

**CATHOLIC CHARITIES, INC.**

**June 30, 2020**

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT*



**CATHOLIC CHARITIES, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Charities, Inc.  
Covington, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Inc. as of June 30, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in the notes to the financial statements, during 2020 Catholic Charities, Inc. adopted Accounting Standards Update (ASU) No 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to these matters.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
October 27, 2020

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

	Without Donor Restrictions	With Donor Restrictions	
	Operating Fund	Diocesan Director Fund	Total
<b>Assets</b>			
Cash	\$ 757,708	\$ 14,032	\$ 771,740
Accounts Receivable	17,040	-	17,040
Investments	2,113,655	-	2,113,655
Prepaid Expenses	11,501	-	11,501
Other Assets	41,029	-	41,029
Unconditional Promises to Give	101,000	83,600	184,600
Property and Equipment, Net	2,632,575	-	2,632,575
<b>Total Assets</b>	\$ 5,674,508	\$ 97,632	\$ 5,772,140

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>			
Note Payable	\$ 3,853	\$ -	\$ 3,853
Accounts Payable and Accrued Liabilities	54,617	-	54,617
Deferred Revenue	41,277	-	41,277
Construction Accounts Payable	108,723	-	108,723
Total Liabilities	208,470	-	208,470
<b>Net Assets</b>	5,466,038	97,632	5,563,670
<b>Total Liabilities and Net Assets</b>	\$ 5,674,508	\$ 97,632	\$ 5,772,140

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

	Without Donor Restrictions	With Donor Restrictions	
	Operating Fund	Diocesan Director Fund	Total
<b>Assets</b>			
Cash	\$ 711,802	\$ 16,404	\$ 728,206
Accounts Receivable	36,754	-	36,754
Investments	2,147,566	-	2,147,566
Prepaid Expenses	8,200	-	8,200
Other Assets	40,096	-	40,096
Property and Equipment, Net	1,960,659	-	1,960,659
<b>Total Assets</b>	<b>\$ 4,905,077</b>	<b>\$ 16,404</b>	<b>\$ 4,921,481</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>			
Note Payable	\$ 13,103	\$ -	\$ 13,103
Accounts Payable and Accrued Liabilities	26,295	-	26,295
Deferred Revenue	16,907	-	16,907
<b>Total Liabilities</b>	56,305	-	56,305
<b>Net Assets</b>	4,848,772	16,404	4,865,176
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,905,077</b>	<b>\$ 16,404</b>	<b>\$ 4,921,481</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
United Way and Community Chest	\$ 83,600	\$ 83,600	\$ 167,200
Program Service Fees	148,985	-	148,985
Fees and Grants From Government Agencies	308,582	-	308,582
Diocese of Covington	262,000	-	262,000
Private Grants	29,394	-	29,394
Net Investment Return	143,289	-	143,289
Contributions	1,034,756	-	1,034,756
Special Fundraising Events, Net	83,936	-	83,936
Other	49,372	-	49,372
Gain on Sale of Property and Equipment	15,071	-	15,071
Payroll Protection Program Revenue	231,598	-	231,598
	<u>2,390,583</u>	<u>83,600</u>	<u>2,474,183</u>
<b>Net Assets Released From Restriction</b>	<u>85,972</u>	<u>(85,972)</u>	<u>-</u>
	<u>2,476,555</u>	<u>(2,372)</u>	<u>2,474,183</u>
<b>Expenses</b>			
Program Services			
Parenting Programs	36,805	-	36,805
CARE Programs	36,647	-	36,647
Safe Passage Housing Counseling	121,988	-	121,988
Therapeutic Counseling	155,314	-	155,314
School Based Programs	340,481	-	340,481
Adoption, Pregnancy and Other Programs	158,467	-	158,467
Parish Kitchen	398,842	-	398,842
St. Joseph Apartments	197,866	-	197,866
	<u>1,446,410</u>	<u>-</u>	<u>1,446,410</u>
Overhead Expenses			
Management and General	285,067	-	285,067
Fundraising	127,812	-	127,812
	<u>412,879</u>	<u>-</u>	<u>412,879</u>
	<u>1,859,289</u>	<u>-</u>	<u>1,859,289</u>
Change in Net Assets	617,266	(2,372)	614,894
<b>Net Assets, Beginning of Year, As Restated</b>	<u>4,848,772</u>	<u>100,004</u>	<u>4,948,776</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,466,038</u>	<u>\$ 97,632</u>	<u>\$ 5,563,670</u>

See accompanying notes.

