



Catholic Charities of the Diocese of Covington, Inc.

June 30, 2023

Financial Statements and Independent Auditors' Report

**CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Covington, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of the Diocese of Covington, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As described in the notes to the financial statements, during 2023, Catholic Charities of the Diocese of Covington, Inc. adopted FASB ASC 842, Leases. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the Diocese of Covington, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of the Diocese of Covington, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

VonLehman & Company Inc.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Diocesan Director Fund</u>	<u>Total</u>
	<u>Operating Fund</u>			<u>Fund</u>	
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
	<u>6,027,376</u>	<u>15,686</u>	<u>\$</u>		<u>6,043,062</u>
Total Assets	<u>\$ 6,027,376</u>	<u>\$ 15,686</u>	<u>\$</u>		<u>6,043,062</u>

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
	<u>143,865</u>	<u>-</u>			<u>143,865</u>
Total Liabilities	<u>143,865</u>	<u>-</u>			<u>143,865</u>
Net Assets	<u>5,883,511</u>	<u>15,686</u>			<u>5,899,197</u>
Total Liabilities and Net Assets	<u>\$ 6,027,376</u>	<u>\$ 15,686</u>	<u>\$</u>		<u>6,043,062</u>

See accompanying notes.

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

ASSETS

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

LIABILITIES AND NET ASSETS

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

See accompanying notes.

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

	<u>Without Donor Restrictions</u> <u>Operating Fund</u>	<u>With Donor Restrictions</u> <u>Diocesan Director Fund</u>	<u>Total</u>
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
	<u>2,529,431</u>	<u>5,336</u>	<u>2,534,767</u>
Net Assets Released From Restriction	<u>8,505</u>	<u>(8,505)</u>	<u>-</u>
Total Revenue, Support, Gains and Reclassifications	<u>2,537,936</u>	<u>(3,169)</u>	<u>2,534,767</u>
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
	<u>1,874,086</u>	<u>-</u>	<u>1,874,086</u>
Overhead Expenses			
Management and General	582,561	-	582,561
Fundraising	176,299	-	176,299
	<u>758,860</u>	<u>-</u>	<u>758,860</u>
Total Overhead Expenses	<u>758,860</u>	<u>-</u>	<u>758,860</u>
Total Expenses	<u>2,632,946</u>	<u>-</u>	<u>2,632,946</u>
Change in Net Assets	(95,010)	(3,169)	(98,179)
Net Assets, Beginning of Year	<u>5,978,521</u>	<u>18,855</u>	<u>5,997,376</u>
Net Assets, End of Year	<u>\$ 5,883,511</u>	<u>\$ 15,686</u>	<u>\$ 5,899,197</u>

See accompanying notes.

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

	<u>Without Donor Restrictions Operating Fund</u>	<u>With Donor Restrictions Diocesan Director Fund</u>	<u>Total</u>
Revenue, Support, and Gains			
United Way and Community Chest	\$ 75,155	\$ -	\$ 75,155
Program Service Fees	186,397	-	186,397
Fees and Grants From Government Agencies	337,013	-	337,013
Diocese of Covington	275,133	-	275,133
Private Grants	25,000	-	25,000
Net Investment Return	(423,522)	-	(423,522)
Trust Income	52,737	-	52,737
Contributions	830,270	6,883	837,153
In-Kind Contributions	16,889	-	16,889
Special Fundraising Events, Net	95,642	-	95,642
Other	35,035	-	35,035
	<u>1,505,749</u>	<u>6,883</u>	<u>1,512,632</u>
Net Assets Released From Restriction	<u>75,293</u>	<u>(75,293)</u>	<u>-</u>
Total Revenue, Support, Gains and Reclassifications	<u>1,581,042</u>	<u>(68,410)</u>	<u>1,512,632</u>
Expenses			
Program Services			
Parenting Programs	37,674	-	37,674
CARE Programs	30,641	-	30,641
Safe Passage Housing Counseling	108,478	-	108,478
Therapeutic Counseling	279,519	-	279,519
School Based Programs	233,937	-	233,937
Mobile Food Pantry	40,985	-	40,985
Adoption, Pregnancy and Other Programs	108,290	-	108,290
Parish Kitchen	336,321	-	336,321
St. Joseph Apartments	155,195	-	155,195
	<u>1,331,040</u>	<u>-</u>	<u>1,331,040</u>
Overhead Expenses			
Management and General	385,050	-	385,050
Fundraising	126,273	-	126,273
	<u>511,323</u>	<u>-</u>	<u>511,323</u>
Total Expenses	<u>1,842,363</u>	<u>-</u>	<u>1,842,363</u>
Change in Net Assets	(261,321)	(68,410)	(329,731)
Net Assets, Beginning of Year	<u>6,239,842</u>	<u>87,265</u>	<u>6,327,107</u>
Net Assets, End of Year	<u>\$ 5,978,521</u>	<u>\$ 18,855</u>	<u>\$ 5,997,376</u>

See accompanying notes.

