 22, 2024

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 FINANCIAL POSITION
JUNE 30, 2023

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash	\$ 222,038	\$ 15,686	\$ 237,724
Accounts Receivable	130,445	-	130,445
Investments	2,897,590	-	2,897,590
Prepaid Expenses	18,697	-	18,697
Other Assets	51,177	-	51,177
Unconditional Promises to Give	10,000	-	10,000
Property and Equipment, Net	2,654,685	-	2,654,685
Right of Use Asset - Operating Lease	42,744	-	42,744
Total Assets	\$ 6,027,376	\$ 15,686	\$ 6,043,062

LIABILITIES AND NET ASSETS

Liabilities			
Accounts Payable and Accrued Liabilities	\$ 66,427	\$ -	\$ 66,427
Deferred Revenue	34,694	-	34,694
Operating Lease Liability	42,744	-	42,744
Total Liabilities	143,865	-	143,865
Net Assets	5,883,511	15,686	5,899,197
Total Liabilities and Net Assets	\$ 6,027,376	\$ 15,686	\$ 6,043,062

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	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	67,112	-	67,112
Safe Passage Housing Counseling	96,152	-	96,152
Therapeutic Counseling	283,062	-	283,062
School Based Programs	297,313	-	297,313
Mobile Food Pantry	492,161	-	492,161
Adoption, Pregnancy and Other Programs	110,258	-	110,258
Parish Kitchen	439,870	-	439,870
St. Joseph Apartments	185,172	-	185,172
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Total Program Services	1,971,100	-	1,971,100
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Overhead Expenses			
Management and General	573,293	-	573,293
Fundraising	223,409	-	223,409
	<hr/>	<hr/>	<hr/>
Total Overhead Expenses	796,702	-	796,702
	<hr/>	<hr/>	<hr/>
Total Expenses	2,767,802	-	2,767,802
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(213,892)	85,992	(127,900)
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 ACTIVITIES
FOR YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
United Way and Community Chest	\$ 85,776	\$ -	\$ 85,776
Program Service Fees	221,085	-	221,085
Fees and Grants From Government Agencies	348,654	-	348,654
Diocese of Covington	273,085	-	273,085
Private Grants	20,750	-	20,750
Net Investment Return	303,805	-	303,805
Trust Income	51,006	-	51,006
Contributions	687,828	5,336	693,164
In-Kind Contributions	308,592	-	308,592
Special Fundraising Events, Net	180,182	-	180,182
Other	48,668	-	48,668
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	2,529,431	5,336	2,534,767
Net Assets Released From Restriction	<hr/> 8,505	<hr/> (8,505)	<hr/> -
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	2,537,936	(3,169)	2,534,767
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Expenses			
Program Services			
Parenting Programs	52,569	-	52,569
CARE Programs	31,217	-	31,217
Safe Passage Housing Counseling	122,008	-	122,008
Therapeutic Counseling	281,028	-	281,028
School Based Programs	312,904	-	312,904
Mobile Food Pantry	352,562	-	352,562
Adoption, Pregnancy and Other Programs	99,514	-	99,514
Parish Kitchen	426,679	-	426,679
St. Joseph Apartments	195,605	-	195,605
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Total Program Services	1,874,086	-	1,874,086
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Overhead Expenses			
Management and General	582,561	-	582,561
Fundraising	176,299	-	176,299
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Total Overhead Expenses	758,860	-	758,860
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Total Expenses	2,632,946	-	2,632,946
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Change in Net Assets	(95,010)	(3,169)	(98,179)
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Net Assets, Beginning of Year	5,978,521	18,855	5,997,376
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Net Assets, End of Year	\$ 5,883,511	\$ 15,686	\$ 5,899,197
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See accompanying notes.

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

	Program Services											
	Parenting Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Mobile Food Pantry	Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total	Management and General	Fundraising	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	152	211	5,028	877	146	9,979	678	(357)	16,714	617	232	17,563
Credit Losses	-	-	4,954	-	-	-	-	5,246	10,200	-	-	10,200
Special Events	-	-	-	-	-	-	-	-	-	-	15,161	15,161
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	65,464	93,864	274,817	288,100	482,896	107,767	391,039	166,142	1,870,089	559,107	233,182	2,662,378
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	67,112	96,152	283,062	297,313	492,161	110,258	439,870	185,172	1,971,100	573,293	238,570	2,782,963
Less Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(15,161)	(15,161)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 67,112	\$ 96,152	\$ 283,062	\$ 297,313	\$ 492,161	\$ 110,258	\$ 439,870	\$ 185,172	\$ 1,971,100	\$ 573,293	\$ 223,409	\$ 2,767,802