**CATHOLIC CHARITIES, INC.  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
United Way and Community Chest	\$ 193,222	\$ -	\$ 193,222
Program Service Fees	173,143	-	173,143
Fees and Grants From Government Agencies	301,965	-	301,965
Diocese of Covington	262,000	-	262,000
Private Grants	23,686	-	23,686
Net Investment Return	175,536	-	175,536
Contributions	549,722	9,446	559,168
Special Fundraising Events, Net	59,879	-	59,879
Other	63,219	-	63,219
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	1,802,372	9,446	1,811,818
<b>Net Assets Released From Restriction</b>			
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	371	(371)	-
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains and Reclassifications	1,802,743	9,075	1,811,818
	<hr/>	<hr/>	<hr/>
<b>Expenses</b>			
Program Services			
Parenting Programs	69,525	-	69,525
Safe Passage Housing Counseling	112,292	-	112,292
Therapeutic Counseling	238,810	-	238,810
School Based Programs	300,437	-	300,437
Adoption, Pregnancy and Other Programs	159,996	-	159,996
Parish Kitchen	378,662	-	378,662
St. Joseph Apartments	186,850	-	186,850
	<hr/>	<hr/>	<hr/>
Total Program Services	1,446,572	-	1,446,572
Overhead Expenses			
Management and General	321,117	-	321,117
Fundraising	128,592	-	128,592
	<hr/>	<hr/>	<hr/>
Total Overhead Expenses	449,709	-	449,709
	<hr/>	<hr/>	<hr/>
Total Expenses	1,896,281	-	1,896,281
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(93,538)	9,075	(84,463)
<b>Net Assets, Beginning of Year</b>			
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	4,942,310	7,329	4,949,639
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 4,848,772	\$ 16,404	\$ 4,865,176
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See accompanying notes.



**CATHOLIC CHARITIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR YEAR ENDED JUNE 30, 2020**

	Parenting Programs	CARE Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total	Management and General	Fundraising	Total
Salaries and Wages	\$ 23,852	\$ 23,852	\$ 77,508	\$ 86,907	\$ 237,839	\$ 98,063	\$ 173,346	\$ 69,997	\$ 791,364	\$ 176,049	\$ 78,420	\$ 1,045,833
Employee Benefits and Payroll Taxes	7,826	7,826	24,872	26,800	56,711	20,585	55,714	23,068	223,402	49,061	20,868	293,331
<b>Total Salaries, Wages and Related Expenses</b>	<b>31,678</b>	<b>31,678</b>	<b>102,380</b>	<b>113,707</b>	<b>294,550</b>	<b>118,648</b>	<b>229,060</b>	<b>93,065</b>	<b>1,014,766</b>	<b>225,110</b>	<b>99,288</b>	<b>1,339,164</b>
Professional Fees	279	279	1,129	3,105	5,518	1,196	7,352	894	19,752	17,256	921	37,929
Office Supplies	113	113	367	516	1,275	771	1,590	376	5,121	1,452	489	7,062
Household Supplies	37	37	119	133	365	700	2,162	107	3,660	270	120	4,050
Telephone	260	260	844	946	2,591	1,345	2,930	1,212	10,388	1,919	853	13,160
Postage and Shipping	95	87	283	317	868	377	3,905	255	6,187	643	2,181	9,011
Occupancy, Building and Grounds	832	832	2,705	3,034	8,308	3,419	32,371	86,230	137,731	6,153	2,736	146,620
Maintenance of Equipment	8	8	26	29	79	1,972	3,458	23	5,603	59	26	5,688
Information Technology	721	721	3,414	2,628	7,196	2,962	5,278	2,118	25,038	5,329	2,915	33,282
Printing, Subscriptions, and Publications	330	180	1,643	685	2,718	2,651	11,282	803	20,292	1,342	8,416	30,050
Marketing and Development	-	-	-	-	-	-	132	-	132	-	829	961
Travel	-	-	284	11	3,261	1,502	227	2,010	7,295	2,864	225	10,384
Conferences, Conventions and Meetings	58	58	189	212	819	850	422	384	2,992	1,814	536	5,342
Staff Education Expenses	120	120	548	1,057	1,413	681	864	1,483	6,286	988	473	7,747
Specific Assistance to Individuals	-	-	667	8,806	668	12,053	253	1,548	23,995	-	-	23,995
Membership Dues	9	9	30	33	91	37	66	27	302	842	360	1,504
Miscellaneous	-	-	-	-	-	-	5,044	680	5,724	2,285	-	8,009
Food	-	-	-	-	-	-	76,073	-	76,073	-	-	76,073
Insurance Premiums	396	396	1,286	1,442	3,950	1,626	2,861	1,162	13,119	2,926	1,301	17,346
<b>Total Expenses Before Depreciation</b>	<b>34,936</b>	<b>34,778</b>	<b>115,914</b>	<b>136,661</b>	<b>333,670</b>	<b>150,790</b>	<b>385,330</b>	<b>192,377</b>	<b>1,384,456</b>	<b>271,252</b>	<b>121,669</b>	<b>1,777,377</b>
Depreciation	1,869	1,869	6,074	18,653	6,811	7,677	13,512	5,489	61,954	13,815	6,143	81,912
<b>Total Expenses by Function</b>	<b>\$ 36,805</b>	<b>\$ 36,647</b>	<b>\$ 121,988</b>	<b>\$ 155,314</b>	<b>\$ 340,481</b>	<b>\$ 158,467</b>	<b>\$ 398,842</b>	<b>\$ 197,866</b>	<b>\$ 1,446,410</b>	<b>\$ 285,067</b>	<b>\$ 127,812</b>	<b>\$ 1,859,289</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR YEAR ENDED JUNE 30, 2019**