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

	Program Services										Management and General	Fundraising	Total
	Parenting Programs	CARE Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Mobile Food Pantry	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total			
Salaries and Wages	\$ 24,439	\$ 20,484	\$ 67,303	\$ 213,647	\$ 135,614	\$ 26,825	\$ 55,550	\$ 151,731	\$ 57,675	\$ 753,268	\$ 154,724	\$ 83,644	\$ 991,636
Employee Benefits and Payroll Taxes	8,185	6,993	22,182	39,930	50,836	4,121	16,440	47,143	21,209	217,039	59,833	12,059	288,931
Total Salaries, Wages and Related Expenses	32,624	27,477	89,485	253,577	186,450	30,946	71,990	198,874	78,884	970,307	214,557	95,703	1,280,567
Professional Fees	166	161	74	619	7,468	57	110	7,206	248	16,109	34,343	751	51,203
Office Supplies	-	-	92	55	307	192	-	223	418	1,287	3,457	11	4,755
Household Supplies	-	-	-	-	260	370	39	4,266	678	5,613	1,549	35	7,197
Telephone	-	-	-	-	-	-	159	2,378	373	2,910	11,145	-	14,055
Postage and Shipping	-	-	11	-	-	-	44	228	15	298	1,244	2,889	4,431
Occupancy, Building and Grounds	-	-	-	-	-	-	-	19,420	61,551	80,971	37,253	-	118,224
Maintenance of Equipment	-	-	-	-	1,840	3,491	-	5,333	129	10,793	3,200	-	13,993
Information Technology	-	-	1,071	624	-	-	-	139	275	2,109	31,373	2,655	36,137
Printing, Subscriptions, and Publications	-	-	357	357	1,706	540	1,092	12,995	-	17,047	12,031	12,664	41,742
Marketing and Development	-	73	-	-	-	30	1,884	-	-	1,987	91	2,246	4,324
Travel	17	-	-	633	3,131	877	1,045	40	174	5,917	3,566	370	9,853
Conferences, Conventions and Meetings	-	-	35	-	359	-	548	-	-	942	3,975	1,424	6,341
Staff Education Expenses	-	-	-	-	500	-	630	100	-	1,230	5,557	-	6,787
Specific Assistance to Individuals	1,364	-	6,411	4,183	1,119	-	21,015	135	3,312	37,539	967	-	38,506
Membership Dues	-	-	1,298	-	-	-	-	-	-	1,298	1,473	410	3,181
Miscellaneous	-	-	-	-	246	640	1,536	457	883	3,762	2,627	7,115	13,504
Special Events	-	-	-	-	-	-	-	-	-	-	-	41,307	41,307
Food	-	-	-	-	-	-	-	62,662	-	62,662	-	-	62,662
Insurance Premiums	-	-	-	-	-	-	260	217	-	477	16,642	-	17,119
Total Expenses Before Depreciation	34,171	27,711	98,834	260,048	203,386	37,143	100,352	314,673	146,940	1,223,258	385,050	167,580	1,775,888
Depreciation	3,503	2,930	9,644	19,471	30,551	3,842	7,938	21,648	8,255	107,782	-	-	107,782
Total Expenses by Function	37,674	30,641	108,478	279,519	233,937	40,985	108,290	336,321	155,195	1,331,040	385,050	167,580	1,883,670
Less Expenses Included with Revenues on the Statements of Activities													
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	-	(41,307)	(41,307)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 37,674	\$ 30,641	\$ 108,478	\$ 279,519	\$ 233,937	\$ 40,985	\$ 108,290	\$ 336,321	\$ 155,195	\$ 1,331,040	\$ 385,050	\$ 126,273	\$ 1,842,363

See accompanying notes.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Change in Net Assets	\$ (95,010)	\$ (3,169)	\$ (98,179)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (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			
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			
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.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2022

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

See accompanying notes.