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2023

	Program Services											Management and General		Fundraising	Total
	Parenting Programs	CARE 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	\$ 36,535	\$ 21,117	\$ 70,529	\$ 183,513	\$ 208,480	\$ 39,126	\$ 62,942	\$ 174,806	\$ 62,809	\$ 859,857	\$ 277,124	\$ 101,261	\$ 1,238,242		
Employee Benefits and Payroll Taxes	12,082	6,849	23,135	63,479	63,986	6,021	18,370	46,297	21,556	261,775	81,428	16,716	359,919		
Total Salaries, Wages and Related Expenses	48,617	27,966	93,664	246,992	272,466	45,147	81,312	221,103	84,365	1,121,632	358,552	117,977	1,598,161		
Professional Fees	38	23	99	1,761	1,815	90	364	12,113	1,704	18,007	29,878	1,391	49,276		
Office Supplies	-	-	4,152	218	382	(598)	416	1,963	151	6,684	7,186	115	13,985		
Household Supplies	-	-	-	2	-	-	111	3,176	1,776	5,065	1,241	-	6,306		
Telephone	-	-	-	-	-	-	-	2,723	468	3,191	17,480	-	20,671		
Postage and Shipping	-	-	126	-	-	-	122	869	7	1,124	2,472	484	4,080		
Occupancy, Building and Grounds	-	-	-	-	-	144	-	22,679	84,641	107,464	46,097	-	153,561		
Maintenance of Equipment	-	-	-	-	55	5,370	-	10,798	1,480	17,703	591	-	18,294		
Information Technology	-	-	-	240	-	-	-	-	275	515	60,154	1,605	62,274		
Printing, Subscriptions, and Publications	-	-	1,428	1,724	354	36	732	13,168	-	17,442	17,876	12,512	47,830		
Marketing and Development	-	-	-	50	-	2,042	-	471	-	2,563	547	4,376	7,486		
Travel	39	-	194	911	2,437	1,201	3,168	-	1,075	9,025	2,482	1,880	13,387		
Conferences, Conventions and Meetings	-	-	15	-	334	-	337	32	20	738	10,329	824	11,891		
Staff Education Expenses	-	-	-	2,198	1,130	-	-	-	800	4,128	6,048	585	10,761		
Specific Assistance to Individuals	-	-	11,723	5,518	331	-	3,722	668	3,665	25,627	853	25,222	51,702		
Membership Dues	-	-	-	-	-	-	-	-	400	400	1,040	160	1,600		
Miscellaneous	23	6	-	-	-	-	500	-	680	1,209	6,764	9,168	17,141		
Special Events	-	-	-	-	-	-	-	-	-	-	-	32,301	32,301		
Food	-	-	-	-	-	293,774	-	110,153	-	403,927	-	-	403,927		
Insurance Premiums	-	-	-	-	-	1,131	-	2,955	5,020	9,106	12,971	-	22,077		
Total Expenses Before Depreciation	48,717	27,995	111,401	259,614	279,304	348,337	90,784	402,871	186,527	1,755,550	582,561	208,600	2,546,711		
Depreciation	3,852	3,222	10,607	21,414	33,600	4,225	8,730	23,808	9,078	118,536	-	-	118,536		
Total Expenses by Function	52,569	31,217	122,008	281,028	312,904	352,562	99,514	426,679	195,605	1,874,086	582,561	208,600	2,665,247		
Less Expenses Included with Revenues on the Statements of Activities															
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	-	(32,301)	(32,301)		
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 52,569	\$ 31,217	\$ 122,008	\$ 281,028	\$ 312,904	\$ 352,562	\$ 99,514	\$ 426,679	\$ 195,605	\$ 1,874,086	\$ 582,561	\$ 176,299	\$ 2,632,946		