	Parenting Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total	Management and General	Fundraising	Total
Salaries and Wages	\$ 46,475	\$ 74,844	\$ 152,880	\$ 199,741	\$ 92,762	\$ 164,833	\$ 65,576	\$ 797,111	\$ 199,101	\$ 70,086	\$ 1,066,298
Employee Benefits and Payroll Taxes	13,851	21,918	43,176	55,358	28,605	45,125	22,984	231,017	57,330	19,691	308,038
<b>Total Salaries, Wages and Related Expenses</b>	<b>60,326</b>	<b>96,762</b>	<b>196,056</b>	<b>255,099</b>	<b>121,367</b>	<b>209,958</b>	<b>88,560</b>	<b>1,028,128</b>	<b>256,431</b>	<b>89,777</b>	<b>1,374,336</b>
Professional Fees	595	1,291	3,637	3,694	1,546	9,204	1,468	21,435	16,683	902	39,020
Office Supplies	215	344	862	1,642	792	1,447	371	5,673	948	536	7,157
Household Supplies	134	215	440	640	387	3,760	249	5,825	641	202	6,668
Telephone	396	635	1,298	1,695	1,109	3,276	1,870	10,279	1,690	595	12,564
Postage and Shipping	152	298	512	651	320	3,169	214	5,316	874	3,705	9,895
Occupancy, Building and Grounds	1,736	2,782	5,682	7,424	3,448	32,420	81,865	135,357	7,400	2,605	145,362
Maintenance of Equipment	502	804	1,643	2,146	1,228	13,592	755	20,670	2,139	753	23,562
Information Technology	720	1,392	2,357	3,079	1,430	2,641	1,011	12,630	3,069	1,080	16,779
Printing and Publications	29	46	237	455	1,661	4,055	40	6,523	838	10,618	17,979
Subscriptions and Publications	297	474	482	952	2,296	743	207	5,451	832	1,787	8,070
Travel	-	-	116	3,038	879	33	1,575	5,641	2,955	590	9,186
Special Events	-	-	-	-	-	920	-	920	-	605	1,525
Conferences, Conventions and Meetings	114	424	491	970	5,815	403	630	8,847	6,216	8,242	23,305
Staff Education Expenses	192	308	630	968	810	739	270	3,917	2,717	368	7,002
Specific Assistance to Individuals	50	-	10,704	590	8,830	972	2,055	23,201	-	-	23,201
Membership Dues	25	39	430	105	49	112	34	794	450	162	1,406
Miscellaneous	100	160	328	428	199	428	140	1,783	427	150	2,360
Food	-	-	-	-	-	76,876	-	76,876	-	-	76,876
Insurance Premiums	662	1,061	2,168	2,832	1,315	2,337	930	11,305	2,823	994	15,122
<b>Total Expenses Before Depreciation</b>	<b>66,245</b>	<b>107,035</b>	<b>228,073</b>	<b>286,408</b>	<b>153,481</b>	<b>367,085</b>	<b>182,244</b>	<b>1,390,571</b>	<b>307,133</b>	<b>123,671</b>	<b>1,821,375</b>
Depreciation	3,280	5,257	10,737	14,029	6,515	11,577	4,606	56,001	13,984	4,921	74,906
<b>Total Expenses by Function</b>	<b>\$ 69,525</b>	<b>\$ 112,292</b>	<b>\$ 238,810</b>	<b>\$ 300,437</b>	<b>\$ 159,996</b>	<b>\$ 378,662</b>	<b>\$ 186,850</b>	<b>\$ 1,446,572</b>	<b>\$ 321,117</b>	<b>\$ 128,592</b>	<b>\$ 1,896,281</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Change in Net Assets	\$ 617,266	\$ (2,372)	\$ 614,894
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Depreciation	81,912	-	81,912
Gain on Sale of Property and Equipment	(15,071)	-	(15,071)
Net Realized and Unrealized Gains on Investments	(65,829)	-	(65,829)
Gifts for Restricted Purposes	(394,898)	-	(394,898)
Changes in			
Accounts Receivable	19,714	-	19,714
Prepaid Expenses	(3,301)	-	(3,301)
Other Assets	(933)	-	(933)
Unconditional Promises to Give	(101,000)	-	(101,000)
Accounts Payable and Accrued Liabilities	28,322	-	28,322
Deferred Revenue	24,370	-	24,370
	<u>190,552</u>	<u>(2,372)</u>	<u>188,180</u>
Cash Provided (Used) by Operating Activities			
<b>Cash Flows From Investing Activities</b>			
Acquisition of Property and Equipment	(1,088,407)	-	(1,088,407)
Proceeds from Sale of Property and Equipment	349,650	-	349,650
Proceeds From Sale of Investments	114,899	-	114,899
Purchases of Investments	(15,159)	-	(15,159)
	<u>(639,017)</u>	<u>-</u>	<u>(639,017)</u>
Cash Used by Investing Activities			
<b>Cash Flows From Financing Activities</b>			
Gifts for Restricted Purposes	394,898	-	394,898
Payments on Note Payable	(9,250)	-	(9,250)
Construction Accounts Payable	108,723	-	108,723
	<u>494,371</u>	<u>-</u>	<u>494,371</u>
Cash Provided by Financing Activities			
Net Change in Cash	45,906	(2,372)	43,534
<b>Cash, Beginning of Year</b>	<u>711,802</u>	<u>16,404</u>	<u>728,206</u>
<b>Cash, End of Year</b>	<u>\$ 757,708</u>	<u>\$ 14,032</u>	<u>\$ 771,740</u>