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

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. Catholic Charities begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for uncollectible accounts based on Catholic Charities' collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Receivables are written off as uncollectible after Catholic Charities has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided at both June 30, 2023 and 2022 since Catholic Charities does not expect any material losses.

Promises to Give

Catholic Charities records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Catholic Charities determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, no allowance for uncollectible promises to give has been provided at either June 30, 2023 or 2022 since Catholic Charities does not expect any material losses.

Contract Assets and Liabilities

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Property and Equipment

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

The useful lives of property and equipment for purposes of computing depreciation are:

Building	39 Years
Furniture, Equipment and Autos	5 – 10 Years
Leasehold Improvements	10 – 40 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended June 30, 2023 and 2022.

Net Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue from Contracts with Customers

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

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

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

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

Revenue from Contributions

Catholic Charities recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Catholic Charities' federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, no conditional contributions, for which no amounts had been received in advance, have been recognized in the accompanying financial statements at both June 30, 2023 and 2022.

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(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, 2023 or 2022. 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, 2023 or 2022.

Reclassifications

Certain amounts in the prior period 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.

Adoption of New Accounting Standards

Lease Accounting Standard

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Organization to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Organization reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of FASB ASC 842, *Leases*, resulted in the following impact at July 1, 2022:

Right of Use Assets - Operating Leases	\$	<u>53,385</u>
Operating Lease Liabilities	\$	<u>53,385</u>

Subsequent Events

Catholic Charities has evaluated subsequent events through November 9, 2023, 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,	
	2023	2022
Cash, Without Restrictions	\$ 222,038	\$ 528,729
Accounts Receivable	130,445	36,550
Unconditional Promises to Give	5,000	5,000
Investments	2,897,590	2,711,794
Total Financial Assets Available	\$ 3,255,073	\$ 3,282,073

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, 2023 or 2022.

The Organization had noncash operating activities as follows:

	Years Ended December 31,	
	2023	2022
Right of Use Asset Obtained Through Operating Lease Liability	\$ 53,385	\$ -

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

	June 30,	
	2023	2022
Amounts Promised		
Within One Year	\$ 5,000	\$ 5,000
One to Five Years	5,000	10,000
Unconditional Promises to Give	\$ 10,000	\$ 15,000

During the years ended June 30, 2023 and 2022, Catholic Charities spent \$10,000 and \$15,000 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 \$10,000 and \$15,000 of the promises to give for the years ended June 30, 2023 and 2022, respectively, are considered without donor restrictions. These funds will not be used to pay down any future outstanding debt.

NOTE 5 – INVESTMENTS

Investments are stated at fair value and consist of money market accounts, mutual funds and common stocks. The Diocese is the custodian of these investments and maintains them in a pooled investment account. Therefore, the value of each category is maintained at the Diocese level for the entire pooled investment account and is not available at Catholic Charities' level. Fair values and unrealized gains are as follows:

	June 30, 2023		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ <u>1,521,442</u>	\$ <u>2,897,590</u>	\$ <u>1,376,148</u>
	June 30, 2022		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ <u>1,610,208</u>	\$ <u>2,711,794</u>	\$ <u>1,101,586</u>

Net investment return is summarized as follows:

	Years Ended June 30,	
	2023	2022
Interest and Dividend Income, Net	\$ 29,896	\$ 22,607
Realized (Loss) Gain on Investments	(4,493)	22,783
Unrealized Gain (Loss) on Investments	278,402	(468,912)
Net Investment Return	\$ 303,805	\$ (423,522)

Investment fees of \$2,683 and \$2,856 for the years ended June 30, 2023 and 2022, respectively, are netted against interest and dividend income above.

NOTE 6 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Catholic Charities has the ability to access.

LEVEL 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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, 2023 and 2022.

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

Common Stocks (Included in Pooled Investments): Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Catholic Charities believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments were valued at Level 1 at both June 30, 2023 and 2022.