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, Net	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.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Cash Flows From Operating Activities			
Change in Net Assets	\$ (95,010)	\$ (3,169)	\$ (98,179)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities			
Depreciation	118,536	-	118,536
Loss on Sale of Property and Equipment	6,736	-	6,736
Net Realized and Unrealized Gains on Investments	(273,909)	-	(273,909)
Changes in			
Accounts Receivable	(93,895)	-	(93,895)
Prepaid Expenses	(12,203)	-	(12,203)
Other Assets	(6,765)	-	(6,765)
Unconditional Promises to Give	5,000	-	5,000
Right of Use Asset - Operating Lease	10,641	-	10,641
Accounts Payable and Accrued Liabilities	11,926	-	11,926
Deferred Revenue	12,474	-	12,474
Operating Lease Liability	(10,641)	-	(10,641)
	<u>(327,110)</u>	<u>(3,169)</u>	<u>(330,279)</u>
Cash Used by Operating Activities			
	<u>(327,110)</u>	<u>(3,169)</u>	<u>(330,279)</u>
Cash Flows From Investing Activities			
Acquisition of Property and Equipment	(71,194)	-	(71,194)
Proceeds From Sale of Property and Equipment	3,500	-	3,500
Proceeds From Sale of Investments	111,200	-	111,200
Purchases of Investments	(23,087)	-	(23,087)
	<u>20,419</u>	<u>-</u>	<u>20,419</u>
Cash Provided by Investing Activities			
	<u>20,419</u>	<u>-</u>	<u>20,419</u>
Net Change in Cash	(306,691)	(3,169)	(309,860)
Cash, Beginning of Year	<u>528,729</u>	<u>18,855</u>	<u>547,584</u>
Cash, End of Year	<u>\$ 222,038</u>	<u>\$ 15,686</u>	<u>\$ 237,724</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 consist 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 general and administrative 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.

Based on the criteria above, allowance for credit losses was \$4,784 and \$-0-at June 30, 2024 and 2023, respectively.

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.

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, 2024 or 2023 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, 2024 and 2023.

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, no conditional contributions, for which no amounts had been received in advance, have been recognized in the accompanying financial statements at both June 30, 2024 and 2023.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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©(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, 2024 or 2023. 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, 2024 or 2023.

Adoption of New Accounting Standards

Effective January 1, 2023, Catholic Charities adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets

Subsequent Events

Catholic Charities has evaluated subsequent events through November 22, 2024, 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,	
	2024	2023
Cash, Without Restrictions	\$ 335,913	\$ 222,038
Accounts Receivable, Net	36,107	130,445
Unconditional Promises to Give, Current Portion	5,000	5,000
Investments	2,730,053	2,897,590
Total Financial Assets Available	\$ 3,107,073	\$ 3,255,073

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 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, 2024 or 2023.

Catholic Charities had noncash operating activities as follows:

	Years Ended December 31,	
	2024	2023
Right of Use Asset Obtained Through Operating Lease Liability	\$ -	\$ 53,385

NOTE 4 – CONTRACT BALANCES

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

Accounts Receivable		
Beginning of Year	\$ 130,445	\$ 36,550
End of Year	\$ 36,107	\$ 130,445
Deferred Revenue		
Beginning of Year	\$ 34,694	\$ 22,220
End of Year	\$ 26,928	\$ 34,694

NOTE 5 – ALLOWANCES FOR CREDIT LOSSES

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

	Years Ended June 30,	
	2024	2023
Balance at Beginning of Year	\$ -	\$ -
Current Period Provision for Expected Credit Losses	14,984	-
Writeoffs Charged Against the Allowance	(10,200)	-
Balance at End of Year	<u>\$ 4,784</u>	<u>\$ -</u>

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,	
	2024	2023
Amounts Promised		
Within One Year	\$ 30,000	\$ 5,000
One to Five Years	25,000	5,000
Unconditional Promises to Give	<u>\$ 55,000</u>	<u>\$ 10,000</u>

During the years ended June 30, 2024 and 2023, Catholic Charities spent \$5,000 and \$10,000 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 and \$10,000 of the promises to give for the years ended June 30, 2024 and 2023, respectively, 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, 2024			
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,081,560	\$ 2,730,053	\$ 1,648,493

June 30, 2023			
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,521,442	\$ 2,897,590	\$ 1,376,148

Net investment return is summarized as follows:

	Years Ended June 30,	
	2024	2023
Interest and Dividend Income, Net	\$ 36,971	\$ 29,896
Realized Gain (Loss) on Investments	46,602	(4,493)
Unrealized Gain on Investments	273,390	278,402
Net Investment Return	\$ 356,963	\$ 303,805

Investment fees of \$2,938 and \$2,683 for the years ended June 30, 2024 and 2023, 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 descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2024 and 2023.