See accompanying notes.

**CATHOLIC CHARITIES, INC.  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Change in Net Assets	\$ (93,538)	\$ 9,075	\$ (84,463)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities			
Depreciation	74,906	-	74,906
Net Realized and Unrealized Gains on Investments	(94,623)	-	(94,623)
Changes in			
Accounts Receivable	42,768	-	42,768
Prepaid Expenses	(4,183)	-	(4,183)
Other Assets	(5,399)	-	(5,399)
Accounts Payable and Accrued Liabilities	24,567	-	24,567
	<u>(55,502)</u>	<u>9,075</u>	<u>(46,427)</u>
Cash (Used) Provided by Operating Activities			
<b>Cash Flows From Investing Activities</b>			
Acquisition of Property and Equipment	(488,661)	-	(488,661)
Proceeds From Sale of Investments	656,297	-	656,297
Purchases of Investments	(69,866)	-	(69,866)
	<u>97,770</u>	<u>-</u>	<u>97,770</u>
Cash Provided by Investing Activities			
<b>Cash Flows From Financing Activities</b>			
Payments on Note Payable	(9,251)	-	(9,251)
	<u>33,017</u>	<u>9,075</u>	<u>42,092</u>
Net Change in Cash			
<b>Cash, Beginning of Year</b>	<u>678,785</u>	<u>7,329</u>	<u>686,114</u>
<b>Cash, End of Year</b>	<u>\$ 711,802</u>	<u>\$ 16,404</u>	<u>\$ 728,206</u>

See accompanying notes.

**CATHOLIC CHARITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Catholic Charities, 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 counseling and social services in the Greater Cincinnati and Northern Kentucky areas.

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

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Accounts Receivable**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. Catholic Charities begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for uncollectible accounts based on Catholic Charities' collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts 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 June 30, 2020 and 2019 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 uncollectable 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 uncollectable. Based on these criteria, no allowance for uncollectible promises to give has been provided at June 30, 2020 or 2019 since Catholic Charities does not expect any material losses.