Risks and Uncertainties

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

NOTE 7 – PROPERTY AND EQUIPMENT

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

	June 30,	
	2023	2022
Building	\$ 3,295,005	\$ 3,295,006
Furniture and Equipment	93,161	103,669
Leasehold Improvements	271,045	245,561
Autos	76,825	93,924
	3,736,036	3,738,160
Less Accumulated Depreciation	1,081,351	1,025,897
Total Property and Equipment	\$ 2,654,685	\$ 2,712,263

NOTE 8 – CONTRACT BALANCES

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

	Years Ended June 30,	
	2023	2022
Accounts Receivable		
Beginning of Year	\$ 36,550	\$ 87,561
End of Year	\$ 130,445	\$ 36,550
Deferred Revenue		
Beginning of Year	\$ 22,220	\$ 6,057
End of Year	\$ 34,694	\$ 22,220

NOTE 9 – TRUST FUNDS

Catholic Charities is the beneficiary of two trust funds (Langhammer Brothers Trust and The EOK Trust for the Benefit of the Parish Kitchen) which are under the control of US Bank. Accounting standards for recording trust funds do not apply and therefore these trusts are not recorded on the financial statements of Catholic Charities. The cost and fair market value of these trust funds are as follows:

	June 30,			
	2023		2022	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$ 762,868	\$ 1,018,590	\$ 690,005	\$ 977,966
EOK Trust	278,713	257,738	290,932	276,216
	\$ 1,041,581	\$ 1,276,328	\$ 980,937	\$ 1,254,182

NOTE 10 – LEASES

The Organization has signed an operating lease for which a right of use asset was recorded on the statements of financial position of the Organization as of June 30, 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 June 30, 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:

	Year Ended June 30, 2023
Lease Expense	
Operating lease expense	\$ 12,010
Short-term lease expense	5,592
Variable lease expense	11,820
Total	\$ 29,422

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the year ended June 30, 2023:

Other Information

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows From Operating Leases	\$ 12,010
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 53,385
Weighted-Average Remaining Lease Term in Years for Operating Leases	3.75
Weighted-Average Discount Rate for Operating Leases	2.88%

The maturities of operating lease liabilities are as follows:

Years Ending June 30,		
2024	\$	12,010
2025		12,010
2026		12,010
2027		9,007
Total Undiscounted Cash Flows		45,037
Less Present Value Discount		(2,293)
Total Lease Liabilities	\$	42,744

Leases Under ASC 840, Leases

The Organization leased office equipment under operating leases. Total lease expense incurred in 2022 was \$5,291.

NOTE 11 – GRANTS

Grants from the United Way are reviewed and revised annually by the United Way Board of Directors. The Board awarded grants of \$85,776 and \$75,155 to Catholic Charities for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 were \$273,085 and \$275,133, respectively.

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

NOTE 12 – 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, 2023 and 2022 were \$69,764 and \$61,472, respectively.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2023	2022
Subject to Expenditure for Specified Purpose		
St. Joseph Move-In Fund	\$ 1,585	\$ -
PK Pickett Corner Fund	831	-
St. Joseph Volunteers Fund	-	611
Christmas Families Fund	748	1,307
CCUSA Eviction Prevention	-	6,062
Annabelle Lee Scholarship Fund	-	775
Parents of Addicted Loved Ones Fund	2,146	2,621
Memorials for Jail Ministry	77	100
St. Joseph Laundry Fund	10,299	7,379
Total Net Assets with Donor Restrictions	\$ 15,686	\$ 18,855

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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,	
	2023	2022
Net Assets Released From Restrictions		
Satisfaction of Purpose Restrictions		
St. Joseph Volunteers Fund	\$ 611	\$ -
Christmas Families Fund	559	-
CCUSA Eviction Prevention	6,062	-
Anabell Lee Scholarship Fund	775	-
Parents of Addicted Loved Ones Fund	475	-
Memorials for Jail Ministry	23	1,390
Expiration of Time Restrictions		
United Way Funds	-	73,903
 Total Net Assets Released From Restrictions	\$ 8,505	\$ 75,293

NOTE 14 – DONATED SERVICES, EQUIPMENT, AND IN-KIND CONTRIBUTIONS

For the years ended June 30, 2023 and 2022, Catholic Charities recognized contributed nonfinancial assets consisting of in-kind contributions of \$308,592 and \$16,889, 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 15 – LEASE INCOME

The Organization 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 \$48,122 and \$34,748 for the years ended June 30, 2023 and 2022. 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,	
	2023	2022
Building	\$ 92,500	\$ 92,500
Less Accumulated Depreciation	29,099	26,786
 Building, Net	\$ 63,401	\$ 65,714

NOTE 16 – SPECIAL FUNDRAISING EVENTS

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

	Years Ended June 30,	
	2023	2022
Gross Revenues	\$ 212,483	\$ 136,949
Fundraising Expenses	(32,301)	(41,307)
Net Fundraising Income	\$ 180,182	\$ 95,642