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, 2024 and 2023.

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,	
	2024	2023
Building	\$ 3,175,825	\$ 3,295,005
Furniture and Equipment	255,284	93,161
Leasehold Improvements	300,825	271,045
Autos	76,825	76,825
	3,808,759	3,736,036
Less Accumulated Depreciation	1,201,936	1,081,351
Total Property and Equipment	<u>\$ 2,606,823</u>	<u>\$ 2,654,685</u>

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,			
		2024		2023	
		Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$	871,625	\$ 1,057,221	\$ 762,868	\$ 1,018,590
EOK Trust		270,573	250,939	278,713	257,738
	\$	<u>1,142,198</u>	<u>\$ 1,308,160</u>	<u>\$ 1,041,581</u>	<u>\$ 1,276,328</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, 2024 and 2023. 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, 2024 and 2023. 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,	
		2024	2023
Lease Expense			
Operating lease expense	\$	12,010	\$ 12,010
Short-term lease expense		5,580	5,592
Variable lease expense		9,528	11,820
Total	\$	<u>27,118</u>	<u>\$ 29,422</u>

NOTE 11 – LEASES (Continued)

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
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$	-	\$ 53,385
Weighted-Average Remaining Lease Term in Years for Operating Leases		2.75	3.75
Weighted-Average Discount Rate for Operating Leases		2.88%	2.88%

The maturities of operating lease liabilities are as follows:

Years Ending June 30,	
2025	\$ 12,010
2026	12,010
2027	<u>9,007</u>
Total Undiscounted Cash Flows	33,027
Less Present Value Discount	<u>(1,234)</u>
Total Lease Liabilities	<u>\$ 31,793</u>

NOTE 12 – GRANTS

Grants from the United Way are reviewed and revised annually by the United Way Board of Directors. The Board awarded grants of \$-0- and \$85,776 to Catholic Charities for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 were \$289,500 and \$273,085, respectively.

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

NOTE 13 – 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, 2024 and 2023 were \$68,508 and \$69,764, respectively.

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2024	2023
Subject to Expenditure for Specified Purpose		
St. Joseph Move-In Fund	\$ -	\$ 1,585
PK Pickett Corner Fund	7,810	831
Christmas Families Fund	3,211	748
Parents of Addicted Loved Ones Fund	1,770	2,146
Memorials for Jail Ministry	-	77
PK Garage Storage	38,570	-
Sacred Heart Funds	317	-
St. Joseph Laundry Fund	-	10,299
	<u>51,678</u>	<u>15,686</u>
Total Net Assets Subject to Expenditure for Specified Purpose	51,678	15,686
Subject to the Passage of Time:		
Unconditional Promises to Give	50,000	-
	<u>50,000</u>	<u>-</u>
Total Net Assets with Donor Restrictions	\$ 101,678	\$ 15,686

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,	
	2024	2023
Net Assets Released From Restrictions		
Satisfaction of Purpose Restrictions		
St. Joseph Move-In Fund	\$ 1,585	\$ -
St. Joseph Volunteers Fund	-	611
St. Joseph Laundry Fund	10,299	-
PK Pickett Corner Fund	6,949	-
Christmas Families Fund	550	559
CCUSA Eviction Prevention	-	6,062
Anabell Lee Scholarship Fund	-	775
Parents of Addicted Loved Ones Fund	375	475
Memorials for Jail Ministry	77	23
	<u>19,835</u>	<u>8,505</u>
Total Net Assets Released From Restrictions	\$ 19,835	\$ 8,505

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

For the years ended June 30, 2024 and 2023, Catholic Charities recognized contributed nonfinancial assets consisting of in-kind contributions of \$426,654 and \$308,592, 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 \$51,578 and \$48,122 for the years ended June 30, 2024 and 2023. 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,	
	2024	2023
Building	\$ 92,500	\$ 92,500
Less Accumulated Depreciation	<u>31,411</u>	<u>29,099</u>
Building, Net	<u>\$ 61,089</u>	<u>\$ 63,401</u>

NOTE 17 – SPECIAL FUNDRAISING EVENTS

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

	Years Ended June 30,	
	2024	2023
Gross Revenues	\$ 186,372	\$ 212,483
Fundraising Expenses	<u>(15,161)</u>	<u>(32,301)</u>
Net Fundraising Income	<u>\$ 171,211</u>	<u>\$ 180,182</u>