**Contract Assets and Liabilities**

Receivables from contracts with customers are reported as receivables 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, 2020 and 2019.

**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, 2020 and 2019.

*Paycheck Protection Program Funding*

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

**Donated Services, Food, and Items**

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

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

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

Donated food for the Parish Kitchen program estimated to be valued at \$13,925 and \$20,497 has been recorded in these financial statements for the years ended June 30, 2020 and 2019, respectively.

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

**Retirement Plan**

Catholic Charities has a tax sheltered annuity plan and custodial account covering substantially all of its employees. By its nature, the Plan is fully funded.

**Functional Allocation of Expenses**

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

**Income Tax Status**

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

Catholic Charities has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. Catholic Charities recognized no interest or penalties in the statements of activities for either of the years ended June 30, 2020 or 2019. 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, 2020 or 2019.



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

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassification had no impact on previously reported total net assets. The reclassification did result in adjustments to the classification of functional expenses as of June 30, 2020 and net assets at June 30, 2019. The result of the reclassification adjustment to net assets at June 30, 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Previously Reported at June 30, 2019	\$ 4,819,622	\$ 45,554	\$ 4,865,176
Reclassification of Net Assets	<u>29,150</u>	<u>(29,150)</u>	<u>-</u>
	<u>\$ 4,848,772</u>	<u>\$ 16,404</u>	<u>\$ 4,865,176</u>

**Recently Issued Significant Accounting Standard***Lease Accounting Standard*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

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

**Change in Accounting Principle**

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Catholic Charities has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Catholic Charities has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements.

Collectively, the new Topic 606 and 958 will be referred to as the “new guidance.”

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

Catholic Charities adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. As a result, Catholic Charities recorded a cumulative adjustment to net assets as of July 1, 2019, to reflect the effect of the new guidance. Catholic Charities applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in changes to Catholic Charities' accounting policies for revenue recognition and pledges receivables as detailed below.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in the 2020 financial statements. Following are the line items from the statement of financial position as of June 30, 2020 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<b>Assets</b>			
Unconditional Promises to Give	\$ -	\$ 83,600	\$ 83,600
<b>Net Assets</b>			
With Donor Restrictions	\$ 14,032	\$ 83,600	\$ 97,632

Following are the line items from the statement of activities and cash flows for the year ended June 30, 2020 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<b>Revenues</b>			
United Way Allocations - Without Donor Restrictions	\$ 167,200	\$ (83,600)	\$ 83,600
United Way Allocations - With Donor Restrictions	\$ -	\$ 83,600	\$ 83,600
<b>Changes in Net Assets</b>			
Without Donor Restrictions	\$ 700,866	\$ (83,600)	\$ 617,266
With Donor Restrictions	\$ (85,972)	\$ 83,600	\$ (2,372)
<b>Net Assets</b>			
Net Assets With Donor Restrictions, Beginning of Year	\$ 16,404	\$ 83,600	\$ 100,004

**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,	
	2020	2019
Cash, Without Restrictions	\$ 674,919	\$ 711,802
Accounts Receivable	17,040	36,754
Unconditional Promises to Give	159,600	-
Investments	2,113,655	2,147,566
	\$ 2,965,214	\$ 2,896,122

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.

Catholic Charities also has uninsured cash held at the Diocese of Covington (the Diocese). The amount of uninsured cash held at the Diocese as of June 30, 2020 and 2019 was \$282,342 and \$377,024, respectively.

Catholic Charities' only debt is a non-interest note payable (see Note Payable note), therefore no cash was paid for interest for either of the years ended June 30, 2020 or 2019.

**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give were as follows:

Amounts Promised		
Within One Year	\$ 76,000	\$ -
One to Five Years	25,000	-
Unconditional Promises to Give	\$ 101,000	\$ -

During the years ended June 30, 2020 and 2019, Catholic Charities spent \$101,000 and \$-0-, respectively, more than received in cash from pledges for the updates and renovations to a building placed in service as of June 30, 2020. Therefore \$101,000 and \$-0- of the pledge receivable for the years ended June 30, 2020 and 2019, 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, 2020		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,078,977	\$ 2,113,655	\$ 1,034,678
	June 30, 2019		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	\$ 1,153,490	\$ 2,147,566	\$ 994,076

Net Investment return is summarized as follows:

	Years Ended June 30,	
	2020	2019
Interest and Dividend Income, Net	\$ 18,560	\$ 25,759
Realized Gain on Investments	13,051	51,459
Unrealized Gain on Investments	52,778	43,164
Trust Income	58,900	55,154
Net Investment Return	\$ 143,289	\$ 175,536

Investment fees of \$2,098 and \$2,526 for the years ended June 30, 2020 and 2019, 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.

