

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

June 30, 2021

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021 and 2020, 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 of the Diocese of Covington, Inc. as of June 30, 2021 and 2020, 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.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 10, 2022



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

ASSETS

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

LIABILITIES AND NET ASSETS

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

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	<u>Operating Fund</u>	<u>Diocesan Director Fund</u>	<u>Total</u>
Assets			
Cash	\$ 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	<u>2,632,575</u>	<u>-</u>	<u>2,632,575</u>
Total Assets	<u>\$ 5,674,508</u>	<u>\$ 97,632</u>	<u>\$ 5,772,140</u>

LIABILITIES AND NET ASSETS

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

See accompanying notes.

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

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

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, 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>
Revenue, Support, and Gains			
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	84,389	-	84,389
Trust Income	58,900	-	58,900
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
Total Revenue, Support, and Gains	2,390,583	83,600	2,474,183
Net Assets Released From Restriction	85,972	(85,972)	-
Total Revenue, Support, Gains and Reclassifications	2,476,555	(2,372)	2,474,183
Expenses			
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
Total Program Services	1,446,410	-	1,446,410
Overhead Expenses			
Management and General	285,067	-	285,067
Fundraising	127,812	-	127,812
Total Overhead Expenses	412,879	-	412,879
Total Expenses	1,859,289	-	1,859,289
Change in Net Assets	617,266	(2,372)	614,894
Net Assets, Beginning of Year	4,848,772	100,004	4,948,776
Net Assets, End of Year	\$ 5,466,038	\$ 97,632	\$ 5,563,670

See accompanying notes.

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

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

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2020

	Program Services									Management and General	Fundraising	Total
	Parenting Programs	CARE Programs	Safe Passage Housing Counseling	Therapeutic Counseling	School Based Programs	Adoption, Pregnancy and Other Programs	Parish Kitchen	St. Joseph Apartments	Program Total			
Salaries and Wages	\$ 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
Total Salaries, Wages and Related Expenses	31,678	31,678	102,380	113,707	294,550	118,648	229,060	93,065	1,014,766	225,110	99,288	1,339,164
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
Special Events	-	-	-	-	-	-	-	-	-	-	41,532	41,532
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
Total Expenses Before Depreciation	34,936	34,778	115,914	136,661	333,670	150,790	385,330	192,377	1,384,456	271,252	163,201	1,818,909
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
Total Expenses by Function	36,805	36,647	121,988	155,314	340,481	158,467	398,842	197,866	1,446,410	285,067	169,344	1,900,821
Less Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(41,532)	(41,532)
Total Expenses Included in the Expense Section on the Statements of Activities	<u>\$ 36,805</u>	<u>\$ 36,647</u>	<u>\$ 121,988</u>	<u>\$ 155,314</u>	<u>\$ 340,481</u>	<u>\$ 158,467</u>	<u>\$ 398,842</u>	<u>\$ 197,866</u>	<u>\$ 1,446,410</u>	<u>\$ 285,067</u>	<u>\$ 127,812</u>	<u>\$ 1,859,289</u>

See accompanying notes.

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

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

See accompanying notes.

CATHOLIC CHARITIES OF THE DIOCESE OF COVINGTON, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u> <u>Operating Fund</u>	<u>With Donor Restrictions</u> <u>Diocesan Director Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
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			
Cash Flows From Investing Activities			
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			
Cash Flows From Financing Activities			
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
Cash, Beginning of Year	<u>711,802</u>	<u>16,404</u>	<u>728,206</u>
Cash, End of Year	<u>\$ 757,708</u>	<u>\$ 14,032</u>	<u>\$ 771,740</u>

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Use of Estimates

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

Accounts Receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. Catholic Charities begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for uncollectible accounts based on Catholic Charities' collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. 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 both June 30, 2021 and 2020 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, 2021 or 2020 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, 2021 and 2020.

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, 2021 and 2020.

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 were forgivable within a 24-week period as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained other designated thresholds. The unforgiven portion of the PPP loan was payable over five years at an interest rate of 1%, with a deferral of payments until the date that the lender received the forgiveness amount from the SBA. Catholic Charities intended to use the proceeds for purposes consistent with the PPP. Catholic Charities accounted for the PPP Funding in accordance with ASC 958-605 *Revenue Recognition for Nonprofit Entities*. Revenue was recognized as eligible expenses and other conditions were substantially met or incurred. At June 30, 2020, Catholic Charities had recognized revenue of \$231,598 as it had determined eligible expenses and other conditions have been met regarding a portion of the funding, and \$41,277 as deferred revenue for the remainder of the funding yet to satisfy the conditions. In December 2020, Catholic Charities received full forgiveness of the loan and at June 30, 2021, the remaining \$41,277 was recognized as revenue on the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated food for the Parish Kitchen program estimated to be valued at \$7,050 and \$13,925 has been recorded in these financial statements for the years ended June 30, 2021 and 2020, 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, 2021 or 2020. 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, 2021 or 2020.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in current year financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Recently Issued Significant Accounting Standard***Lease Accounting Standard*

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

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

Subsequent Events

Catholic Charities has evaluated subsequent events through February 10, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