**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

**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.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2020 and 2019.

*Trusts, Stocks and Bonds (Included in Pooled Investments):* Valued at the closing price reported on the active market on which the individual securities are traded.

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

All investments were valued at Level 2 at both June 30, 2020 and 2019.

**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,	
	2020	2019
Building	\$ 2,005,474	\$ 2,417,886
Furniture and Equipment	211,439	211,439
Leasehold Improvements	1,221,859	380,640
Autos	17,099	17,099
	<u>3,455,871</u>	<u>3,027,064</u>
Less Accumulated Depreciation	<u>823,296</u>	<u>1,066,405</u>
Total Property and Equipment	<u>\$ 2,632,575</u>	<u>\$ 1,960,659</u>

**NOTE 8 – NOTE PAYABLE**

	June 30,	
	2020	2019
<p>Catholic Charities has a note payable that was incurred for the purchase of rental property. Principal payments of \$771 are required monthly through December 1, 2020, when all unpaid principal and accrued but unpaid interest, if any, becomes due. No interest on the outstanding balance of the note shall accrue so long as the principal is repaid as required. The note is not collateralized.</p>	\$ 3,853	\$ 13,103
	\$ 3,853	\$ 13,103

**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,			
	2020		2019	
	Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$ 672,203	\$ 974,660	\$ 698,470	\$ 953,607
EOK Trust	319,784	333,256	338,352	334,203
	\$ 991,987	\$ 1,307,916	\$ 1,036,822	\$ 1,287,810

**NOTE 10 – GRANTS**

Grants from the United Way are reviewed and revised annually by the United Way Board of Directors. The Board awarded grants of \$167,200 and \$193,222 to Catholic Charities for the years ended June 30, 2020 and 2019, respectively.

Contributions from the Diocese are applied for annually and approved by the Bishop. The contributions from the Diocese for each of the years ended June 30, 2020 and 2019 was \$262,000.

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

**NOTE 11 – RETIREMENT PLAN EXPENSE**

Contributions to Catholic Charities' tax sheltered annuity plan are based upon a percentage of all eligible employees' salaries. The contributions for the years ended June 30, 2020 and 2019 were \$64,949 and \$67,163, respectively.

**NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2020	2019
<b>Subject to Expenditure for Specified Purpose:</b>		
Annabelle Lee Scholarship Fund	\$ 775	\$ 775
St. Joseph Volunteers Fund	611	1,420
Christmas Families Fund	868	1,755
Parents of Addicted Love Fund	2,621	2,725
Memorials for Jail Ministry	1,828	2,400
United Way Funds	83,600	83,600
St. Joseph Laundry Fund	7,329	7,329
	<u>97,632</u>	<u>100,004</u>
Total Net Assets with Donor Restrictions	\$ <u>97,632</u>	\$ <u>100,004</u>

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

**Net Assets Released from Restrictions**

Satisfaction of Purpose Restrictions		
St. Joseph Volunteers Fund	\$ 809	\$ 42
Christmas Families Fund	887	-
Parents of Addicted Love Fund	104	-
Memorials for Jail Ministry	572	329
United Way Funds	83,600	-
	<u>85,972</u>	<u>371</u>
Total Net Assets Released From Restrictions	\$ <u>85,972</u>	\$ <u>371</u>

**NOTE 13 – SPECIAL FUNDRAISING EVENTS**

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

	Years Ended June 30,	
	2020	2019
Gross Revenues	\$ 125,468	\$ 100,503
Fundraising Expenses	(41,532)	(40,624)
	<u>83,936</u>	<u>59,879</u>
Net Fundraising Income	\$ <u>83,936</u>	\$ <u>59,879</u>

**NOTE 14 – OPERATING LEASES**

Catholic Charities leases office equipment under non-cancelable operating leases from unrelated parties. The leases expire at various dates through January 2022. Total lease expense was \$5,835 for each of the years ended June 30, 2020 and 2019.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2020, for the remainder of the leases are as follows:

Years Ending June 30,	
2021	\$ 5,719
2022	<u>2,860</u>
	<u>\$ 8,579</u>

**NOTE 15 – SUBSEQUENT EVENTS**

Catholic Charities has evaluated subsequent events through October 27, 2020, which is the date the financial statements were available to be issued.

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