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

	June 30,	
	2021	2020
Cash, Without Restrictions	\$ 880,824	\$ 757,708
Accounts Receivable	87,561	17,040
Unconditional Promises to Give	50,000	101,000
Investments	2,592,846	2,113,655
	<u>\$ 3,611,231</u>	<u>\$ 2,989,403</u>

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' only debt was a non-interest note payable (see Note Payable note), therefore no cash was paid for interest for either of the years ended June 30, 2021 or 2020.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

	June 30,	
	2021	2020
Amounts Promised		
Within One Year	\$ 108,903	\$ 159,600
One to Five Years	15,000	25,000
Unconditional Promises to Give	<u>\$ 123,903</u>	<u>\$ 184,600</u>

During the years ended June 30, 2021 and 2020, Catholic Charities spent \$50,000 and \$101,000, respectively, more than received in cash from promises to give for the updates and renovations to a building placed in service as of June 30, 2020. Therefore \$50,000 and \$100,000 of the promises to give for the years ended June 30, 2021 and 2020, 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, 2021		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	<u>\$ 1,025,300</u>	<u>\$ 2,592,846</u>	<u>\$ 1,567,546</u>
	June 30, 2020		
	Cost	Fair Value	Unrealized Gains
Operating Fund Investments	<u>\$ 1,078,977</u>	<u>\$ 2,113,655</u>	<u>\$ 1,034,678</u>

Net investment return is summarized as follows:

	Years Ended June 30,	
	2021	2020
Interest and Dividend Income, Net	\$ 16,622	\$ 18,560
Realized Gain on Investments	74,195	13,051
Unrealized Gain on Investments	502,472	52,778
Net Investment Return	<u>\$ 593,289</u>	<u>\$ 84,389</u>

Investment fees of \$2,310 and \$2,098 for the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020.

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, 2021 and 2020.

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,	
	2021	2020
Building	\$ 3,295,005	\$ 2,005,474
Furniture and Equipment	102,408	211,439
Leasehold Improvements	178,362	1,221,859
Autos	17,099	17,099
	3,592,874	3,455,871
Less Accumulated Depreciation	918,115	823,296
Total Property and Equipment	<u>\$ 2,674,759</u>	<u>\$ 2,632,575</u>

NOTE 8 – CONTRACT BALANCES

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

	Years Ended June 30,	
	2021	2020
Accounts Receivable		
Beginning of Year	\$ 17,040	\$ 36,754
End of Year	\$ 87,561	\$ 17,040
Deferred Revenue		
Beginning of Year	\$ 41,277	\$ 16,907
End of Year	\$ 6,057	\$ 41,277

NOTE 9 – NOTE PAYABLE

	June 30,	
	2021	2020
Catholic Charities had a note payable that was incurred for the purchase of rental property. Principal payments of \$771 were required monthly through December 1, 2020, when all unpaid principal and accrued but unpaid interest, if any, became due. No interest on the outstanding balance of the note accrued so long as the principal was repaid as required. The note was not collateralized.	<u>\$ -</u>	<u>\$ 3,853</u>

NOTE 10 – TRUST FUNDS

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

		June 30,			
		2021		2020	
		Cost	Fair Market Value	Cost	Fair Market Value
Langhammer Brothers Trust	\$	643,378	\$ 1,174,919	\$ 672,203	\$ 974,660
EOK Trust		<u>305,644</u>	<u>313,464</u>	<u>319,784</u>	<u>333,256</u>
	\$	<u>949,022</u>	<u>1,488,383</u>	<u>991,987</u>	<u>1,307,916</u>

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 \$149,524 and \$167,200 to Catholic Charities for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$270,300 and \$262,000, 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, 2021 and 2020 were \$59,835 and \$64,949, respectively.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30,	
	2021	2020
Subject to Expenditure for Specified Purpose:		
St. Joseph Volunteers Fund	\$ 611	\$ 611
Christmas Families Fund	536	868
Annabelle Lee Scholarship Fund	775	775
Parents of Addicted Loved Ones Fund	2,621	2,621
Memorials for Jail Ministry	1,490	1,828
United Way Funds	73,903	83,600
St. Joseph Laundry Fund	7,329	7,329
Total Net Assets with Donor Restrictions	<u>\$ 87,265</u>	<u>\$ 97,632</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
Christmas Families Fund	332	887
Parents of Addicted Loved Ones Fund	-	104
Memorials for Jail Ministry	338	572
United Way Funds	83,600	83,600
Total Net Assets Released From Restrictions	<u>\$ 84,270</u>	<u>\$ 85,972</u>

NOTE 14 – SPECIAL FUNDRAISING EVENTS

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

	Years Ended June 30,	
	2021	2020
Gross Revenues	\$ 100,119	\$ 125,468
Fundraising Expenses	<u>(29,574)</u>	<u>(41,532)</u>
Net Fundraising Income	<u>\$ 70,545</u>	<u>\$ 83,936</u>

NOTE 15 – 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, 2021 and 2020.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2021, for the remainder of the leases are \$2,860 for the year ending June 30, 2022.

NOTE 16 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

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.